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Dear Adviser

MACQUARIE FUSION FUNDS JUNE 2009 OFFER

Macquarie Financial Products Management Limited ("MFPML") has attached a research report on the Macquarie Fusion Funds June 2009 Offer prepared by Adviser Edge Investment Research ("Adviser Edge") and commissioned by MFPML.

The report reflects the observations and conclusions of Adviser Edge about the Macquarie Fusion Funds June 2009 Offer. The report was prepared in part based on information provided by the relevant entities in the Macquarie Group of companies as well as Adviser Edge's own expertise and other information and expertise accessed by Adviser Edge. The report is not the work of, nor does it necessarily reflect the views of any member of the Macquarie Group of companies or MFPML, the responsible entity of the Macquarie Fusion Funds. No company in the Macquarie Group of companies nor any of their respective officers or employees makes any warranty in relation to, or accepts any responsibility or liability arising in relation to, the content of the report.

The report has been prepared for the use of licensed financial advisers only. It has not been prepared for the use of individual investors and advisers and brokers should not pass on this report or extracts or conclusions from such information to their clients. In no circumstances is it to be used by a retail client for the purpose of making a decision about a financial product or class of financial products.

An invitation to apply for interests in the Macquarie Fusion Funds June 2009 Offer is made in the Product Disclosure Statement ("PDS") dated 24 April 2009. The PDS is available at www/macquarie.com.au/fusionfunds or by phoning 1800 550 177. In deciding whether to acquire or continue to hold an investment in the Macquarie Fusion Funds, any potential investor should obtain the PDS and consider its contents.

This is general advice only and does not take account of any investor's objectives, financial situation or needs. Advisers must form their own views on whether the Macquarie Fusion Funds are appropriate after considering their client's objectives, financial situation and needs. We recommend advisers seek their own legal and taxation advice.

Kind regards,

Macquarie Financial Products Management Limited

Adviser Edge

Macquarie Fusion Funds

INDEPENDENT ASSESSMENT

This report has been prepared for financial advisers only

Scope
Adviser Edge independent assessments are conducted by Barik Pty Ltd trading as Adviser Edge Investment Research (Adviser Edge) which has developed a detailed review process that follows a methodology developed specifically for Structured Products.

Key Principles
The underlying principle of the assessment process is to quantitatively determine the likelihood of this Structured Product providing an adequate return-for-risk profile to investors in a portfolio context.

The main assessment criteria are:

- Credit Risk
- Reliability of the Issuer and Transparency of the Product
- Stand-alone Risk and Return
- Portfolio Value
- Tax Effectiveness
- Liquidity/Secondary Market
- Ease of Purchase, Redemption and Reporting

Other Investment Characteristics
Beyond the rating criteria, Adviser Edge also provides insights into further classification of the product, covering:

- Asset Allocation
- Place in the Risk-Return Spectrum
- Likelihood of Extreme Poor Returns
- Relevant Term
- Capital Gains versus Income

Products are awarded a star rating out of a possible five stars and placed on the Adviser Edge web site www.adviseredge.com.au.

The Adviser Edge web site provides a service to subscribers, allowing them to view the final assessment reviews. Only subscribers are permitted access to download completed assessment reviews.

Performance Calculations
All tables and graphs in this report use calculations by Adviser Edge. The product issuer has not provided or checked any of our quantitative results.

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Privacy Policy
Adviser Edge collects only a limited amount of personal information from its clients. Our privacy policy can be viewed at www.adviseredge.com.au. This will enable you to understand your rights, our obligations and what Adviser Edge does with any information it collects about you.

General Financial Product Advice
This advice will not take into account your, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situation or needs.

Disclosure
Adviser Edge has no involvement in this Product or any of the organisations contained in the product disclosure statement. This assessment has been undertaken by Adviser Edge on an independent basis and does not constitute an investment recommendation. It is designed to provide investment advisers with a third party view of the quality of this product as an investment option. Adviser Edge charge a standard and fixed fee for the third party review. This fee has been paid under the normal commercial terms of Adviser Edge.

Report Date
21 May 2009

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Group A: Adviser Edge Rating ★★★★☆

Group B: Adviser Edge Rating ★★★★☆

Group C: Adviser Edge Rating ★★★½☆

Group D: Adviser Edge Rating ★★★½☆

Refer to the following page for Adviser Edge's grouping

Selected Product Details	
Product Name	Macquarie Fusion Funds (the Product)
Issuer/Responsible Entity	Macquarie Financial Products Management Limited (MFPML)
Investment Type	Unlisted registered unit trust
Investment Structure	Investors purchase units in an Equity Trust and a Cash Trust. Initially 99.99% of the investment goes into the Equity Trust which purchases units in the managed fund relevant to that Equity Trust. The remaining 0.01% of the initial investment goes into the Cash Trust. (PDS 11)
Choice of Fusion Funds	There are 15 Fusion Funds on offer. Each one will have a different managed fund as the underlying investment of the Equity Trust. Investors choose which Fusion Fund to invest in based on their target managed fund. (PDS 12–13)
Investment Strategy of the Product	Each Fusion Fund seeks to produce returns for investors by investing in the relevant underlying managed fund. The investment technique used to manage the investment, Threshold Management, seeks to ensure that the value of the investment at maturity is at least equal to the protected amount (initially, the Investment Amount). Threshold Management is a dynamic management technique similar to Constant Proportion Portfolio Insurance (CPPI).
Capital Protection	At least 100% at maturity. (PDS 7) The capital protected amount can increase on annual observation dates beginning in May 2010, if the Fusion Fund has performed adequately to meet certain hurdles at that time. (PDS 35)
Term to Maturity	The Funds are open ended (80 years), although Threshold Management and the Put Options terminate in five years and five months. (PDS 3)
Distributions	All distributions on the Cash Trust will be reinvested and generally all distributions on the Equity Trust will be reinvested. (PDS 8)
Credit Parties	Capital Protection at maturity and interim amounts in the Cash Trust are expected to rely on the creditworthiness of Macquarie Bank Ltd ('Macquarie'). (PDS 2)
Liquidity of Product	There is no assurance that redemptions will be possible prior to maturity. However Macquarie is expecting to process redemption applications on a daily basis where possible, largely dependent on the liquidity of the underlying and the impact of any Threshold Management activity at the time. Please note that Capital Protection will not apply if investors redeem their Units prior to the Capital Protection Date. (PDS 2)
Loans	Investors must take out an Investment Loan from Macquarie for the full value of their investment and a Put Option to provide capital protection at maturity. An Interest and Put Protection Fee Loan is also available. All Loans are full recourse. (PDS 36)
Minimum Investment	There is no minimum investment amount. However there is a Minimum Investment Loan Amount of A$50,000. (PDS 8)
Offer Close Date	30 June 2009 (PDS 3)

Fees	
Ongoing Fees (PDS 19)	***Management Fee:*** 1.025% p.a. of the value of the Equity Trust until 30 June 2010 thereafter the fee may be varied on 30 days notice but may not exceed 3.075% p.a. of the value of the Equity Trust ***Expenses:*** approximately 0.15375% p.a. of the value of the Equity Trust ***Protection Fee:*** 0.083% per month if paying interest monthly in arrears, or 1% p.a. if paying interest annually in advance.
Early Redemption Fee	If investors redeem their units before maturity they will be required to pay an additional fee of one month's worth of interest plus 0.2% per year remaining to maturity. (PDS 21)
Underlying Managed Fund Fees	Each underlying managed fund charges management costs and some charge a performance fee. (PDS 22–23)
Investment Loan Interest Rates	The indicative interest rate for monthly variable loans is 7.95%.The fixed interest rate until June 2010 is 8.50%, with the fixed rate for the full term 10.50%. See www.macquarie.com.au/fusionfunds for updates of indicative rates. (PDS 38–39)

Rating	Fusion Fund with Underlying:
4 stars	• Ausbil Australian Emerging Leaders Fund • Colonial First State Wholesale Global Resources Fund • Platinum Asia Fund • Winton Global Alpha Fund • Zurich Investments Global Thematic Share Fund
3¾ stars	• Premium China Fund • Vanguard Australian Shares Index Fund • Vanguard International Shares Index Fund (Hedged)
3½ stars	• BT Wholesale Core Australian Share Fund • GVI Global Industrial Share Fund • Macquarie International Infrastructure Securities Fund • Perennial Value Shares Trust • Perpetual's Wholesale Australian Fund
3¼ stars	• Platinum International Fund • Walter Scott Global Equity Fund

Investment highlights

- Macquarie Fusion Funds is a long standing and well known structured investment. It uses a reasonably simple approach, whereby an investor effectively invests in a managed fund of their choice and achieves at least 100% capital protection at maturity after five years and five months[1].
- A CPPI-style mechanism, which Macquarie name Threshold Management[2], seeks to ensure the value of the investment at maturity is at least equal to the protected amount (which is at least 100% of the initial Investment Amount). However, capital protection itself is provided through the Put Option at maturity.
- Fifteen funds are available in the current series, including one previously not offered. The managed funds are:
  - Ausbil Australian Emerging Leaders Fund (Ausbil)
  - BT Wholesale Core Australian Share Fund (BT)
  - Perennial Value Shares Trust (Perennial)
  - Perpetual's Wholesale Australian Fund (Perpetual)
  - GVI Global Industrial Share Fund (GVI)
  - Platinum International Fund (Platinum International)
  - Walter Scott Global Equity Fund (Walter Scott)
  - Zurich Investments Global Thematic Share Fund (Zurich)
  - Platinum Asia Fund (Platinum Asia)
  - Premium China Fund (Premium China)
  - Colonial First State Wholesale Global Resources Fund (CFS Resources)
  - Macquarie International Infrastructure Securities Fund (Macquarie Infrastructure)
  - Winton Global Alpha Fund (Winton)
  - Vanguard Australian Shares Index Fund (Vanguard Australia)
  - Vanguard International Shares Index Fund (Hedged) (Vanguard International)
- Amounts in the Cash Trust are invested in bonds, notes, fixed term deposits and cash like investment. Macquarie is currently intended to be the recipient of these investments.
- As it is a trust structure, investors beneficially own the managed fund units. Any franking credits flowing to the Equity Trust should be available to investors.
- Investors purchase a Put Option which provides for Macquarie buying the investor's units in Fusion just before maturity. The Put Option is the mechanism by which the capital protected amount is provided.
- While there is no firm commitment to accepting redemptions, Macquarie expect to provide a daily service where possible, as for previous Fusions.
- There are three main differences to previous Fusion series. Firstly, the bond floor mechanism within Threshold Management has been altered. Initially there is a larger cushion until the de-allocation triggers take effect. Additionally, there is now potentially an annual lock-in of the protected level which rises in 5% multiples from the initial 100%. Annually at the end of May, the value of the Fusion fund is compared to the Capital Preservation Floor (the bond floor in CPPI terminology). The protected amount is increased as high as possible, to the nearest multiple of 5%, whilst ensuring that the value of the Fund is at least equal to 150% of the new floor.
- The second difference is that an Investment Loan is now compulsory for all investors for the full amount of their investment. Loans are full recourse.
- Thirdly, this series is not intended to pay cash distributions during the term. Any distributions paid by the Equity Trust and Cash Trust will be re-invested. Note that any reinvested distributions will form part of assessable income for the investor but they will need to fund the respective tax payments from their own external cashflow.

[1] Throughout this report Adviser Edge uses the lower case 'fund' when referring to an underlying managed fund. The upper case 'Fund' is used only when naming a particular Fusion Fund, which is the combination of an Equity Trust and a Cash Trust.

[2] For a detailed description of CPPI and other capital protection mechanisms, as well as a comparison of their effectiveness, see the Adviser Edge general research paper "Capital? Protection?" from August 2008. The paper is available on the structured products section of the Adviser Edge website.

Pros

- Fusion is a relatively simple structure and many advisers and investors have gained experience with the Product over the past years.
- The choice of underlying managed funds provides a wide variety of investments, from simple protected access to index-like equity funds to a market neutral managed futures fund with low volatility.
- A major 'pro' is this year's innovation in the threshold Management mechanism. Macquarie has designed the rules for implementing rises in the protection level in a very effective way. It will produce significantly better results in cases where the underlying fund rises in the early years but then falls again later.
- By using a CPPI-style protection mechanism, Fusion avoids the cost of option-based protection which is currently expensive in the market. This increases the chances of a favourable or larger positive return.
- Retention of distributions within the structure makes de-allocations to fixed interest less likely than if they were paid out.
- Although there is no assurance that redemptions will be possible prior to maturity, a daily process for redemptions has been established with most earlier Fusions and is likely to be offered in normal circumstances for this series (largely subject to underlying liquidity and any Threshold Management at the time).
- Subject to an investor's individual circumstances and the application of the capital protected borrowing provisions, interest on an Investment Loan and most of the interest on an Interest and Put Protection Fee Loan is likely to be deductible under general principles. The Put Option Interest on the Interest and Put Protection Fee Loan is not deductible under general principles and would be included in the capital gains tax ("CGT") cost base of the Put Option. A Product Ruling (PR 2009/32[3]) has been issued addressing the tax consequences for eligible investors of borrowing from Macquarie to invest.
- Macquarie has shown that is was willing to provide alternatives for investors when the previous series of Fusion de-allocated, by issuing Macquarie Switch. While it makes no commitment to such actions in the future, its ongoing interest in protecting its brand, and thereby its clients, was demonstrated by the Switch effort.

[3] The Product Ruling PR 2009/32 is only a ruling on the application of taxation law and is in no way expressly or impliedly a guarantee or endorsement of the commercial viability of the Macquarie Fusion Funds, of the soundness or otherwise of the Macquarie Fusion Funds as an investment, or of the reasonableness or commerciality of any fees charged in connection with the Macquarie Fusion Funds. The Product Ruling is only binding on the Commissioner of Taxation if the investments in the Macquarie Fusion Funds are implemented in the specific manner provided in the Product Ruling.

Cons

- Fusion must be seen as a high risk investment, as it requires the complete amount to be borrowed. Most of the underlying funds are directly equity based and thus can be highly volatile. Investors are risking five years and five months worth of interest at 10.5% p.a. in the fixed rate case. If the bear market for equities resumes/continues in the coming one to two years, Fusion could completely de-allocate and drop in value to just above the bond floor. As an example, on day one of the investment that extreme result could be around 30%. In such a situation investors are left waiting until maturity for it to again reach the initial investment value.
- Investors must choose carefully between the underlying managed funds. Less volatile funds are less likely to fully de-allocate to fixed income but are also less likely to provide adequate returns to cover interest costs on the borrowing. Some funds have a limited track record and may perform differently in the changing financial system currently developing.
- Some of the interest cost is unlikely to be deductible against income for tax purposes, as the interest rate is above the RBA indicator variable rate for standard housing loans. In particular, based on the indicative interest rates in the PDS and the most recent RBA indicator variable rate for standard housing loans (March 2009), the interest on the Investment Loan for an investor who chooses the fixed rate for the full term is likely to be approximately 45% non-deductible.
- Credit exposure to Macquarie Bank is considered riskier than many other issuers of structured product, demonstrated by its credit ratings and the pricing of its credit in financial markets. The direct credit exposure only becomes relevant if Fusion de-allocates into fixed income.

Investor suitability

Adviser Edge considers the Product to be suitable for equity investors who are seeking geared exposure into markets. It is also suitable to investors wanting geared exposure to funds that are less linked to overall market performance, such as Winton, Platinum International and Macquarie Infrastructure. The problem with the latter choices is that they require a growth rate near or above the best of their past ability, if they are to provide a positive return after interest costs and fees.

An intention to hold the Product until maturity is required of the investor. However, the new rising protection function makes shorter-term performance of the underlying funds more permanent than in previous Fusion series or in many other structured products. Macquarie has achieved a superior balance between setting the protection level low enough that it is difficult to invoke and raising it when possible to protect past gains. The innovation makes the product better suited than many others to a wider range of investor expectations. Whether the investor is bullish on the underlying fund in the short term or over the coming five years, the mechanism has a greater chance of extracting a better positive return.

Investors not willing to gear into direct equities or face margin calls will also be attracted to Fusion. Downside is limited to either the interest payments for the entire term or the potential payout costs if they redeem soon after their Fusion has fully de-allocated. Nonetheless, as noted above, that cumulative interest cost or potential interim fall in unit value can be substantial.

Suitability will also be determined by the investor's attitude to taking on Macquarie's credit risk for long term capital protection.

Investors must be able to fund interest payments and potential tax payments on reinvested distributions from the Equity Trust and Cash Trust.

Rating Categories

Figure 1: Rating snapshot (Part 1)

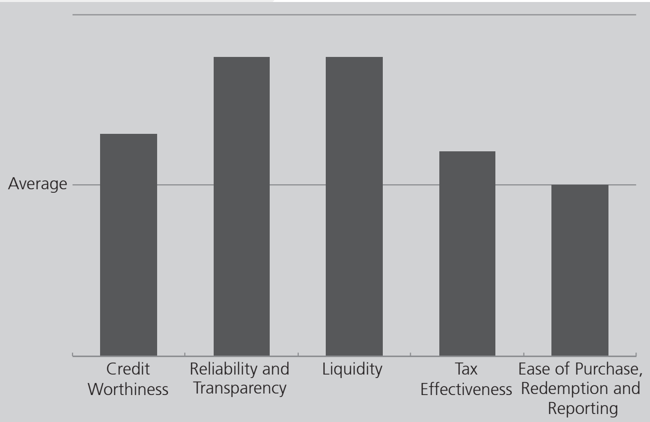
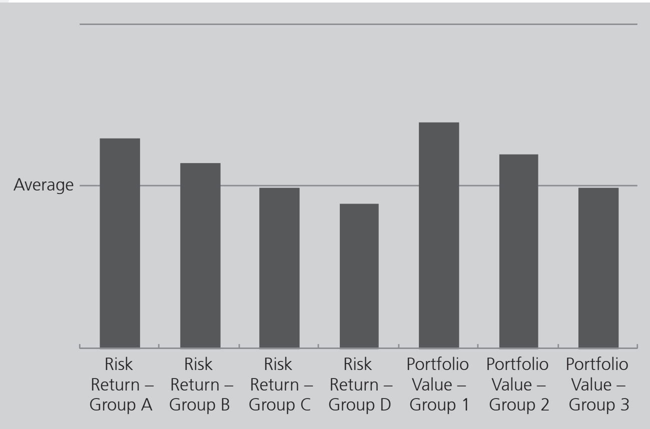


Figure 2: Rating snapshot (Part 2)



The groups referred to in Figure 2 differ between 'Risk-Return' and 'Portfolio Value'. The groupings of Fusions Funds are noted in Figure 3. The groups were formed on the basis of the quantitative and qualitative analysis of the different underlyings within a Fusion structure.

Figure 3: Fusion Fund groupings

Risk-Return Groupings	Group A	Platinum Asia Winton
	Group B	Ausbil Zurich CFS Resources Vanguard Australia Vanguard International
	Group C	BT Perennial Perpetual GVI Premium China Macquarie Infrastructure
	Group D	Platinum International Walter Scott
Portfolio Value Groupings	Group 1	Winton
	Group 2	Zurich Platinum Asia Premium China
	Group 3	All others

Credit exposures

The Product scored slightly above average in this category. Initially 99.99% is invested in the chosen managed fund and as such is not subject to direct credit counterparty risk. If any or all value is allocated to the Cash Trust, it will be exposed to the credit worthiness of Macquarie Bank Limited. A full allocation to the Cash Trust is unlikely, but needs to be considered by investors. Macquarie Bank Limited is currently rated A1 by Moody's, while Standard & Poor's considers it an A. Both credit ratings come with a negative outlook for a downgrade. Fitch rates Macquarie as a stable A+. Macquarie's credit risk is currently priced in the credit default swap market as being riskier than many other major banks but the relative and absolute pricing has improved dramatically over the past two months.

The Product's structure, giving ownership of the shares to investors via the unit trust, reduces the investor's reliance on the credit standing of Macquarie, allowing an improved rating for this category.

Reliability and transparency

Macquarie has a long track record of issuing and supporting its structured products in Australia. Fusion itself is transparent and the delivery mechanisms are reliable. The Responsible Entity (RE), capital protection provider and Threshold Management operator are all Macquarie entities. This adds to the reliability of Fusion for as long as Macquarie is a going concern. The various entities have strong incentive to work together to protect their joint brand.

The clear product structure and ongoing management of Fusion allowed Adviser Edge to easily model outcomes for investors. Quantitative testing of the Product's behaviour in many different market situations gives investors a much clearer insight into what type of investment they are really purchasing.

Tax features

Fusion has a Product Ruling (PR 2009/32[4]) dated 13 May 2009. Adviser Edge recommends and assumes that all advisers and investors will read that Product Ruling. Adviser Edge does not purport to be a taxation specialist and the comments made here are of a general nature based on the knowledge of Adviser Edge from previous publicly available structured products. All investors should seek specialised and personalised taxation advice regarding Fusion. The comments below assume that the investor is an Australian resident individual not carrying on a business in trading investments.

Fusion is likely to provide income deductibility for interest costs of the Investment Loan up to the ATO's benchmark interest rate, which is currently expected to be the RBA's indicator variable rate for standard housing loans. This is the announced benchmark since May 2008, although legislation to enact that change of benchmark has not yet been introduced.

During the term interest earned in the Cash Trust is expected to be assessable income. Distributions from underlying managed funds may be made up of various components such as dividend income and interest which is expected to also be assessable income. The distributions may also contain some capital gains. Franking credits related to those distributions may also be able to be used by investors.[5]

Sales and purchases of the underlying fund required by the Threshold Management during the term are expected to be considered capital losses and capital gains in the year in which they occur.

If investors exercise their Put Option at Maturity, any value of the Fusion Fund above the value of the Investment Loan to be repaid should be considered a capital gain. If investors redeem their units prior to Maturity, any value of the Fusion Fund above the value of the Investment Loan to be repaid may be a distribution of taxable income. Any excess amount of interest, not deductible during the term, as well as the Put Option fee and Put Option Interest, will be considered part of the cost base of the Put Option and therefore can lower the amount of any assessable capital gain on disposal of the Fusion Fund units.

The Product scored reasonably well in this category. Although there are no special taxation benefits of Fusion, the Product Ruling gives greater certainty to the tax effect of Fusion.

Liquidity/secondary market

The liquidity of both the retail investment and the underlying managed funds is very good. In usual circumstances, daily redemptions are possible for the Product. None of the underlying funds in this offer froze redemptions during the market turmoil of late 2008. There is however no guarantee that redemptions will be accepted prior to Maturity and any early redemption will result in a loss of capital protection of an investor's investment amount and require the repayment of the investor's loans including any break costs and any shortfall between the amounts outstanding and the value of the investment. In addition prepaid interest will not be refunded, making the redemption window effectively annual for investors choosing the annual in advance interest options. There are also early withdrawal fees under the loans. A charge of one month's interest, equating to approximately 0.9% for fixed rate borrowers, and an additional 0.2% p.a. of the remaining term will be levied. An investor wishing to exit after two years would therefore face redemption fees of approximately 1.6%, which is not prohibitive for a product intended to be held long term. As noted, fixed rate borrowers may also face break costs which are primarily associated with interest rate movements since the start of the fixed rate period. The break costs do not represent a fee, rather a loss due to market movements as a consequence of the investor's decision to fix rates at the start. The Product scored well in this category.

Handling

The Product has an established application process for purchase and redemption. The Product achieved an average score in this category.

Stand alone risk-return

Performance needs to be examined on a fund by fund basis.

Underlying managed funds

Four of the five Australian equity funds, including the index fund from Vanguard, perform quite similarly to one another. Ausbil is the exception as it has shown itself to behave more like a leveraged version of the others. It grew faster in the bull market and fell faster in the bear market. Of the remaining four, Perpetual has performed slightly better than BT in most circumstances. Perennial has been the weakest, returning similar to or slightly less than the Vanguard index fund at most times.

[4] The Product Ruling PR 2009/32 is only a ruling on the application of taxation law and is in no way expressly or impliedly a guarantee or endorsement of the commercial viability of the Macquarie Fusion Funds, of the soundness or otherwise of the Macquarie Fusion Funds as an investment, or of the reasonableness or commerciality of any fees charged in connection with the Macquarie Fusion Funds. The Product Ruling is only binding on the Commissioner of Taxation if the investments in the Macquarie Fusion Funds are implemented in the specific manner provided in the Product Ruling.

[5] As noted earlier, the Equity Trust and Cash Trust are not likely to actually pay any cash distributions to unit holders during the term of the investment. Instead, any distributions from managed funds and interest income will be reinvested until maturity.

Among the international funds, GVI and Zurich performed most like the Vanguard index fund, until the large fall in the AUD/USD exchange rate in the second half of 2008 allowed them to outperform compared to Vanguard. Vanguard hedges all exposure back to AUD whereas the others do not. Zurich has been most able to hold onto gains in recent times.

CFS Resources, Premium China and Macquarie Infrastructure are to be considered as specific to those market segments and accordingly are relevant only to investors directly bullish on sector specific investments in resources, China or infrastructure. The latter two funds have only been available since 2005 making a long term comparison of those funds impossible.

The remaining four funds offer varying degrees of active management away from indices. Platinum Asia shows the closest to a sector specific long-only result, for Asian equities. It is significantly more volatile than the other three funds within this group. Winton has the shortest track record, having only operated since May 2007. It has shown the best risk-return trade off in that period but this period was mostly involved with the swing to a bear market for equities, as well as high volatility in the futures market. Winton's investment strategy is to trade in futures. The Fund holds great promise but it is yet to be proven that the low volatility, continual growth results can be maintained within the Winton framework over the long term. The Walter Scott fund has similarly a short history, having been only on offer since 2005. This makes longer- term comparison difficult. However, it has under-performed both the long running Platinum International and the newer Winton since its inception.

The Fusion structure in combination with the underlying managed funds

Backtesting was conducted for the full five-year and five-month term of the new Fusion for the ten underlying funds which have been available for that period.[6] Additionally a shorter quantitative test was run for the period since October 2005, from which all but the Winton fund have been available.

Full period results

The longer backtesting period was characterised by the strong bull market of 2003 to 2007, followed by the increasing volatility and eventual crash in equities, resources and interest rates of 2008 to 2009. All of the Fusion Funds in this backtesting finished the period with capital gain. The majority of them had fully de-allocated into fixed income before maturity, but due to the rising protection feature were all able to lock in some of the gains in the early years. Past Fusion series did not have this feature and its inclusion in the June 2009 series can be seen as a direct response to improve the situation if such a market situation should occur again.

While all of the Fusion Funds for the 2003–2009 period produced significant gains despite the later downturn in markets, at the end of the period most were unable to produce a return higher than the theoretical cost of borrowing, set at the currently offered fixed rate of 10.5% p.a. on a pre-tax basis. However, most Fusions using data from this period were outperforming borrowing costs at some time during the period. One implication of this could be that investors need to consider redeeming their Fusion investment pre-maturity to fully capture any strong rise in the underlying fund. It is not the intention of the Product to be used for short term rapid gains, although such a use may at times be optimal. The high borrowing cost and the possibility for values to fall after a boom make that a viable alternative to a simple buy-and-hold approach. Note that there may be break costs associated with changes in interest rates for fixed rate loans and any decision would need to take in all circumstances at that future point in time.

Results on a fund-by-fund basis highlight another important point about any simple CPPI-style investment, such as Fusion. A good performance of the chosen fund is necessary for the protected structure to also perform well. In the longer period covered, the best performers were the CFS Resources Fusion, Platinum Asia Fusion and Ausbil Fusion. This mainly reflects the strength in resources and Asian and (geared) Australian equities over the early years of the period. Future star performers may be different markets and funds.

Recent shorter period results

The shorter period from October 2005 had a different character. Firstly, the period of three years and six months was too short to reach the maturity of a Fusion structure, so the relative results may differ by the time maturity is reached. Importantly, the period had a much shorter section of growing asset prices, increasing the relevance of the sharp downturn in the second half. Here again the majority of Fusions finished with a value above the original 100% but also again almost all were unable to achieve the interest coverage return. Most of these fully de-allocated, giving them no potential for adequate growth in the remaining 23 months. The best performers again relied on picking the markets in flavour during that shorter period, in particular Chinese equity and resources.

A key, although expected, result of the analysis was that the Fusions with lower volatility funds were able to remain largely or partly allocated to the actual fund across the whole period. The two in that category for the shorter period were Platinum International and Walter Scott. While this result is a positive for

[6] Backtesting is never a true and precise representation of how an investment performed in a past period. It is a simulation of an existing or proposed structure which uses available data from the historical period. There may be incomplete or incorrect data as well as simplifications made in the quantitative analysis compared to the actual workings of a product manager in a live situation. Adviser Edge considers backtesting to be useful in providing a good indication of how a structure will perform in relation to a particular path of price movement for all of the relevant financial prices. It allows an analyst to determine in which situations certain structural features produce particular results.

their success, both of them finished the period at a value near the original 100% and lower than most of the Fusions with more volatile underlyings. Investors should be aware that a low volatility fund also has less chance of making sufficient returns to cover the interest cost.

Higher volatility funds in combination with the annual possibility for rising protection are more likely to produce profit pre-tax. If they de-allocate during the term at a time when their redemption price is higher than the Investment Loan value, investors would be able to redeem and seek a new growth investment. The alternative would be to continue paying the interest cost which is currently greater than the implied interest income on the Cash Trust.

The Fusion with Winton has demonstrated easily the best performance in the period since its inception in May 2007. It has also produced adequate return to cover interest costs and remained fully allocated to the actual underlying Winton fund. The short history of the fund makes it unclear as to whether such favourable results can be expected to continue. Winton's outperformance has also occurred during a time of poor performance in most growth assets. If another bull run for resources, equities or infrastructure were to occur, those higher volatility funds would be likely to perform more strongly.

Portfolio value

Fusion's reliance on growth of the underlying fund, combined with the potential to decline by around 30%, makes it considerably similar to an investment in the underlying fund itself in the short to medium term. However, over the longer-term the capital protection will on average reduce the volatility of Fusion compared to its fund. The rising protection to some extent reduces the need for investors to actively consider profit taking in a rising market, as compared to a naked equity exposure. The Fusion structure can therefore be seen as moderately helping to diversify the portfolio of the average investor.

Investors who choose the less correlated underlyings such as Winton and Platinum International will achieve greater diversification within a portfolio based on standard equity funds, direct equity and property.

Fusion scored slightly above average in this category.

Other Investment Characteristics

Asset allocation

For investor asset allocation purposes, Fusion should initially be allocated 100% to the asset class of the underlying fund. If it becomes partially or wholly de-allocated to fixed interest later in the term, the asset allocation within an investor's portfolio should reflect that percentage change. The nature of CPPI-style products is that they can shift in character so that de-allocation makes them no longer relevant for their original growth asset aim.

Risk-return spectrum

The Adviser Edge star rating in isolation is not sufficient to recommend a product to a particular investor. Any recommendation also depends on factors such as the relative risk and return level of the Product. A structured product does not usually have the same risk-return profile as the underlying assets.

Figure 4: Risk-return spectrum

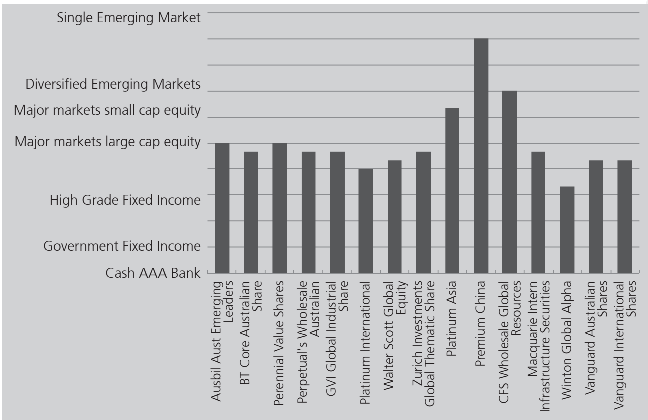


Figure 4 demonstrates the overall risk level of the various Fusion Funds in relation to all investment types, from safe cash accounts up to very volatile single emerging market equities. Adviser Edge considers that over the medium to long-term the Product contains slightly less risk than the respective underlying fund.

The Fat Tail view

Figure 5: The Fat Tail view

The Product	Borrow to Invest	Negative Tail	
		>20% loss	0% return
Fusion Funds: • Ausbil • BT • Perennial • Perpetual • Vanguard Aus • Vanguard Intl • GVI • Platinum Asia • Premium China • CFS Resources • Macquarie Infrastructure	Yes	FAT	FAT
Fusion Funds: • Platinum International • Winton • Walter Scott	Yes	MEDIUM	FAT

The general analysis and star rating in the Adviser Edge review considers the entire distribution of possible returns. This section, however, focuses only on the negative 'tail' of the probability distribution. It indicates the usually small number of occasions on which the Product produces very or extremely poor returns or a loss over a five-year period. The Fat Tail view highlights the cases in which such weak results are more likely when compared to a traditionally 'risky' direct equity investment.

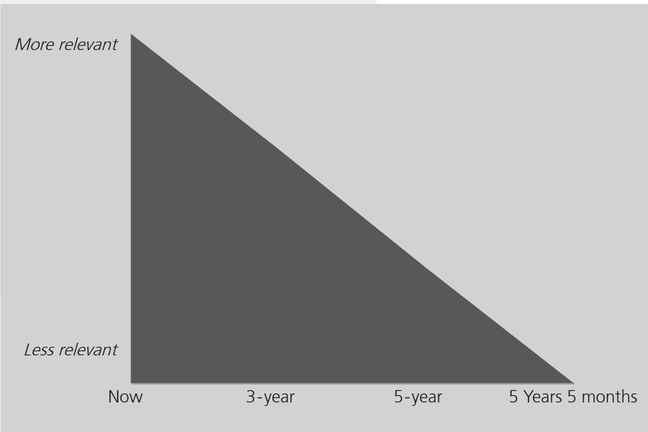
The credit risk of Macquarie and any possibility of default do not form part of the consideration in determining the tail event depicted in Figure 5. This unlikely case is dealt with directly in the previous Credit Exposures section.

It is not possible to invest in Fusion without gearing. Gearing into the Product brings a greater chance of extreme losses (and profits) and therefore 'Fat Tails' than a self-funded investment. Interest payments made to service the debt are at risk, and over five years and five months years represent a significant portion of the notional value of the investment. The other end of the Fat Tail is also possible, where large profits occur compared to the capital invested.

Relevant term

Maturity is in five years and 5 months, but it is more important for the underlying to perform well in the first one to two years, so as to guard against de-allocation into cash.

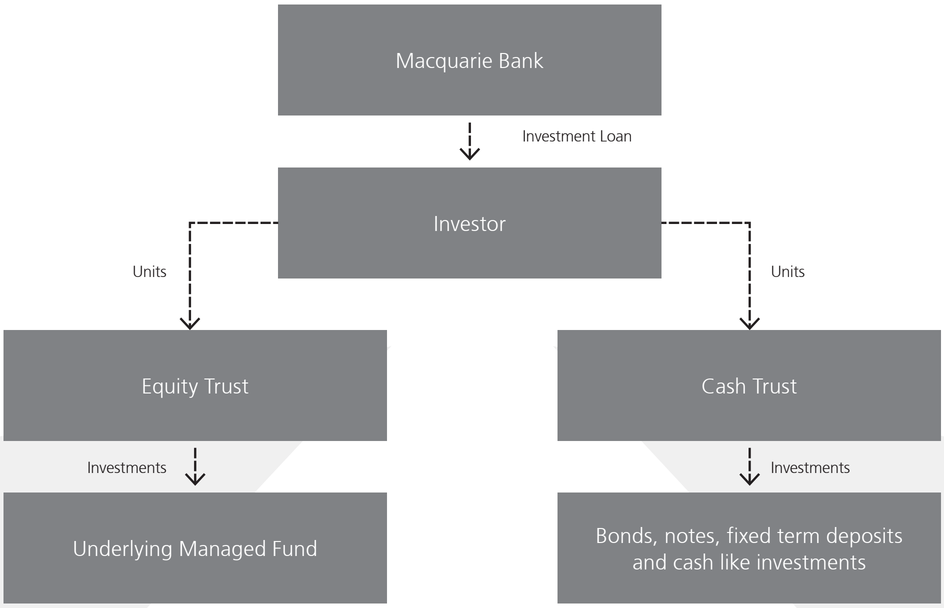
Figure 6: Relevant term graph



Capital gains vs. income

The Product does not generate any positive cashflow for investors during the term. In fact it is a negative cashflow product when considered in combination with the borrowing costs and the likely tax payable from distributions from the Equity Trust and Cash Trust being reinvested. Any gains in Fusion therefore arise from an increase in the value of the units. Alternatively, from a tax perspective, the Tax Features section above describes the way in which some of this may be considered income and some capital gain in varying circumstances.

Structure Diagram (PDS 11)



Stand alone risk-return

All of the return and performance numbers for the Product used in Adviser Edge's risk-return analysis are net returns (post fees). This does not take into account any tax situation unless explicitly mentioned. All calculations, tables and graphs have been produced by Adviser Edge.

Underlying Funds

Figure A1: Australian equity funds over the full term of a Fusion Fund

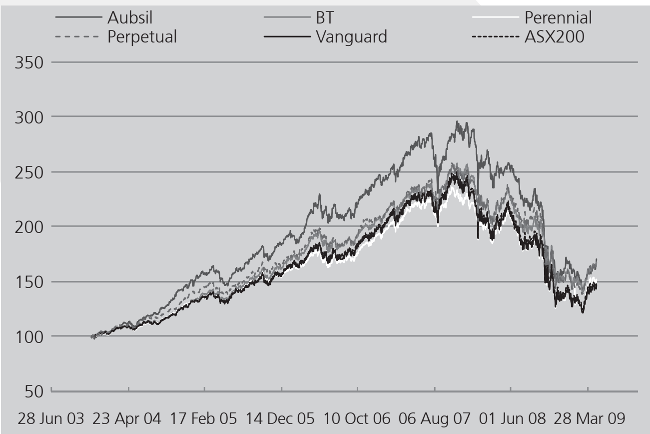


Figure A1 shows the performance of the Australian equity funds. As noted, Ausbil rises and falls faster with the market, giving it the character of a leveraged version of the other funds. The other funds behave in a similar way to the market index.

Figure A2: International funds since October 2005

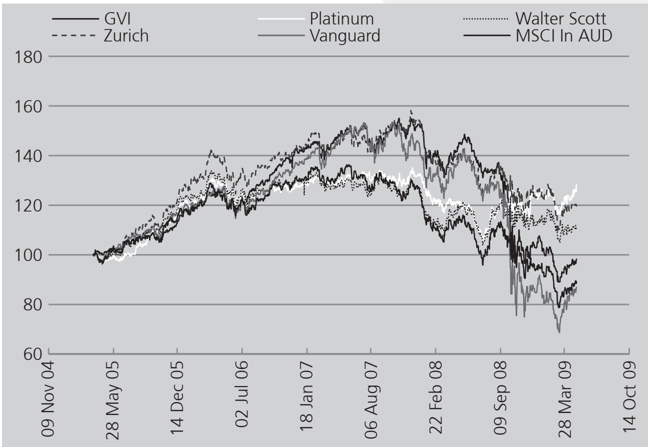


Figure A2 shows the international funds since 2005. Walter Scott and Platinum international neither rose as much nor fell as much as the three long-only funds, which are closer to index performers. Note the significant divergence in the latter three since mid 2008. This was largely caused by the falling AUD and differing hedging policies.

Figure A3: CFS Resources

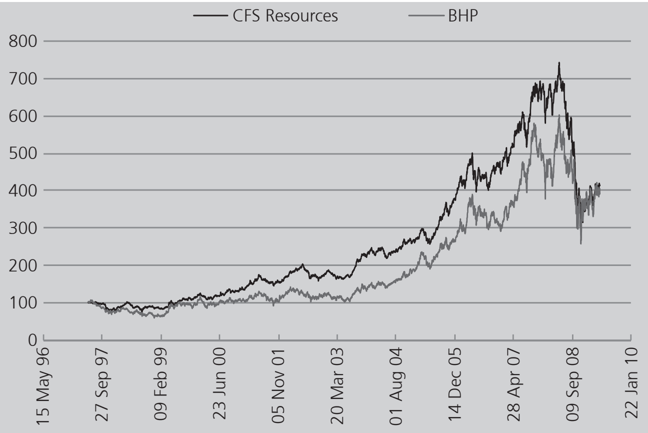


Figure A3 depicts the single resources fund, which broadly moved similarly to a geared version of BHP shares.

Figure A4: Premium China

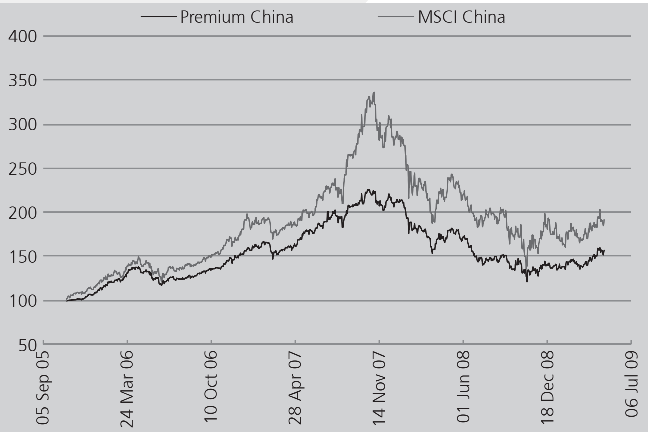


Figure A4 notes the difficulty in classifying the Premium China Fund. It invests in a broad range of equities with a link to China. Its performance is therefore only approximately influenced by the actual Chinese equity market. Its performance suggests it should be treated as a blend of Chinese equity and other Asian equity.

Figure A5: Platinum Asia

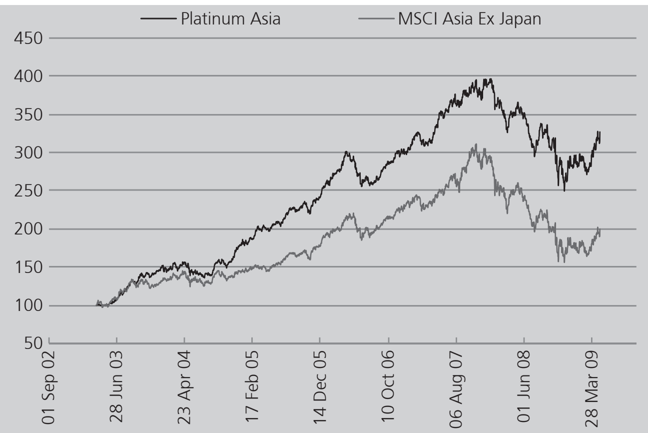


Figure A5 highlights the tracking of Platinum Asia to its index along with its clear outperformance. Importantly, the fund underperformed the index during the final surge of the boom market and then outperformed as the market fell. This displays successful timing and conservatism.

Figure A6: Funds with lower market correlation

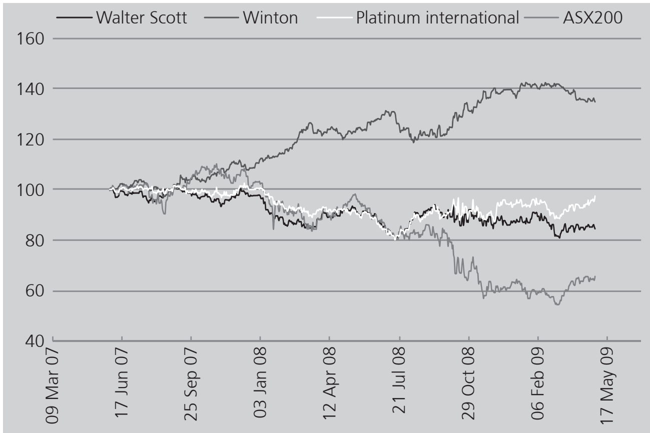


Figure A6 maps the three funds which are least correlated with any one market or sector from the inception of the newest fund, Winton, in May 2007. The period is too short to allow ongoing predictions, but Winton clearly outperforms. The fund appears to have performed best in those segments of the period when equities performed worst.

Fusion

Backtesting in 2009 provides a rich array of market situations seen during recent years. Adviser Edge examined many periods of past data, while focusing in this report primarily on two periods. Firstly quantitative tests were run for the full five-year and five-month term as in the new Fusion, covering the period from the end of November 2003 to the end of April 2009. An additional comparison was made for a shorter period in which historical data was available for all of the offered underlying funds, with the exception of Winton. That period is from October 2005 until April 2009.These two periods also provide a different setting for possible market situations, which is useful to illustrate the strengths and weaknesses of a structure.

Figure A7: Fusion backtesting for full term

Fusion Fund	Maturity Value	Maximum Value	Allocation to Fund
Ausbil	207	287	0% from 10/2008
BT	181	248	0% from 11/2008
Perennial	160	228	0% from 11/2008
Perpetual	181	250	0% from 11/2008
Vanguard Australia	171	241	0% from 10/2008
Platinum International	124	146	59%
Zurich	131	171	35%
Vanguard International	124	180	0% from 10/2008
Platinum Asia	205	274	27%
CFS Resources	212	307	0% from 10/2008

Figure A7 details the results for the long period. The best performers were the volatile funds in the sectors that boomed over most of that period. While the less volatile funds did not fully de-allocate to fixed income, their total return was too low to cover interest costs. Adviser Edge considers Platinum Asia Fusion to have been the 'winner' during that period as it achieved some of the highest results and remained at least partly allocated to the fund throughout. It is a volatile fund which was able to rise rapidly as the Asian equity market boomed, and then avoided much of the later fall experienced by those markets. The good Fusion result was partly due to the rising protection mechanism and partly due to the superior stop loss performance within Platinum Asia itself.

Figure A8: Fusion backtesting since October 2005

Fusion Fund	Maturity Value	Maximum Value	Allocation to Fund
Ausbil	131	166	0% from 10/2008
BT	132	163	0% from 11/2008
Perennial	121	153	0% from 10/2008
Perpetual	127	158	0% from 10/2008
Vanguard Australia	131	162	0% from 10/2008
GVI	118	142	0% from 11/2008
Platinum International	104	121	59%
Walter Scott	97	120	35%
Zurich	109	136	20%
Vanguard International	110	138	0% from 10/2008
Platinum Asia	140	174	27%
Premium China	180	223	0% from 10/2008
CFS Resources	155	207	0% from 10/2008
Macquarie Infrastructure	92	155	0% from 02/2009

Figure A8 depicts the shorter period since October 2005. In the type of market seen during that period, the dominance of the speculative markets is clear. Picking the volatile winners of resources and Chinese equity was the way to do well. Only those Fusions made a profit after interest costs.

CPPI-style investments are usually considered to work best with low volatility underlyings. The combination of rising protection and compulsory borrowing actually makes the high volatility underlying funds the better alternatives in this Fusion Funds series. As noted in the investor suitability section earlier, only risk-seeking investors with a strong view on a particular market would be able to take this approach.

Figure A9: Best performing Fusions since May 2007

Fusion Fund	Maturity Value	Maximum Value	Allocation to Fund
Platinum International	91	102	46%
Platinum Asia	87	112	35%
Premium China	85	126	26%
CFS Resources	99	130	0% from 10/2008
Winton	133	141	100%

Figure A9 shows results using the 23 months since Winton's inception, and compares the better performing funds. The Fusion Winton was the clear winner and was able to cover interest costs. It remains to be seen if the longer-term performance of the fund can match this good start.

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