

AUSTRALIAN

RESEARCH

MANAGED INVESTMENTS ANALYSIS

JPMorgan Trio Plus

May 2008

Leveraged international asset exposure with income support,
capital protection at maturity and loan option

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Australian Managed Investments Structured Products

JPMorgan Trio Plus

Leveraged international asset exposure with income support, capital protection at maturity and loan option.

Offer Overview

Product Summary

Trio Plus (*Trio+* or *the Product*) is being issued by JPMorgan Investments Australia Limited (*JPMIAL*). Trio+ provides dynamic exposure to two separate portfolios: one provides capital growth prospects upon maturity (*the Equity Dynamic Portfolio*); the other provides the potential for an annual income stream during the investment term (*the Coupon Dynamic Portfolio*). The Equity Dynamic Portfolio provides leveraged exposure to the iShares MSCI Emerging Markets Index Fund (*EEM US*), Berkshire Hathaway Inc. and the JPMorgan Commodity Curve Agricultural Index (*JMCXAGER*), collectively the Equity Basket; the Coupon Dynamic Portfolio provides leveraged exposure to a basket comprising the JPMorgan Yield Alpha 8 USD Index (*Yield Alpha 8*) and the JPMorgan Efficient USD Index (*Efficiente*), collectively the Coupon Asset. As such, the determination of both income and capital growth are independent of each other. Dynamic exposure to the Equity Asset and the Coupon Asset as well as capital protection at maturity will be a function of the CPPI rebalancing rules. Potential annual coupon payments are capped at 8% p.a. for years one to four and uncapped in year five. Capital protection is of a rising nature subject to annual performance. Trio+ provides investors with two loan options; a 100% loan and a super-compliant instalment-warrant structure with an initial LVR of 64%. Liquidity is monthly (early exit fees apply).

Investment View

Investor Suitability

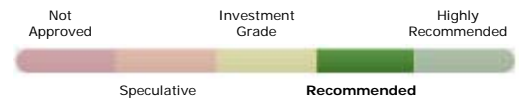
In relation to risk and return, Trio+ needs to be divided into two components. Capital is very much high risk-high return, while the average total level of income over the term is relatively low risk. Risk to capital is limited due to the inclusion of and the potentially rising level of capital protection. On the basis of backtesting, total returns would have averaged 19.1% p.a. with a minimum and maximum of 6.8% p.a. and 35.3% p.a., respectively. Aegis regards Trio+ as an attractive and well-structured investment play. Capital growth is a function of three very distinct and potentially compelling underlying investments. Additionally, the different asset class exposure provides the potential to weather the current equities market environment (via agricultural commodities exposure) while participating in any future recovery in equities. Investors should note, however, that de-leverage risk in Trio+ is very high, even in a moderately strong returns environment, and the performance of Trio+ may bear little resemblance to the performance of the Equity Basket. In contrast, income is a function of a materially lower-risk portfolio, serving to lower the risk of the degree to which the investment loan may not be self-financing. Investors should note, however, that while average income over the five-year term is relatively high, within any given year both the amount and successful payment of a coupon is highly variable.

Recommendation

Aegis has assigned Trio+ with a **RECOMMENDED** rating.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

Note: This report is based on the PDS, dated **23 April 2008**, together with other information provided by JPMIAL as at May 2008.

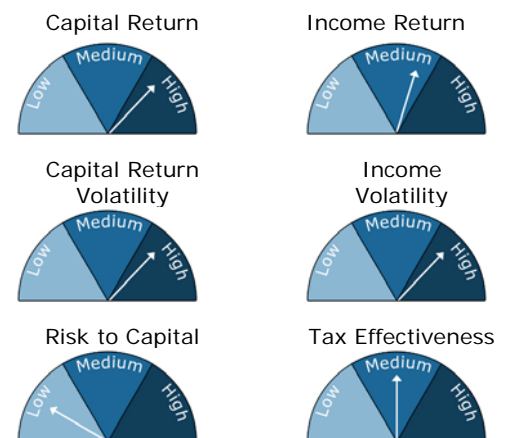


Offer Details

Offer Period	5 May - 20 June 2008
Status	Unlisted
Maturity (years)	1 July 2013 (5 years)
Min. Investment	A\$10,000*
Liquidity	Monthly
Distributions	Annually (16 June)
Coupon Date:	~16 June**
Initial NAV:	A\$98.50

* AS\$10,888 of Geared Trio+ **Fifth-year payment is 1 July 2013

Risk/Return Profile



Fees (paid to advisers), incl. GST, %

Upfront	Up to 3.3%
Ongoing	Up to 0.55% p.a.

Note: The above represent the maximum advisor fees payable by investors. Actual fee levels are subject to the commercial relationship between investors and advisers.

SWOT Summary

Strengths

- Strong back-tested performance of the Equity and Coupon Baskets as well as Trio+, with the latter generating an average total returns of 19.1% p.a. over a rolling five-year returns basis over the period January 2000 to March 2008.
- Income and capital are sourced from independent portfolios with significantly different risk-and-return profiles. While capital risk is significant, income risk over the five-year term is relatively low, which serves to reduce the risk to capital for loan investors.
- The three underlying components of the Equity Basket have historically exhibited low correlations, serving to generate materially low risk in the basket relative to the individual components.
- Structural strengths including up to 200% exposure to two separate portfolios (400% in total) and reduced risk to capital through low-risk income and potential rising capital protection. The latter is at a level that does not materially increase de-leverage risk.

Weaknesses

- Capital returns are likely to significantly de-couple from the performance of the Equity Basket due to the impact of internal leverage and significant de-leverage risk. An investor's outlook on the asset exposures of the Underlying Investments may be entirely irrelevant to Trio+ performance.
- While average annual coupon payments over the five-year term are expected to be relatively solid, investors should expect not to receive a coupon in some years, as the successful payment of annual coupons can be highly variable.
- The actual track record of Alpha 8 and Efficiente have been relatively short and performance over that period has been relatively poor and materially below back-tested performance.

Opportunities

- Significant capital returns potential with risk to capital reduced through solid income support and potentially rising capital protection.
- Exposure to Underlying Investments that are very definite asset-class plays and historically recorded periods of very strong growth and moving forward are supported by strong economic fundamentals.

Threats

- Equity Asset volatility will adversely impact CPPI related performance in the Equity Dynamic Portfolio.
- Significant de-coupling of performance between the Equity Asset and Trio+ due to de-leverage risk associated with the former.

Product Fees (paid by investors)

	Product	Sector Avg.
Base Fees, % of Net Assets		
Upfront ¹	1.5	2.0
Ongoing ²	3.2	1.8
Exit ³	0.0	0.2
Average, p.a.	3.9	2.2

1. Assumes maximum advisor commission. Actual commissions may be less.

2. Consists of: 1) Equity Asset fee of 1.8% p.a. of the exposure to the Equity Asset and a Cash Asset fee of 1.8% p.a. of the exposure to the Cash Asset, and; 2) a Coupon Asset fee of 1.4% p.a. of the exposure to the Coupon Asset and a Cash Asset fee of 1.4% p.a. of the exposure to the Cash Asset. The 3.6% amount represents the Equity Asset fee, assuming 200% participation. Lower participation generates a lower fee between 1.8% and 3.6% p.a.

3. Early-exit fees apply: 2% prior to 30 June 2009; 1% after 30 June 2009 and prior to 30 June 2011.

Total Fees, % of Expected Total Return*

Upfront	1.9	3.0
Ongoing	20.0	14.9
Exit	0.0	0.3
Total	21.9	18.2

* Based on an average return of 16% p.a. for Trio+ and 13% p.a. for sector over a 5-year term

Performance Fees

None

Indirect Fees / Product Costs

JPMorgan charges a strategy fee of 1% p.a. of NAV on Yield Alpha 8 and Efficiente. Based on the prepaid interest structure there is an additional 85 basis-point charge over the applicable loan interest rate. The cost of internal leverage is AUD Swap rate + 1.8% p.a.

Fee Commentary

While fees appear high, the level is partly a reflection of the costs of gaining an initial exposure of 270% to two separate portfolios.

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2. Structure

At inception, the application amount will be utilised to purchase A\$98.50 interest in EEM US shares on behalf of investors (the *Underlying Parcel*). Investors simultaneously enter into a swap agreement with JPMIAL that entails:

- Swapping the price performance of the Underlying Parcel in exchange for the greater of the market value of the Equity Dynamic Portfolio and the capital-protected amount at maturity;
- Forgoing dividends from the Underlying Parcel (typically around 1.5% p.a.) in return for gaining exposure to the potential coupon stream from the Coupon Dynamic Portfolio.

In essence, investors are paying the following to gain leveraged exposure to the Equity and Coupon Assets: an upfront payment of 1.5%, forgone dividends from EEM US shares (~1.5% p.a.), an MER of 1.8% p.a. on the exposure to the Equity Asset, an MER of 1.4% p.a. on the positive performance of the Coupon Asset and AUD swap rates on internal leverage.

The initial exposure to the Equity Asset and the Coupon Asset will be determined by the CPPI rules in combination with the bond floor. It is expected that the initial exposure to the Equity Asset will be 110% and 160% to the Coupon Asset. During the term participation rates in both assets may range from 20% to 200%. If participation levels exceed 100% JPMIAL will make a notional borrowing in order to generate the required level of exposure.

The determination of both the level of coupon payments and the rising level of capital protection are described overleaf.

Key Exposure

Underlying Exposure: **Equity Asset:** an equally weighted, on issue date, basket of the iShares MSCI Emerging Markets Index fund, Berkshire Hathaway Inc. and the JPMorgan Commodity Curve Agricultural Index. The indices are not rebalanced subsequent to the issue date.

Coupon Asset: An equally weighted, on issue date, basket comprising JPMorgan Yield Alpha 8 USD Index and JPMorgan Efficient USD Index. The indices are not rebalanced subsequent to the issue date.

FX Exposure: None

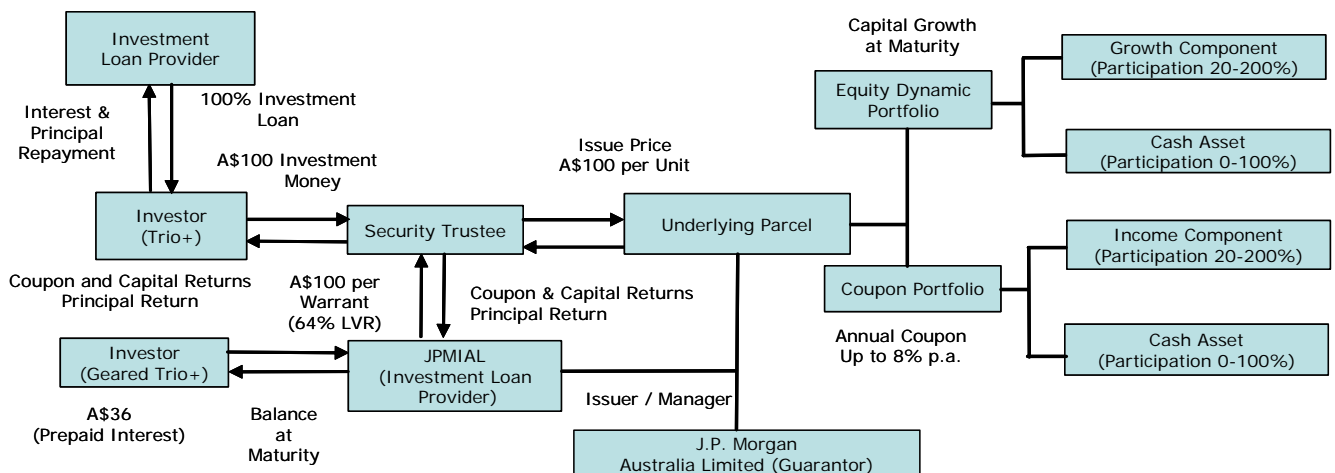
Exit Details

Exit Facility: Monthly liquidity

Holder Early Redemption: An investor may offer to sell his or her Trio+ and Geared Trio+ to JPMIAL prior to the Expiry Date, on a monthly basis, and the acceptance of the offer will be at the sole discretion of JPMIAL, and on such terms and conditions as JPMIAL deems reasonable. Trio+ should be considered as a "Hold Until Expiry" product.

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Investment Structure



Source: Aegis Equities Research

Product Leverage

Used:	Maximum exposure to each of the Equity Asset and the Coupon Asset is 200%; minimum exposure is 20%. If participation levels to the Equity Dynamic Portfolio exceed 100% JPMIAL will make a notional borrowing in order to generate the required level of exposure. The level of participation is determined by the CPPI rebalancing rules, the key metrics of which are detailed in the <i>Capital Protection</i> section below. The Coupon Asset is an unfunded index. As such, there is no borrowing cost when exposure to the Coupon Asset exceeds 100%. Investors should note that in the Dynamic Coupon Asset, the potential payment of annual coupons (reducing the value to A\$100) will increase de-leverage risk.
Initial Exposure:	Equity Asset: 110%. Coupon Asset: 160%.
Cost (incl. Fees):	AUD swap rates
Recourse:	None

Capital Protection

Method:	
Key Metrics:	Equity Dynamic Portfolio: target buffer: 25%, Buy/Sell triggers +/-15% (Buy trigger 28.75%, Sell trigger: 21.25%). Coupon Dynamic Portfolio: target buffer 17.5%, Buy/Sell triggers +/-15% (Buy trigger 20.0%, Sell trigger 15.0%). Bond floor interest rate: AUD swap rates.
Lock-in Structure:	The greater of 20% of the increase in the value of the Equity Dynamic Portfolio on the lock-in date and Notional Equity Dynamic Portfolio Value on each of the lock-in dates or the previous lock-in amount. The lock-in dates are: 16 June 2009, 16 June 2010, 16 June 2011, 18 June 2012.
Cost:	
Conditions:	Must be held to maturity.
Counterparty Risk:	The risk that J.P. Morgan Australia Limited (S&P: AA) fails in its obligation

Tax

Disclaimer:	Tax consequences depend on individual circumstances. Investors must seek their own advice. The following shows Aegis' expectation of tax for ordinary Australian taxpayers, but is not tax advice.
Capital gains:	CGT is likely to apply upon sale of the delivery securities. Investors will likely be eligible for the 50% CGT discount upon sale of the delivery securities, if held for more than 12 months.
Distributions:	On income account in the year earned. Investors obtain franking credits.
Interest deductibility:	Yes

Legal Structure

Wrapper:	Unit trust
Trustee/Custodian:	J.P. Morgan Portfolio Services Limited
Offer Document:	The PDS, dated 23 April 2008, has not been lodged with the Australian Securities Investment Commission (<i>ASIC</i>) and is not required by the <i>Corporations Act 2001</i> to be lodged with ASIC.

Returns

Capital vs. Income:	Equity Asset: Capital only upon exit. Coupon Asset: Income only. Coupon payments are calculated on each coupon entitlement date (see overleaf) as the increase in the value of the Coupon Dynamic Portfolio above the initial Coupon Dynamic Portfolio Value. For years 1 to 4 annual coupon amounts are capped at 8%. The Coupon Dynamic Portfolio Value is then reduced by the coupon amount. In year five the coupon amount is uncapped.
Income Frequency:	Coupon entitlement dates: 16 June 2009, 16 June 2010, 16 June 2011, 18 June 2012, 1 July 2013.
Foreign Currency Risk:	No

Investor Leverage

Available:	Investment Loan: A\$100.00 First instalment: A\$36.00 representing Interest in advance until the expiry date (pre-paid interest).
Cost (incl. Fees):	Annual-in-advance interest rate is 8.50% p.a. (fixed for five years). The total interest amount expensed for any year is calculated on the loan amount net of any outstanding pre-paid interest. Coupon amounts will be deducted from the loan amount on the coupon entitlement dates.
Recourse:	Limited recourse to the lesser of the NAV of the Product upon maturity and the issue value.

Risks "Refer to the Risks section in the PDS"

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3. Investment Process

Brief descriptions of the underlying investments are provided below. The descriptions are largely drawn from the PDS. Performance data for each of the investments are contained in Section 4.

The Equity Asset

iShares MSCI Emerging Markets Index Fund (EEM US)

The iShares MSCI Emerging Markets Index Fund ("EEM US") is an exchange-traded fund that is listed and trades on the American Stock Exchange, Chicago Board Options Exchange, the NASDAQ Stock Market LLC and NYSE Arca, Inc. EEM US seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities in emerging markets, as represented by the MSCI Emerging Markets Index. EEM US is also quoted on the Australian Securities Exchange and trades on the exchange are settled using CHESS Depository Interests (or "CDIs").

Berkshire Hathaway, Inc (BRK/B US)

Berkshire Hathaway Inc. is a holding company owning subsidiaries that engage in a number of diverse business activities, including property and casualty insurance and reinsurance, utilities and energy, finance, manufacturing, services and retailing. Included in the group of subsidiaries that underwrite property and casualty insurance and reinsurance is Geico, one of the four largest auto insurers in the United States, and two of the largest reinsurers in the world, General Re and the Berkshire Hathaway Reinsurance Group. Other subsidiaries that underwrite property and casualty insurance include National Indemnity Company, Medical Protective Company, Applied Underwriters, U.S. Liability Insurance Company, Central States Indemnity Company, Kansas Bankers Surety, Cypress Insurance Company and several other subsidiaries referred to as the "Homestate Companies."

JPMorgan Commodity Curve Agricultural Index (JMCXAGER Index)

The JPMorgan Commodity Curve Agricultural Index (JMCXAGER) tracks the exposure to the excess return of 15 exchange-based agricultural commodities. JMCXAGER is an aggregate market index that weights individual commodities by their open interest, capturing the entire commodities futures curves maturities.

Open interest is the total number of outstanding futures contracts held by market participants, so is a stock measure approximating the size of commodity markets from a financial perspective. JPMorgan's view is that this approach should be preferable to alternatives such as production or volume weights, partly because the latter can generate significant concentration by particular commodities.

Figure 1. JMCXAGER Index Portfolio Composition

Corn	26.6%	Cocoa	3.1%
Rough Rice	0.4%	Coffee	5.0%
Soybean	20.0%	Cotton	4.8%
Soybean Meal	4.9%	Orange Juice	0.5%
Soybean Oil	6.7%	Sugar	6.3%
Wheat	12.9%	Robusta Coffee	1.4%
Winter Wheat	4.6%	White Sugar	0.9%
Spring Wheat	1.9%		

Source: Aegis Equities Research

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The Coupon Asset

Yield Alpha 8

The Yield Alpha 8 strategy aims to return 8% p.a. with a volatility of less than 8%. The strategy is based on an algorithmic trading model with a "Carry-to-Risk" framework. The strategy replicates trades across four different carry opportunities: bond yields compared to short-term interest rates, equity earnings yields compared to short-term real interest rates, interest-rate differentials between different currencies and risk premiums between implied and realised equity volatility. Investors should refer to the PDS for an explanation of the 'carry' phenomenon in each of the four asset classes in which the strategy invests. Yield Alpha 8 was launched in July 2006.

Efficiente

Efficiente is a cross-asset strategy that uses "modern portfolio theory" to try to maximise returns per unit of risk. Efficiente utilises a process for constructing a portfolio that, for a given level of market risk, optimises expected returns for investments in equities, bonds, commodities and property. It uses historical returns, risk and covariance parameters as the basis for working out the optimal weightings for each asset in the portfolio in terms of risk and return. The product is based on a portfolio of nine global indices (see Figure 2) covering the major equity and bond markets, as well as alternative investments, and rebalances every quarter by selecting new weights for each asset in the portfolio. Efficiente was launched in July 2007.

Figure 2. Efficiente: Sector and Asset Exposure

Sector	Sector Cap	Asset	Asset Cap
Developed Equity	50%	MSCI North America	25%
		MSCI Europe	25%
		MSCI Asia (incl. Japan)	25%
Global Debt	50%	JPMorgan Global Govt. Bonds	25%
		JPMorgan 3-mth USD Cash Index	50%
Alternative Assets	50%	JPMorgan Global Property Index	25%
		DJAIG Commodity Index	25%
Emerging Equity	50%	MSCI Emerging Market	25%
		JPMorgan Emerging Mkt Bond	25%

Source: Aegis Equities Research

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4. Performance Analytics

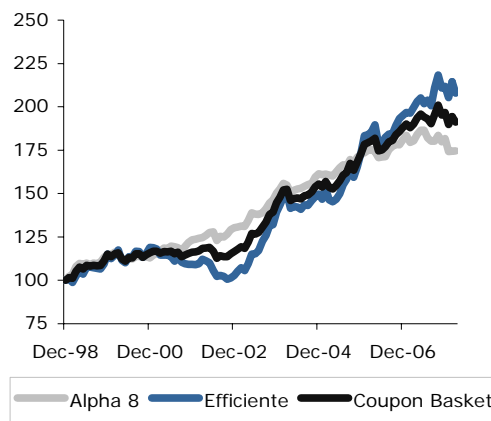
The Underlying Investments: Back-Tested / Actual Performance

Aegis has analysed the historic / back-tested performance of the underlying investments and the Equity and Coupon Baskets. In summary:

- The Equity Basket can be considered high risk-high return. The underlying indices have generally recorded strong but volatile performance that, in turn, reflects the underlying asset classes experiencing sustained periods of strongly negative and positive performance. Additionally, both equity and commodity markets have recorded extraordinary performance in recent years. Consequently, recent historic performance may be less indicative of potential performance than may otherwise be the case.
- The underlying investments of the Equity Basket have exhibited low correlations due to different asset-class exposures. This diversification serves to reduce the volatility of the Equity Basket and as such the potential to weather a downturn in one asset class through potentially solid performance in another.
- While the Coupon Basket has performed at a level in line with targeted performance over the longer back-tested period, actual performance since the inception of the Underlying Investments has been relatively poor and at a level that would generate low levels of coupon payments. While the market environment has been extraordinary over the last nine months, the deterioration in performance highlights the risk with coupon payments.
- The Coupon and Equity Baskets have recorded material correlation (0.64), mainly due to Efficiente's correlation with equities. Consequently, while the determination of income and capital are independent there is a likelihood the performance will be correlated.

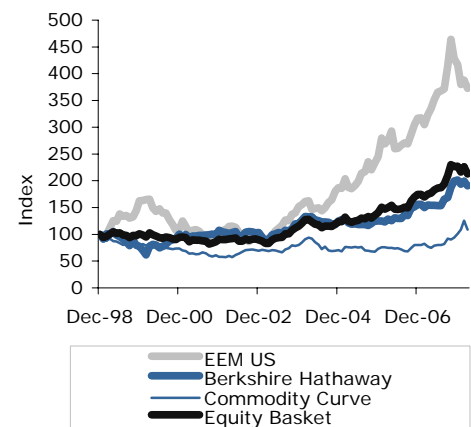
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Figure 3. The Coupon Basket



Source: Bloomberg/Aegis Equities Research

Figure 4. The Equity Basket



Source: Bloomberg/Aegis Equities Research

Figure 5. Historic Performance: Coupon and Equity Assets

Return % p.a.	Equity Basket	EEM US Index	Berkshire Hathaway	JPM Comm. Curve	Coupon Basket	Yield Alpha 8	Efficiente
1-year	21.67%	15.3%	22.9%	40.5%	0.6%	-3.3%	4.1%
2-year	19.10%	16.5%	21.9%	20.8%	3.0%	-0.2%	5.9%
3-year	19.57%	25.7%	16.1%	12.7%	7.6%	2.8%	12.4%
5-year	20.73%	33.4%	15.9%	9.7%	10.1%	5.9%	14.5%
10-year	8.43%	15.1%	7.14%	0.9%	7.2%*	8.3%*	10.0%*
St. Dev 10-yr	12.6%	21.9%	18.7%	17.0%			
St. Dev 5-yr	12.6%	19.4%	12.7%	19.6%	5.9%	5.6%	8.7%

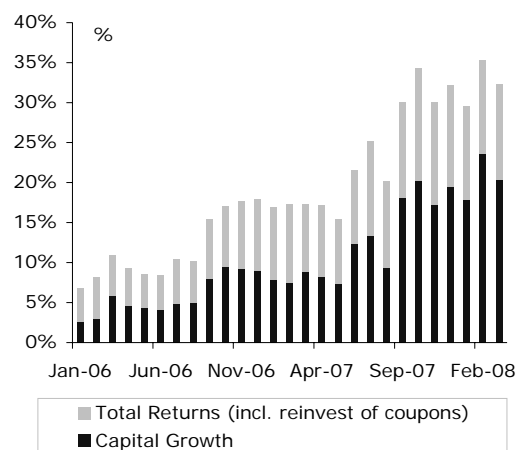
Source: Aegis Equities Research *Since back-tested inception date representing 9.3 years.

Trio+: Back-Tested Performance

Figure 6 presents both the back-tested price and total returns for Trio+ over rolling five-year periods. Figure 7 is derivative of Figure 6 but solely presents the average annual coupon payment over each five-year period. The performance is summarised in Figure 8. Figures 9 and 10 present the back-tested performance over the period April 2003 to March 2008.

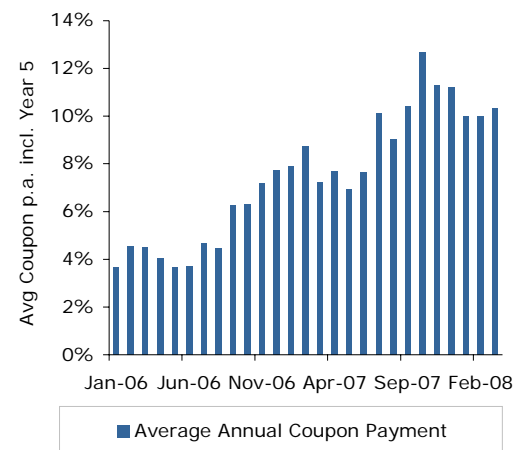
- Capital returns are high risk-high return: Back-tested performance has varied significantly, with a minimum capital return of 2.6% p.a., a maximum of 23.7% p.a. and an average return of 10.4% p.a. The variation of performance reflects the high-risk nature of the Equity Basket and the magnifying impact of leveraged CPPI (note the volatility of 28.3% over the April 2003 to March 2008 period (Figure 9)).
- The frequency and amount of income is relatively high risk, with the average coupon level over the five-year term exhibiting material variation. Furthermore, the payment and amount of annual coupons during any given five-year term can also vary significantly. Consequently, there is material risk to the degree Trio+ may be self-financing for loan investors.
- Capital and income returns have exhibited material correlation.
- Volatility in the Equity Basket is particularly adverse to leveraged CPPI performance. This is evident in Figures 9 and 10, where, despite strong Equity Basket returns, price returns of the Dynamic Equity Portfolio are in-line with the Equity Basket.

Figure 6. Rolling 5-Year Total Returns



Source: JPMIAL/Aegis Equities Research

Figure 7. Rolling 5-Year Avg Coupon Payments



Source: JPMIAL/Aegis Equities Research

Figure 8. Trio+: Back-Tested Performance – Rolling 5 Years

	Equity Dynamic Portfolio	Coupon Dynamic Portfolio	Total Returns
Average Return (% p.a.)	10.4%	7.48%	19.08%
Minimum Return (% p.a.)	2.6%	3.66%	6.80%
Maximum Return (% p.a.)	23.7%	12.67%	35.31%

Source: Aegis Equities Research

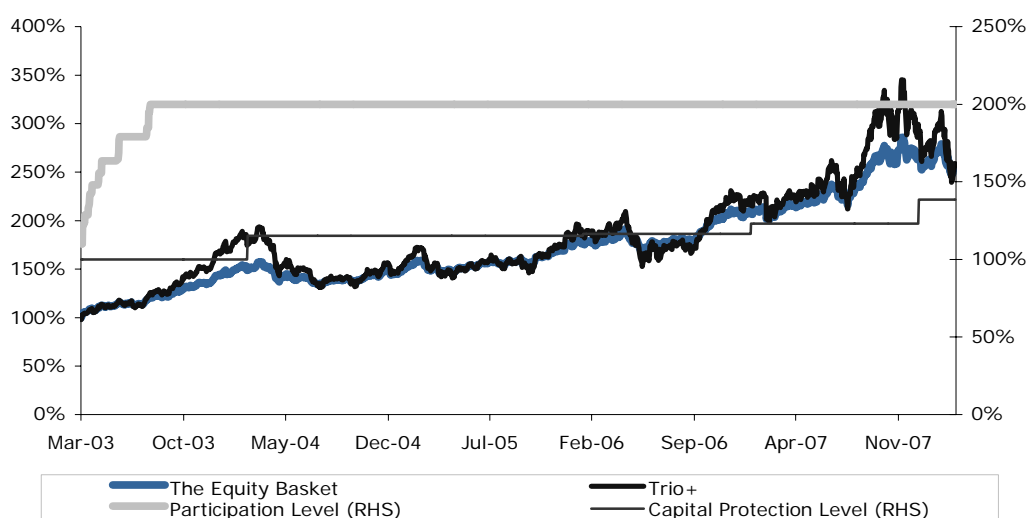
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Figure 9. Trio+: Back-Tested Performance - April 2003 to March 2008

	Equity Basket	Trio+
Return	20.7% p.a.	20.9% p.a.
Risk	14.3%	28.3%
Protected Level at Maturity	n/a	139%
Average Participation	n/a	197.1%
Average Coupon Years 1 - 4	n/a	8.0% p.a.
Final Coupon Year 5	n/a	22.1%

Source: Aegis Equities Research

Figure 10. Trio+: Back-Tested Capital Returns Performance - April 2003 to March 2008



Source: Aegis Equities Research

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Trio+: Monte Carlo Analysis

Expected capital and income performance under certain risk-and-return scenarios is assessed through a Monte Carlo analysis. The analysis is based on three risk-and-return scenarios:

- **Historic 10-year:** based on the risk and return performance of the Underlying Investments of the Equity Asset and Coupon Asset over the last 10-year period (see Figure 5 for the specific risk-return assumptions). This is a relatively low-growth, high-risk scenario.
- **Historic 5-year:** based on the risk-and-return performance of the Underlying Investments of the Equity and Coupon Assets over the last five-year period. (see Figure 5 for the specific risk-return assumptions). This can be considered a high-growth, high-risk scenario.
- **Mid-Level Scenario:** A hypothetical scenario based on 13% p.a. growth and 10-year historic volatility levels in the Underlying Investments in the Equity Basket and 8.5% p.a. growth and 6.0% volatility in the Underlying Investments of the Coupon Basket.

Results are summarised in Figure 11:

- **Significant Capital Returns Risk.** The high risk and return of the Underlying Investments in the Equity Basket combined with internal leverage and potentially rising capital-protection level generates significant capital-returns risk. This is evident in the variation in mean annual returns, ranging from 28.0% p.a. to 5.1% p.a. (Figure 11).

- Significant De-Leverage Risk. Similarly, de-leverage risk is very high in the Dynamic Equity Portfolio. This is evident in the 10-year Historic and Mid-Level growth scenarios, where there is a concentration of return outcomes in the 0% to around 5% p.a. levels due to the impact of having exposure to the Cash Asset. Investors should be aware that de-leverage risk creates uncertainty as to the performance of Trio+ vis-à-vis the Equity Basket but will invariably create a de-coupling of performance.
- Solid Income Support. Average annual coupon amounts over the five-year term in all three scenarios are relatively solid. This is particularly important for loan investors and highlights the structural strength of having income and capital sourced from independent portfolios with significantly different risk-and-return profiles. Investors should note, however, that the amount and successful payment of a coupon on each payment date is highly variable. This is due to both the market-entry timing risk implicit in the calculation formula of coupons as well as the NAV erosion generated by each coupon payment.
- Lower Value at Risk. The level of capital protection at maturity is clearly a function of performance of the Equity Dynamic Portfolio. Its impact is to reduce the value at risk during the term by locking in a percentage of gains. The structure does, however, increase de-leverage risk but the impact is minimal under the Trio+ structure.

Figure 11. Monte Carlo Analysis Summary

	5-year	10-year	Mid-Level
Capital Return Outcomes:			
Equity Basket Growth Assumption	20.73%	8.43%	13.0%
Equity Basket Risk Assumption	12.6%	12.6%	12.6%
Capital Return (% p.a.)	28.0%	5.1%	11.1%
Protected Level at Maturity	136%	104%	111%
Coupon Return Outcomes:			
Coupon Basket Growth Assumption	10.1%	7.2%	8.5%
Coupon Basket Risk Assumption	6.4%	5.9%	5.9%
Coupon Return:			
- Year 1	5.35%	3.96%	4.60%
- Year 2	5.72%	3.56%	4.67%
- Year 3	6.35%	4.40%	5.37%
- Year 4	7.58%	7.06%	7.29%
- 5-yr Average (% p.a.)	9.73%	6.00%	7.40%
Total Return (% p.a.)	37.7%	11.10%	18.5%

Source: Aegis Equities Research

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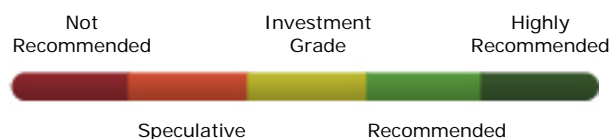
Appendix – Ratings Process

Aegis has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors.

Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

The Ratings

Our rating is based on the following scale:



Highly Recommended: indicates that Aegis believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and scored exceptionally in a number of categories. It has an attractive risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors.

Recommended: indicates that Aegis believes this is an above average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above average risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors.

Investment Grade: indicates that Aegis believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation parameters. The product may provide unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors. In the previous five category rating system, this category was termed 'Approved'.

Speculative: indicates that Aegis believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Aegis does not rule out investing in this product, investors should be very aware of, and be comfortable with, the specific risks. The product may provide unique diversification opportunities; however, concerns over one or more features means that it may not be suitable for most investors.

Not Recommended: indicates that Aegis believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. However, this does not mean that the product is without merit.

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The offer of the securities is made in the Product Disclosure Statement (PDS), and anyone wishing to acquire the securities should complete the application form in the PDS.

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