

Instalment Warrant Policy

Equity Trustees Superannuation Limited



Instalment warrants allow members to increase their exposure to Australian blue chip shares and therefore potential capital growth, dividends and franking credits. Instalment Warrants have a risk level of Very High and a minimum investment timeframe of 5 to 7 years.

There are different types of instalment warrants. However only the types of instalment warrants set out below are able to be used within AMG Super.

As a general rule, the approved instalment warrants have either I, J, S or B as the fourth out of six letter code. For example, XYZSAA.

'Ordinary' Instalment (Letter code: I)

- Members gain direct exposure to underlying shares by making an initial payment (first instalment) and delaying an optional final payment (final instalment) to a later date (expiry date).
- Members are entitled to dividends or distributions and franking credits paid by the underlying instrument during the life of the instalment. In some circumstances, dividends may be used to reduce loan amount instead of being paid in cash.
- A 'regular geared' instalment will be geared at between 40% and 65% while a 'high geared' instalment will have a gearing level between 65% and 90%. **AMG Super only allows regular geared warrants.**

Rolling Instalment (Letter code: I or J, D when in a rolling period)

- This is a variation to an 'ordinary' instalment and is conceptually similar to a series of consecutive 'ordinary' instalment where you are assumed to have elected to roll from one series to the next.
- On a periodic basis (12, 18 or 24 months), the instalment will undergo a reset of loan amount. The reset period is identified upon the issue date.
- The rolling instalment is structured so that the interest and borrowing fees are prepaid only up to the next reset date.
- Investment term is 3 months to 15 years and the gearing level can vary between 40% and 110%. **However AMG only allows a maximum gearing of 65%.**

Instalment MINI (Letter code: J)

- This is a variation to an 'ordinary' instalment and has a stop-loss feature which typically resets monthly.
- The stop-loss level is set at a certain level above the final instalment. Once the stop-loss level is reached, a stop-loss event is triggered and the instalment expires. Any remaining value will be paid to the member.
- The funding costs are on a daily basis rather than on an annual basis.

Self-funding Instalment (Letter code: S)

- This is another variation to an 'ordinary' instalment and requires no additional payments during the investment term (unless you do not provide your TFN/ABN).
- Investment term is 1 to 10 years and the gearing level can vary between 40% and 65%.
- Any dividends paid will be used to reduce loan amount.

Bonus Certificate (Letter code: B)

- Members are entitled to a Bonus Payment in flat to slightly down markets without having to forego the upside potential, as long as during the life of the certificate the underlying share never trades at or below the Barrier Level.
- If the underlying share trades at or below the Barrier Level during the life of the warrant, the payoff is identical to that of a direct investment in the underlying share, except members will not receive any dividend or franking payments.

All Instalment Warrants written or sold by the Fund must relate to securities available under the AMG Direct Share Option and be a fully covered transaction. The maximum gearing level allowed within AMG Super is 65% for any warrant. You should refer to the disclosure document issued the Warrants issuer. The Financial Adviser providing the advice regarding Instalment Warrants to the member must ensure that the member receives the relevant disclosure document and fully understands the risks associated by making this investment and that adequate cash flow and capital will be able to cover the initial instalment transaction and future consideration required to complete the transaction. The risk level applicable to the AMG Direct Share Options increases where Instalment Warrants are used.

The Fund may buy or sell Instalment Warrants for the purposes detailed in this Instalment Warrant Policy issued for the Fund.

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