

# Income I<sup>3</sup> instalments

Instreet Income Instalments ("I<sup>3</sup>")

**IN**street

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## Earn more income from Australian Shares.

*Instreet Income Instalments ("I<sup>3</sup>") give you the opportunity to enhance your returns from Australian shares. I<sup>3</sup> provides the benefits of an instalment warrant but with the potential to earn additional income over and above the dividends and franking credits you receive.*

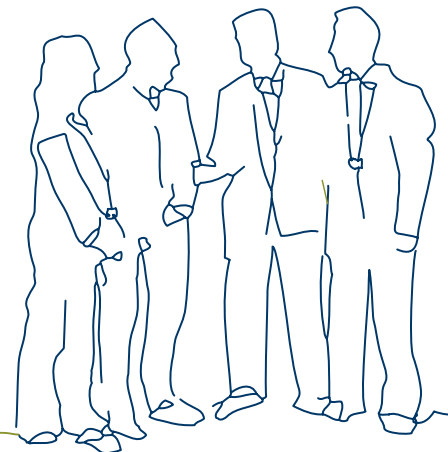
***In a moderately growing market I<sup>3</sup> will give you the potential for better returns from your shares.***

*As well as any potential dividends and associated franking credit entitlement, you will receive additional income paid quarterly. We can pay you this additional income because you forgo potential growth on the underlying shares over 10% each year, which in a moderately growing market can be an effective way to enhance your income. The additional payment amount is set on the issue date and then reset annually.*

### **An investment in I<sup>3</sup> may suit you if you would like:**

- the potential for yields p.a. of between 11.8% and 28.9% fully grossed up for franking credits on your investment\*;
- additional income as well as dividends and associated franking credits;
- to unlock cash from your existing share portfolio without triggering CGT;
- to borrow to invest in the Australian share market without complicated loan documentation or credit checks;
- an investment that is listed on the ASX.

I<sup>3</sup> may be suitable if you are investing with a moderately positive long-term view on the Australian share market and are experienced in investing in instalment warrant products.



\* Share prices, Dividend and Periodic Payment estimates as at 8 March 2011

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## Benefits and features

I<sup>3</sup> seeks to provide you with the following potential benefits and features:

### Additional income

You will receive additional income paid quarterly, in return for accepting an annual cap of 10% on the performance of your shares.

### Tax effective investment

You have the potential for tax deductions for the interest paid on your I<sup>3</sup>. In addition you will receive the benefit of any franking credits on the underlying shares.

### Own shares directly for only part of the upfront cost

I<sup>3</sup> works like a normal instalment warrant so you will get all the benefits of direct share ownership for approximately 50% of the upfront cost. All dividends and franking credits for the shares will be paid to you. I<sup>3</sup> is available for a range of Australia's leading companies and the SPDR S&P/ASX 200 Fund (ASX200 ETF).

### The liquidity of a listed investment

Your I<sup>3</sup> will be traded on the ASX giving you flexibility.

## How does it work?

### Your initial investment

Like a normal instalment warrant, you pay approximately 50% of the upfront cost of your shares and borrow the balance from the issuer. You receive all the benefits of owning the shares directly. You also pre-pay your interest for the first year and you may pay a loan establishment fee if applicable.

### During the year

Each year you will receive:

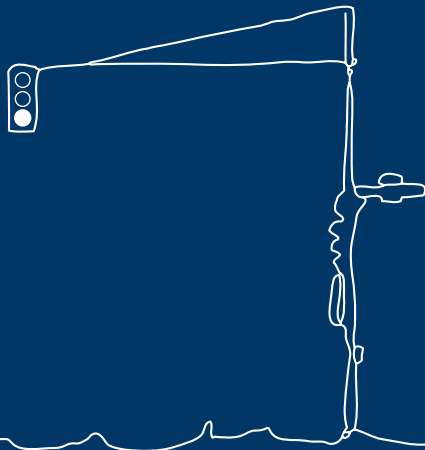
- Any dividends and franking credits paid on the shares
- Your additional income amount paid to you quarterly
- Performance of the underlying shares capped at 10%

If the performance of your shares exceeds 10% you won't get the benefit of this additional performance.

### At the end of each year

At the end of each year you can:

- reset your loan to 50%; or
- make the optional final payment to pay off your loan amount and receive the underlying shares.



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## Example of how I<sup>3</sup> may work - case study

- Andrew has \$25k to invest. He is keen to increase his total exposure to the share market through borrowing. He would like the benefits of direct ownership of shares and a listed investment so has decided to use a listed instalment warrant
- Andrew is looking for a high level of income in order to assist him in meeting his cash flow obligations. He thinks the share market is going to provide around 9% returns pa for the next few years

### Investment

- Andrew decides to invest \$25k into I<sup>3</sup> over NAB shares, giving him a holding of 1,720 I<sup>3</sup>. Assuming NAB shares are currently trading at \$26.26
- The cost of each I<sup>3</sup> instalment in this example is \$14.54. This includes Andrew's capital amount along with the first year of pre-paid interest. He has agreed with his adviser to waive the loan establishment fee. For the first year the additional income on the investment in this example is set at 7.98%. Forecast dividends for NAB in this example over the year are \$1.74 per share\*

What Andrew receives at the end of the first year :

	NAB share price \$24.16 (down 8%)	NAB share price \$26.26 (unchanged)	NAB share price \$28.36 (up 8%)	NAB share price \$30.99 (up 18%)
Cash dividends received	\$2,993	\$2,993	\$2,993	\$2,993
Periodic payments received	\$1,995	\$1,995	\$1,995	\$1,995
Capital growth on the shares	-\$3,613	\$0	\$3,613	\$4,517 <sup>^</sup>
Total income and capital growth received	\$1,375	\$4,988	\$8,601	\$9,505
First year return %	5.5%	19.9%	34.4%	38.0%
First year return (grossed up)%	10.63%	25.1%	39.5%	43.1%

### Outcomes

- Even if the NAB share price does not move, Andrew can make a 19.9% return on investment for the year
- As his additional income amount is set at the beginning of the investment and paid quarterly regardless of market movements, he can manage his cash flow more easily
- Andrew has increased his investment in the share market for only a portion of the notional exposure



\*Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), February 2011.

<sup>^</sup>Return is capped at 10%.

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## Key risks

- **Returns are not guaranteed** - there is no capital protection or guarantee and the investment may expire worthless.
- **Gearing** - the investment is geared. Gearing enhances both positive and negative share price movements.
- **Appreciation Cap** - investors will not receive the benefit of increases in the Underlying Shares above the Appreciation Cap.
- **Illiquidity** - there is no firm indication as to how the investment will trade in the secondary market.
- **Discretions** - the Warrant Deed confers a number of discretions on Citi, which could affect the value of the Warrants. Please refer to the PDS for more details.

## How to apply

Before investing in I<sup>3</sup>, it is important that investors read and understand the terms and investment risks set out in the Product Disclosure Statement (PDS). Please contact Instreet to obtain a copy of the PDS on **1300 954 678** or download from Instreet's website [www.instreet.com.au](http://www.instreet.com.au). If, after you have read the PDS, you decide to apply for Units, please complete and return the Application Form attached to the PDS. Payments can be made by cheque or you can elect to direct debit your account.

### Completed application forms can be sent to:

Instreet Investment Limited, PO BOX R380, Royal Exchange, NSW 1225

### Important information

**Presentation:** This document has been prepared by Instreet Investment Limited ACN 128 813 016 (**Instreet**), an Authorised Representative of EA Financial, LP ACN 971 745 471, AFSL 246801 (**EAF**), and is current as at 18 March 2011. Instreet is the Distribution Manager for the Instreet Income Instalments (I<sup>3</sup> **Warrants**).

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The I<sup>3</sup> Warrants are offered in a product disclosure statement dated on or around the 18 March 2011 (**PDS**). The PDS will be available from Level 2, 11 Bulletin Place, Sydney, at the website [www.instreet.com.au](http://www.instreet.com.au) or by phoning 1300 954 678. In deciding whether to acquire or continue to hold and investment investors should obtain the PDS and consider its contents.

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**Case Studies and Examples:** All case study and examples in this document are hypothetical example only. Due care and attention have been used in the preparation of forecast information and hypothetical examples. However, actual results may vary and any variation may be materially positive or negative.

## Inquire

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