

Capital protection comparison table

Last updated: 4th March 2011

2011 Capital Protected Products

Investment name	Min. Initial Investment	Type Capital Protection	Investment Term	Income	Level of protection /guarantee	Level of participation in underlying investment fund	Able to borrow to invest	Closing date	Fund choice	Wealth Focus Rebate Offer	Lonsec Rating	Notes
Alpha Results Series 10 (Income)	\$20,000	Put options	18 mths	Monthly 12.1%pa irrespective of performance	100% provided lowest share does not fall > 40%	N/A	No	28/03/2011	Capital return linked to basket of shares AMP, BXB, RIO, WES, QBE	-	Recommended	This strategy could be considered suitable for sideways markets as capital growth is given up in lieu of receiving a fixed monthly return. Some limited protection provided - provided no share falls by >40%, 100% capital return.
Alpha Results Series 10 (Leveraged Income)	\$20,000	Put options	18 mths	15%pa irrespective of performance	100% provided lowest share does not fall > 40%	N/A	No	28/03/2011	Capital return linked to basket of shares AMP, BXB, RIO, WES, QBE	-	Recommended	Leveraged Income is identical to Income option. Higher income = greater risk. If 40% barrier breached, investors get 75% of lowest performing share.
Axa North (Investment Guarantee)	\$20,000	Dynamic Hedging	6 or 8 years	Distributions reinvested until end of term	100% rising guarantee	100%	No	Ongoing	49	No initial fee	Recommended	Charge for protection is explicit and can initially look more expensive than other products. Added benefit of ability to turn off when not needed. Ability to switch funds
Axa North (Growth Guarantee)	\$20,000	Dynamic Hedging	10 or 20 years	Distributions reinvested until end of term	100% rising guarantee	100%	No	Ongoing	49	No initial fee	Recommended	Charge for protection is explicit and can initially look more expensive than other products. Added benefit of ability to turn off when not needed. Early encashment benefits from an "accrual" of protection level.
Axa North (Retirement Guarantee)	\$20,000	Dynamic Hedging	Lifetime	5% pa guaranteed for life	100% rising guarantee	100%	No	Ongoing	49	No initial fee	Recommended	The guarantee of 5% pa of the highest annual anniversary fund value makes this an attractive alternative to lifetime annuities.
CBA - Capital Series Cornerstone (strategy 1)	\$10,000	Bond + Call	5.5 years	5%pa after 18 mths	100%	100% (hurdle of 25%, capped at 70%)	Yes	11/04/2011	Basket of 20 largest ASX shares	2% (1% if no loan)	Investment Grade	A fixed income of 5%pa, provides an alternative for term deposit investment holders with the potential for further upside of over 8%pa should the basket of shares increase in value
CBA - Capital Series Cornerstone (strategy 2)	\$10,000	Bond + Call	5.5 years	NIL	100%	165% (capped at 50%)	Yes	11/04/2011	S&P ASX 200	2% (1% if no loan)	Recommended	Investment Return capped at 50% x 165% = 82.5% capped return.
HSBC 100+ - Emerging Markets Outperformance (Income)	\$20,000	Bond + Call	3 years	Distributes gains as income each year	100%	70% (Volatility overlay participation between 0-150%)	No	18/03/2011	Outperformance of the Global Emerging Markets (GEM) Index over developed markets	1%	Recommended	Income option is our preference on HSBC growth vs income, however, we feel the volatility overlay is calculated over too short a time frame. There is a further participation reduction to GEM based on market trends which seems questionable.
HSBC 100+ - Emerging Markets Outperformance (Growth)	\$20,000	Bond + Call	3 years	NIL	100%	100% (Volatility overlay participation between 0-150%)	No	18/03/2011	Outperformance of the GEM Index over developed markets	1%	Recommended	Good strategy for those who feel Emerging Markets will outperform developed markets. We feel the volatility overlay is calculated over too short a time frame and the further reduction to GEM based on market trends seems excessive.
INstreet - Mast ARC (Series 5)	\$25,000	Bond + Call	3 years	Distributes gains as income each year	100%	100%	Compulsory (available for SMSFs)	8/04/2011	Absolute Return Commodities Index (Barclays Capital ComBATS 6 VOLT 5% Excess Return Index)	No initial fee	Recommended	100% loan is in-built to this product. Low cost of borrowing (6.35% pa). Can Walk-Away at any time if investment falls in value without any liability. Annual reset feature is attractive.

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INstreet - Mast ASX200	\$25,000	Bond + Call	5 years	Distributes up to 5% gains each year	100%	Volatility overlay - participation between 0-150%	Compulsory (available for SMSFs)	8/04/2011	ASX 200	No initial fee	Recommended	100% loan is in-built to this product (interest rate of 8.8% pa). Can walk away at any time if investment falls in value without any liability. Annual Walk-Away / reset feature is attractive
JB Global - Income & Accelerator 16 - ASX200	\$50,000	Bond + Call	3 years	Distributes up to 9% gains each year	100%	Volatility overlay - participation between 0-150%	Compulsory (available for SMSFs)	30/03/2011	ASX 200	-	Investment Grade	All 3 years are paid up front. A performance fee is unusual to see within these types of products. We like the annual distributions and 3 year term.
JB Global - Income & Accelerator 17 - Berkshire Hathaway	\$50,000	Bond + Call	3 years	Distributes up to 9% gains each year	100%	Volatility overlay - participation between 0-200%	Compulsory (available for SMSFs)	30/03/2011	Berkshire Hathaway Class B Shares	-	Approved	All 3 years interest paid up front. The 10% performance fee is unusual to see within these types of products. We like the annual distributions and short 3 year term.
JB Global - Income & Accelerator 18 - Chindia	\$50,000	Bond + Call	3 years	Distributes up to 9% gains each year	100%	Volatility overlay - participation between 0-150%	Compulsory (available for SMSFs)	30/03/2011	Average of Hang Seng China Enterprises & CNX Nifty Futures (India)	-	Investment Grade	All 3 years interest paid up front. Average of growth in China & India offers investors a good alternative to other products. A performance fee is unusual to see within these types of products. We like the annual distributions and short 3 yr term.
Macquarie - Flexi 100 (Class AD - AE)	\$25,000	Bond + Call	5.5 years	4%pa	100%	100% (hurdle of 22%, ASX 200 is capped at 100% growth)	Compulsory (available for SMSFs)	18/03/2011	S&P ASX 200 or Asian Equities	2% rebate on loan fee	Recommended	Fixed income is an attractive feature. Note that the final growth deducts this (the hurdle). Play off is the cap on returns Annual walk away feature means investors are not tied in
Macquarie - Flexi 100 (Class AF)	\$25,000	Bond + Call	3.5 years	6.5%pa in years 1&2 + 3.25% in year 3	100%	150% (hurdle of 16.25%, capped at 65%)	Compulsory (available for SMSFs)	18/03/2011	Australian Equity Focus Basket	2% rebate on loan fee	Recommended	Investors receive 100% of gains over the 16.25% hurdle, ie the distributions are deducted from the final growth payout <i>Enhanced participation rate of 150%</i> Annual walk away feature means investors are not tied in
Macquarie - Flexi 100 (Class AG)	\$25,000	Bond + Call	3 years	Growth distributed each year as income (capped at approx. 17%)	100%	100%	Compulsory (available for SMSFs)	18/03/2011	S&P ASX 200	2% rebate on loan fee	Recommended	Annual walk away feature means that investors can walk away if the investment falls in value and reset at the lower level.
Man Investments Australia - OM-IP Global	\$5,000	Bond + Call	9 years	No	100% and rising as fund value increases	160% (100% participation in AHL and 60% to GLG Global)	100% available through NAB	21/04/2011	100% exposure to AHL Diversified Program plus 60% to GLG Global (hedge fund)	3.8% rebate	Highly Recommended	The lower cost of protection has seen a reduction in the term to 9 years. Primary returns anticipated to come from AHL. One of the few investments that aims to provide returns in both rising and falling markets

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