

Personal Choice Series 1-4 - Case Study

Investors in the following Solution know their worst-case outcome upfront and invest just a fraction of their notional exposure to the selected equity market. These features assist risk-averse investors to become comfortable with entering this investment as they can see the benefit of being exposed to equity markets for growth, whilst being able to retain high levels of cash or other asset classes in their portfolios and sleep well even during times of market volatility. This structure where investors cannot lose more than their upfront payments less coupons received helps investors address this common objection.

For example let's take an investor who would typically have \$100,000 invested in the sharemarket.

Using some simple cash flows you can see how you could invest in the share market and risk less than 1.5% of your overall portfolio over a 3 year period whilst having a notional exposure of \$100,000 to your chosen market. (Assuming Cash Deposit rates stay stable)

Cash Deposit Rate 4.1%	
Initial Cash holding	\$100,000
Personal Choice Interest Paid Year 1	-\$7,450*
Wealth Focus Arrangement Fee	-\$400
Cash on deposit	\$92,150 (earning 4.1%)
End of Year 1 position	\$95,928
Personal Choice Net Interest Year 2	-\$2,450* (7.45% net of 5% coupon)
Cash on deposit	\$93,478 (earning 4.1%)
End of Year 2 position	\$97,310
Personal Choice Net Interest Year 3	-\$2,450* (7.45% net of 5% coupon)
Cash on deposit	\$94,860 (earning 4.1%)
Cash at end of Year 3	\$98,750
Growth in underlying index exposure	\$\$\$

**Interest cost is expected to be tax deductible. This example has not considered the benefit of the deduction*

As you can see from the above cash flows, this is a simple way of gaining market exposure with minimal risk to your overall portfolio.

Wealth Focus view

In considering an investment in structured products, there is an inevitable cost of structuring the product that investors need to overcome. As a result, we feel low risk investment exposures such as bond funds or high dividend indices are less suited to this strategy. Since

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investors have limited downside, our view is indices with higher potential returns are more suited.

Personal Choice Structured Product outline:

- A three year loan term with annual walk away option, this means that the investors are not obliged to pay Interest for the full 3 year term, but have the annual option to terminate their investment with no further calls on them. Investors pay an annual interest rate which is fixed for the term (in years 2 & 3 they pay the net Interest cost after receipt of the fixed 5% coupon)
- Interest rate fixed for the term at 7.45%p.a as the loan is limited recourse, credit enquiries are not required.
- Coupon fixed for the term at 5% (only paid in years 2 and 3) resulting in an ongoing net cash flow requirement of only 2.45% of the notional exposure in years 2 and 3.
- The four investment alternatives are listed below. They are broad-based index exposures that are available via some ETFs but not easily accessible for most retail investors and even less so with leverage which has also been structured to be suitable for SMSF investors.
- Australian equity market exposure - S&P/ASX 200 Price Return Index Linked
- USA equity market exposure - S&P 400 Mid Cap Price Return Index Linked
- Four Asian equity markets exposure - S&P Asia 50 Price Return Index Linked
- European equity market exposure - Euro Stoxx 50 Price Return Index Linked

The offer will close 26 July 2013 (applications accepted until the 12th August) and mature in June 2016

Note: Personal Choice Series are dependent on index returns and as such the price will be subject to market movements.

Investors looking for an allocation can contact us on 1300 559 869