



Instalment Warrant Policy

Acclaim Invest

Instalment warrants allow investors 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 Acclaim Invest.

As a general rule, the approved instalment warrants have either I, J, S or B as the fourth out of six-letter code (e.g. XYZSAA).

'Ordinary' Instalment

(Letter code: I)

- Investors 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).
- Investors 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%. **Acclaim 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 Acclaim 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 investor.
- 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)

- Investors 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 investors will not receive any dividend or franking payments.

All instalment warrants written or sold by the Scheme must relate to securities available under listed securities and be a fully covered transaction. The maximum gearing level allowed within Acclaim is 65% for any warrant. You should refer to the disclosure document issued by the warrant's issuer. The financial adviser providing advice regarding instalment warrants to the investor must ensure that the investor receives the relevant disclosure document, 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 investing in listed securities increases where instalment warrants are used.

The Scheme may buy or sell instalment warrants for the purposes detailed in this instalment warrant policy issued for the Scheme.

Acclaim Invest, the Scheme

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