

## Instreet Enterprise Trusts

Investment Grade

• Focus Momentum Trust

Recommended

• Emerging Markets Trust  
• Global Gold Trust

### Important Dates

Issue Opens	7 May 2008
Close Date	30 June 2008
Unit Issue Date	30 June 2008
Maturity Date / Investment Term	30 June 2015 / 7 years

### Key Information

Product Type	The product offers a 7 year exposure to 3 different underlying Trusts with capital protection at maturity.
Issuer(s)	Instreet Global Gold Trust (Global Gold Trust), Instreet Emerging Markets Trust (Emerging Markets Trust), Instreet Focus Momentum Trust ( Focus Momentum Trust), (Collectively known as the Instreet Enterprise Trusts). All are Australian unit trusts registered as managed investment schemes.

**Responsible Entity** Macquarie Financial Products Management Ltd (MFPML), a Macquarie group company.

**Loan Provider** Macquarie Bank Limited or Macquarie Acceptances Limited.

**Consultant** Instreet Investment Limited (Instreet).

**Capital Protection** The 3 underlying Trusts provide protection for 100% of capital **at maturity** subject to risks, limitations and conditions.

**Profit Lock-Ins** The Global Gold and Emerging Markets Trusts have profit lock-ins when the underlying investments reach certain triggers.

**Liquidity** Investors may request redemption semi-annually from June 2009. The benefit of capital protection is available only at maturity.

**Issue Price** Units will be issued at AUD 1.00

**Minimum Investment** AUD 20,000 in total, with a minimum of AUD 5,000 in any one Instreet Enterprise Trust.

**Investment Loan** Investors are required to apply for a loan from the Loan Provider to fund 100% of the investment amount.

**Distributions** The Instreet Enterprise Trusts do not pay distributions throughout the investment term.

### Fees and Commissions

**Loan Establishment Fee** 2% flat of the investment loan and is used to fund Adviser Commissions

**Adviser Commissions** Up to 3.3% flat of the investment amount and 0.55% pa trail on the investment amount. This fee is paid by Responsible Entity. These fees may be rebated.

**Distribution Fee** 0.77% p.a. of the investment amount will be paid to Instreet Investments Limited.

**Asset Management Fee** 1.75% pa of the value of the Global Gold Trust and 1.50% p.a. for the Emerging Markets Trust.

### What these Ratings Mean

The **Recommended** rating indicates that Lonsec has conviction that the fund or product can achieve its objectives and, if applicable, outperform peers over an appropriate investment timeframe. The manager or product has a number of competitive advantages in people, process and product design. The investment is a recommended entry point to access this asset class or strategy.

The **Investment Grade** rating indicates that Lonsec believes that the fund or product can achieve its objectives and, if applicable, outperform some of its peers over an appropriate investment timeframe. However, compared to higher rated funds or products, this fund or product has fewer competitive advantages (and / or has a number of weaknesses) in people, process or product design. If available, higher rated funds or products giving access to this asset class or strategy are expected to provide better long term investment outcomes.

### Lonsec Opinion of this Product

- An investment in the Instreet Enterprise Trusts provides investors with an opportunity to access potential growth in emerging markets, gold and commodities markets with the benefit of capital protection at maturity.
- An investment into any of the Trusts is designed to be held to maturity. The Trusts have many “moving parts” and contracts that need to be broken in order to satisfy early redemption requests. Therefore investors’ returns in the case of early redemption may be less than expected.
- Lonsec considers independence of the index sponsor favourably when rating structured products so as to avoid any potential conflicts of interest. Merrill Lynch International is the index sponsor for many of the indices used in the Focus Momentum Trust. In the case of one of the Merrill Lynch sponsored indices there is a reliance placed on the respective investment committees due to a lack of hard index rules. The investment committees have the potential to significantly influence the performance of these indices and hence the ultimate performance of the Focus Momentum Trust.
- The Global Gold and Emerging Markets Trusts will have an initial exposure to the underlying investment of 80%. This means investors will not initially be exposed to the full growth potential of these underlying investments. Investors are able to gain up to a maximum of 100% exposure dependent on the performance of the underlying investment.

- Lonsec believes the averaging process used to calculate the final value of the Global Gold and Emerging Markets Trusts is appropriate for these Trusts. It is also preferable to an averaging over the whole investment term as investors are able to participate in more of the potential upside of the Trust(s) they have chosen and obviously have a positive view on
- Many structured products are designed “in-house” by product providers and then sold to the investors. Instreet Enterprise Trusts have been structured after consultation with selected investors. Lonsec considers this a sound approach, however, all investors need to consider whether the product features in this offering suit their unique requirements.
- The Focus Momentum Index offers exposure to a basket of indices and one actively managed fund. Alongside a broad exposure to commodities via the Merrill Lynch Commodity Index eXtra the index focuses on 3 sub-themes, being Chinese and Indian demand for industrial metals, Asian demand for food and the growth in biofuels. The research which determined the index constituents, while not extensive, appears adequate from a big picture point of view.
- An investment in any of the Instreet Enterprise Trusts is capital protected at maturity. Due to the time value of money over the investment period, the capital protection amount at maturity is not the same in *real* terms as the original amount at inception.
- The investment loan interest rates are set with reference to the interest rates and foreign currency of the underlying investments, as well as the cost of gaining exposure via derivative markets. Whilst not as simple as some structured products, the method provides an efficient means of gaining exposure to the underlying investments at competitive interest rates. This structure means the effective after-tax cost of servicing the investment loan is relatively low for investors with a top marginal tax rate of 46.5%; approximately 2.4% for the Global Gold and Emerging Market Trust and 2.7% for the Focus Momentum Trust first interest rate period.
- Product Fees are not transparent as a separate capital protection fee is not stated. The “cost” is effectively reflected in the pay-off at maturity. A fee (or margin) is taken on the loan interest rates. As the interest rates are set with reference to foreign currency interest rates, any comparison of loan interest rates on other structured products is of limited value. The Swap and FX counterparties may also profit from hedging arrangements undertaken when discharging their swap and capital protection obligations. The quantum of these amounts is uncertain and effectively “at risk” to these counterparties. The Global Gold and Emerging Markets Trusts charge active management fees broadly in line with similar style funds.

## Using this Product

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- This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page
- Each of the Instreet Enterprise Trusts can potentially appeal to different investors based on geographic preferences and diversification considerations. The product should be viewed as an equity diversifier (or satellite investment) within the international equities component of a diversified portfolio. Percentage allocations to each overall asset class are outlined in Lonsec’s Risk Profile Review.

## Investor Suitability

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- Investors wanting exposure to global emerging equity markets and commodities (specifically gold equities) with the benefit of capital protection at maturity.
- The Focus Momentum Trust generates its returns from a basket of four indices and is likely to suit investors requiring a passive exposure to these investment themes. The Global Gold and Emerging Markets Trusts are actively managed funds likely to appeal to higher risk profile investors who are comfortable paying fees for active management.
- Investors seeking capital growth who do not require the certainty of dividends. Investors should be comfortable funding interest payments on the investment loans from their own financial resources.
- Investors who are comfortable with the risks associated with borrowing to invest. Investors are required to borrow 100% of the funds required for investment.

## Relevant Parties

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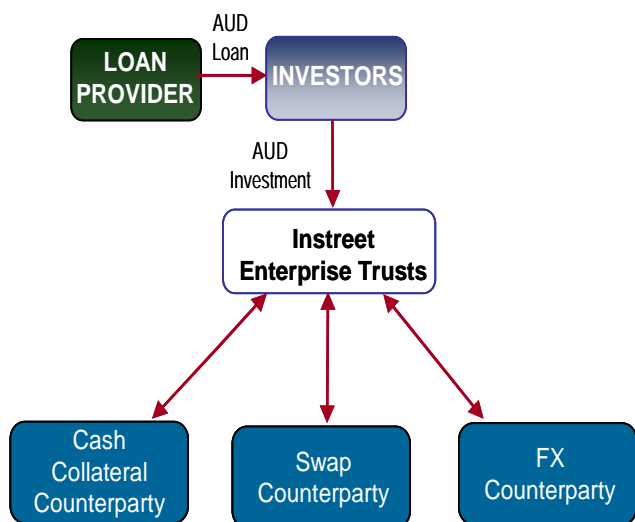
Macquarie Financial Products Management Limited (MFPML) is the responsible entity of each Instreet Enterprise Trust. MFPML acts as responsible entity for a number of other Trusts. The Macquarie reFleXion Trusts have been issued since 2005, as well as the Macquarie Fusion Funds offered in every year from 2002.

Instreet Investment Limited (Instreet) acts as consultant to financial advisers to conceive and distribute investment products. Instreet is not a member of the Macquarie Group or a representative of MFPML. The key personnel of Instreet are experienced investment professionals and appropriately qualified to carry out their consulting role.

## How Does the Product Work?

Investors buy units in any or all of 3 different underlying investments. Investors are required to take out a loan with the Loan Provider to fund 100% of their investment. A separate Instreet Enterprise Trust is established for each of the investment alternatives. Each of the Trusts obtains exposure to the underlying investments via a swap agreement with a Macquarie group company. This provides an exposure to a USD denominated underlying investment (see Underlying Investments on page 4) whereas the loan to investors is denominated in AUD. In order to eliminate any foreign exchange risk on the loan principal the Trusts also enter into a forward foreign exchange contract and a collateral agreement with a Macquarie group company. This also forms the basis of the capital protection at maturity.

The investment structure for each Trust can be depicted as follows:



Under this structure an investor receives:

- an amount at maturity that will be at least equal to the investment loan repayment amount,
- a potential payment at maturity based on the growth, if any, in the underlying investment (including any profit lock-ins),

It is important to note that, unlike the repayment of principal, the potential payment of any capital growth component (including potential profit lock-ins) in excess of the initial principal will be subject to exchange rate fluctuations (either positive or negative) i.e. whilst the loan component is fully hedged, any growth component is unhedged.

## What Happens at Maturity?

The calculation of an investor's return at maturity will differ depending on the Instreet Enterprise Trust(s) chosen by investors.

### Focus Momentum Trust

The Focus Momentum Trust gains exposure to the underlying investment by the swap counterparty acquiring a zero coupon bond and a call option over the underlying investment.

The return of the Focus Momentum Index over each semi-annual period is calculated based on the methodology outlined on page 29 of the PDS. The value at maturity is obtained by compounding these periodic returns.

### Global Gold and Emerging Markets Trusts

These Trusts are subject to an investment technique called **Threshold Management**, which seeks to ensure the dollar amount of an investment at the maturity date is at least equal to the dollar amount at the start of the period. It achieves this by regulating the allocation of Trust funds between cash and exposure to the underlying investments.

Threshold Management may result in the value of an investment in these Trusts not reflecting the performance of the underlying investment. At inception, each of these Trusts will have an exposure of 80% to its underlying investment with the balance invested in cash. These percentages, however, change over the investment term depending on the performance and volatility of the underlying investment and the level of USD interest rates. An investor's exposure to the underlying investment can fluctuate between a minimum of 5% to 20% and a maximum of 100%. The major risk to investors with this technique is that if the underlying investment suffers a period of poor performance there could be a 80% to 95% allocation to cash, This can have a significant impact on an investor's returns, particularly where the allocation to cash occurs early in the investment term. Therefore the risks associated with Threshold Management are greater the more volatile the underlying investment.

**As a guide, a linear fall over a 6 month period of at least 40% would generally result in an 80% to 95% allocation to cash. This Threshold management will maintain a minimum exposure to the underlying markets of between 5% to 20%.**

The value of an investment in these Trusts will also not mirror the performance of the respective underlying investments due to factors that include changes in the underlying foreign exchange rate, the impacts of threshold management and fees.

## Instreet Enterprise Trusts

The Global Gold and Emerging Markets Trust have a profit lock-in feature. If the value of the swap agreement rises to a certain value, half of these gains are locked in.

Value of Swap as % of USD Initial Value	Minimum Value of Swap at Maturity Date as a % of Initial Value
150%	125%
200%	150%
250%	175%
300%	200% etc...

Investors should note that with every profit lock-in, there is an increased potential for exposure to the underlying investment to be reduced and exposure to

cash be increased. In general, the likelihood of such reduction in exposure is greater in the later years as the investment approaches maturity date. A profit lock-in can take effect from the Issue Date until the first averaging date on 15 March 2015.

The value of the Global Gold and Emerging Markets Trusts at maturity is calculated by the increase (if any) in the respective underlying investments from the start of the investment to maturity, subject to an averaging of the closing levels on 15 March 2015, 15 April 2015, 15 May 2015 and 15 Jun 2015.

The averaging may reduce exposure to any fall in the underlying investment in the lead up to maturity but may also reduce exposure to any increase in the period leading up to maturity.

In order to provide a guide to the sensitivity of an investor's returns to some of the product variables, Instreet has calculated the following:

Global Gold & Emerging Markets Trusts returns p.a.*	Instreet Enterprise Trust Return at Maturity per \$100 investment	Return at maturity for direct investment in underlying	Minimum exposure to underlying investment	Maximum exposure to underlying investment
4.5%	\$123	\$136	74%**	80%
7.5%	\$146	\$167	80%	91%
15%	\$223	\$266	80%	95%
-10% 1 <sup>st</sup> year, then 15% p.a.	\$170	\$208	51%	98%

\* assumes straight line p.a. increase.

\*\* under this scenario there is a deleveraging following a profit lock-in.

## Underlying Investments

Investors select from the following underlying Trusts:

Instreet Enterprise Trust	Underlying Investment	Relevant Foreign Currency	Active / Passive Management	Threshold Management	Exposure to Underlying Investment at Inception
Instreet Global Gold Trust	BlackRock Global Funds - World Gold Fund	USD	Active	Yes	80%*
Instreet Emerging Markets Trust	BlackRock Global Funds - Emerging Markets Fund	USD	Active	Yes	80%*
Instreet Focus Momentum Trust	Merrill Lynch Focus Momentum Index	USD	Passive	No	100%

\*This is the indicative exposure at inception. The remaining 20% will be invested in cash. The asset allocation of the Trust will vary throughout the term of the investment due to the application of Threshold Management.

## Instreet Global Gold Trust

### About this Fund

Fund	<b>BlackRock Global Funds – World Gold Fund</b>
Fund Size (US\$M)	7,780
Responsible Entity	BlackRock Investment Management (UK) Limited
Fund Commenced	December 1994
Management Fee	1.75% pa of the net asset value of the Fund

### About the Fund Manager

Fund Manager	BlackRock Global Funds
Ownership	Merrill Lynch holds approximately a 49% and The PNC Financial Services Group 34%. The remaining 17% is held by employees and the public.
Assets managed in this sector (\$M)	42,200
Years managing equities	14

### Investment Team

Team size dedicated to this Fund	11
Team Structure	Generalist
Located	London
Portfolio Manager	Multiple
Number of Analysts/Researchers	7
Turnover/Team Ratio (past 2 yrs)	0%

### Investment Process

Style	Neutral
Targeted Value Add above Index (p.a.)	n/a
Typical Tracking Error (p.a.)	n/a
Typical Stock Numbers	40 – 70
Currency Approach	Unhedged
Stock bet limits	10% max
Sector/Industry bet limits	n/a

### People and Resources

The team currently consists of seven senior fund managers – four of whom focus on Mining and Gold sectors (Graham Birch (CIO), Evy Hambro, Richard Davis and Catherine Raw). The remaining three focus on Energy sector funds. The senior fund managers are supported by two analysts. The entire team is based in London.

### Investment Style

The Fund invests globally at least 70% of its total assets in the equity securities of global companies whose predominant economic activity is global mining.

It may also invest in the equity securities of companies whose predominant economic activity is in relation to other precious metals or minerals.

The investment process relies on a combination of fundamental bottom-up approach to stock selection, with a top-down qualitative 'macro' overlay. The team follow no specific 'style' approach, instead they tend to be long-term holders of companies with quality long-life assets which can have either/both growth and value characteristics.

Although the global mining portfolios have no quantifiable performance target, they aim to outperform the FTSE Global Mines Index over the medium-to-long term.

### Investment Philosophies

The initial premise is that long-term trends in commodity prices are a key driver of re-investments, and as such future earnings and dividend yields. This will be the focus of their top-down macro view.

The aim is to combine individual stock holdings, with these characteristics, to create an overall portfolio which has diversified away geographic, currency, political and technical risk.

### Investment Process

The original opportunity set consists of the constituents of the FTSE Global Mines Index (approximately 120 stocks), plus any other global mining stocks, which totals around 1,000 companies. The next stage is for stocks to undergo a qualitative and valuation review. On average, each team member will review around 25 stocks. The team will have detailed company analysis (including valuation work) on approximately 200 companies.

Fundamental company analysis includes one-to-one company meetings. Having comfort with company management is seen as crucial before large stock holdings can be built up, and this qualitative analysis plays a prominent part in the investment process for all core holdings. The team estimate they collectively undertake approximately 600 company meetings per annum, 70% of which are with company management, the remainder organised through a broker. In addition, the team will ensure for all core holdings they visit the site of the assets, rather than just management headquarters.

An important element of their investment process is the formulation of the top-down macro view. Essentially, the team are looking for long-term trends in the Resources sector, as they believe that that long-term trends in commodity prices are a key driver of re-investments, and as such future earnings and dividend yields.

Valuation methods used are primarily DCF valuations for single metal-producing companies, or equilibrium metal price models (based on long-term earnings outlook) for diversified producers. Returns will be

forecasted out to ten years and beyond, depending on the assumed life of the assets. An equilibrium price model is essentially a DCF technique. Other ratios will be reviewed, such as P/E and dividend yield.

## Lonsec Opinion of the Fund

- The investment team is extremely experienced, both in terms of investment management and practical knowledge in the mining industry. The team has also worked together extensively and been stable over a long period of time.
- The investment process is fairly fluid; there is a large emphasis on qualitative assessment, and may appear at times to be less structured than some of their competitors (eg there are no firm guidelines on scoring of stocks, stock weights etc). That said, the current investment process has been in place for some time, and has been consistently used by the team over 10 years.
- The process is based on consensus decision-making, and as such the investment team has a fairly flat structure, which encourages a high level of debate and peer review. The investment process and philosophy are logical and well defined with the team well resourced to implement the process.
- The team manage a substantial level of assets. On the plus side, in addition to the length of experience of the senior team members in this sector, and the BlackRock brand name, Lonsec believes this team gains good access to company management and on-site visits, which is crucial in this sector.
- Lonsec believe the larger the assets under management, the greater the strain of client servicing on the three senior fund managers. This is somewhat negated by the fact that the majority of assets are in pooled funds, which requires less tailored client servicing that segregated mandates. Lonsec believes that exposure to the global mining sector is suitable as a satellite in a well diversified portfolio, as it is likely that (along with the resources sector in general) performance will be cyclical, and as such, prone to periods of under and outperformance. The BlackRock Resources team is well placed to provide specialist management expertise in this sector.

## Instreet Emerging Markets Trust

### About this Fund

Fund	<b>BlackRock Global Funds - Emerging Markets Fund</b>
Fund Size (US\$M)	1,303
Responsible Entity	BlackRock Investment Management (UK) Limited
Fund Commenced	Nov 1993
Management Fee	1.5% pa of the net asset value of the Fund

### About the Fund Manager

Fund Manager	BlackRock Global Funds
Ownership	Merrill Lynch holds approx a 49% stake in BlackRock and The PNS Financial Services Group holds a 34% stake. The remaining 17% is held by employees and the public
Assets managed in this sector (\$M)	2,081
Years managing EM equities	14

### Investment Team

Team size dedicated to this Fund	10
Team Structure	Regional
Located	London
Portfolio Manager	Plamen Manovski
Number of Analysts/Researchers	6
Turnover/Team Ratio (past 2 yrs)	10%

### Investment Process

Style	GARP
Targeted Value Add above Index (p.a.)	3.0% p.a.
Typical Tracking Error (p.a.)	4% - 6%
Typical Stock Numbers	70 - 100
Currency Approach	Unhedged
Stock bet limits	Max 10% in any one company
Sector/Industry bet limits	N/A

## People and Resources

The Fund is managed by BlackRock Global Funds and is one of the older emerging funds in the market, having commenced in November 1993.

The investment team consists of 6 portfolio managers, supported by 4 analysts. The team also draws on the resources of BlackRock regional teams – Asia Pacific, Emerging Europe and Middle East and Latin America. Plamen Manovski, Alain Bourrier and Will Landers are Managing Directors and sit on the Global Investment Strategy Group. The Group meets daily to determine

country and sector selection. All have extensive experience managing funds in international markets.

BlackRock's investment team collectively has an average of 11 years of investment experience which is on a par with the average emerging markets equities manager observed by Lonsec.

### Investment Style

BlackRock believes that emerging markets are still very inefficient and companies in those markets are mispriced relative to companies in mature markets. The manager adopts an active bottom-up approach with a top down overlay to identify quality businesses with a sustainable long-term growth outlook. This approach tends to result in 'growth at reasonable price' portfolios.

### Fund

The Fund invests in companies listed in the emerging markets of Latin America, the Middle East, Eastern Europe and Asia. The Fund aims to generate 3.0% p.a. in excess of the MSCI Emerging Markets Index. The manager tends to maintain a reasonably concentrated portfolio of 70-100 stocks, with an annual turnover expected to be generally close to 60% - 80%. There are no formal limits against the MSCI Emerging Markets index. Cash is not actively used, and normally 1- 2%.

### Investment Process

The process starts with an initial universe comprising all companies in developing markets globally. This covers 12,500 listed companies across more than 25 countries. Liquidity screens reduce this number to approximately 800.

Stock and research responsibilities are split on a geographical basis with a sector overlay. The research covers three areas:

- Growth opportunities for each company,
- Quality of management and ability to deliver on the growth, and
- The valuation of the company.

Company visits are considered a key part of the investment process. Core holdings are generally visited four times a year.

### Portfolio Construction

Portfolio construction combines top-down and bottom-up analysis. Country allocation is dynamic and team-driven. Greater emphasis is placed on top-down for those countries where the economic environment is deemed less stable.

The portfolio is constructed from the country recommendations as proposed by the country specialists and the country weights as decided by the portfolio managers. Recommendations may be

overridden where there are deemed to be inappropriate sector weightings, positions sizes that are too small or where overall portfolio risk is considered too excessive.

### Lonsec Opinion of the Fund

- BlackRock Global Funds has over 5,500 employees and over 700 investment professionals. The Emerging Markets Fund investment team of 10 draws on the group's wider resources in managing the Fund, meaning they are well placed in organising meetings with prospective and incumbent companies of the Fund. The team seems well positioned to leverage the wider BlackRock resources including a separate risk team for reviewing the portfolios.
- The investment team dedicated solely to Emerging Markets analysis is smaller than that of the average emerging markets equity manager in Lonsec's rated universe and substantially smaller than that of the highest rated manager. However, the team possesses a good level of equities experience in its senior portfolio managers.
- The research process is logical and well structured and has been consistently applied over a considerable period. The immediate investment team is based in London, although draws on the resources of the wider BlackRock group. The frequency of communication between the various locations supports a healthy exchange of ideas. In general Lonsec prefers investment teams using bottom up, fundamental research to 'position analysts close to the action' as this will lead to increased opportunity for insight into emerging markets companies.
- The investment team places a heavy reliance on direct contact with companies and undertake a significant calling schedule. Lonsec believes this style of investment is appropriate for emerging markets. Lonsec believes there is evidence of a solid level of direct contact with company management through the investment process.
- Given the volatile nature of emerging markets investment markets investors need to adopt a long term view and be prepared for volatility often exceeding that of traditional developed equity markets.

***Performance statistics for the BlackRock Global Funds - World Gold Fund and Emerging markets Fund can be found in the PDS.***

## Instreet Focus Momentum Trust

The Trust provides investors with a USD denominated exposure to the price performance of the Merrill Lynch Focus Momentum Index. The investment is capital protected in AUD at maturity.

The Focus Momentum Index offers exposure to a basket of indices and one actively managed fund. Alongside a broad exposure to commodities via the Merrill Lynch Commodity Index eXtra the index focuses on 3 sub-themes:

- Chinese and Indian demand for industrial metals
- Asian demand for food
- The growth in biofuels.

The basket consists of four components:

Component	Constituent	Constituent Weight within Component
1	Merrill Lynch Commodity Index eXtra	100%
2	Merrill Lynch Commodity Index – Industrial Metals	50%
	BlackRock Global Funds - India Fund	25%
	Merrill Lynch China Dragon Index	25%
3	Merrill Lynch CX Biofuels Index	50%
	Merrill Lynch Renewable Energy Index	50%
4	Merrill Lynch Commodity Index – Agriculture	50%
	Merrill Lynch Asia Pacific Focus 1(ex India) Index	50%

The weightings applied to each of the components within the Focus Momentum Index are determined on a semi-annual basis and based on the performance of each component over the previous 6 months. Weights are set according to:

Performance over the previous 6 months	Allocated Weight for the following 6 months
<b>Best Performing Component</b>	60%
<b>2<sup>nd</sup> Best</b>	30%
<b>3<sup>rd</sup> Best</b>	10%
<b>Worst Performing</b>	0%

Weights for the initial 6 month period are based on the performance of the components over 15 December 2007 to 15 June 2008.

A brief outline of the constituents follows. More detail can be found in Appendix A of the PDS.

### Merrill Lynch Commodity Index eXtra

The index is a rules based commodity index designed to provide a liquid, cost efficient benchmark for commodity market performance. Futures contracts included in the index must be USD denominated, listed on selected exchanges and satisfy liquidity constraints. Weightings are determined by global production levels of each commodity. The contracts are divided into 6 sectors. The minimum and maximum weights of any sector are 3% and 60% respectively. The composition of the index as at 30 April 2008 was:

Commodity	Weight (%)	Market Sector
Crude Oil	29.9	Energy
Gasoline	12.7	Energy
Heating Oil	12.3	Energy
Natural Gas	7.2	Energy
Corn	5.2	Grains
Wheat	4.8	Grains
Soybean Meal	1.1	Grains
Soybean	0.9	Grains
Copper	7.3	Industrial Metals
Aluminium	5.0	Industrial Metals
Nickel	2.6	Industrial Metals
Zinc	1.8	Industrial Metals
Live Cattle	2.1	Livestock
Lean Hogs	1.1	Livestock
Gold	2.7	Precious Metals
Silver	0.5	Precious Metals
Sugar	2.0	Soft Commodities
Coffee	0.8	Soft Commodities
<b>Total</b>	<b>100%</b>	

### Merrill Lynch Commodity Index – Industrial Metals

This index represents the Industrial Metals sector of the broader index. The principles used for selection and weighting of contracts is the same as the broader index.

### BlackRock Global Funds - India Fund

This fund is actively managed by DSP Merrill Lynch Fund Managers, the asset management arm of DSP Merrill Lynch Ltd (Merrill Lynch's joint venture in India). The fund was launched in April 1997. The investment team has the advantage of being based "on the

ground” in Mumbai, is very experienced and has been stable over a long period. The investment style is essentially bottom-up stock picking with a top down overlay. The fund aims to hold a relatively concentrated portfolio of between 40 to 80 stocks. The investment team places a significant emphasis on company contact and uses a team based decision making process. The fund comprises exposure to the full market capitalisation spectrum, with a bias towards large and mid cap stocks. The fund can adopt a growth or value stance depending on prevailing market conditions.

Lonsec has met with the investment team and considers the investment process to be logical and robust and the quality of the investment professionals to be high.

### **Merrill Lynch China Dragon Index**

The index was created on 2 January 1999 and is designed to track the performance of the 30 largest stocks by market capitalisation with Chinese exposure in Asia. The countries from which stocks may be selected for inclusion in the index are Hong Kong, Macau, Taiwan and Singapore.

The index is rebalanced on a semi-annual basis in June and December subject to the following criteria: no single stock can comprise more than 20% of the index, all stocks must have a market capitalisation of at least US\$250 million, meet average trading liquidity requirements and have more than 25% of their assets or more than 25% of their revenue in mainland China (ex Hong Kong, and Macau). Merrill Lynch International assesses whether companies meet this criteria. This criteria means it is possible that some stocks in the index may have significant exposure to economies other than China.

As at 30 April 2008, two stocks accounted for approximately 39% of the total index. The performance of these two stocks will therefore have a significant impact on the overall performance of the index.

### **Merrill Lynch CX Biofuels Index**

This index includes commodities that are either biofuels themselves or feedstock commonly used in the production of biofuels. The futures contracts over these commodities must pass the same liquidity tests as the broader index. The weights reflect the value of each commodity in terms of its energy potential under today's technology.

### **Merrill Lynch Renewable Energy Index**

The objective of this index is to provide exposure to stocks that are well positioned to benefit from the renewable/alternative energy theme globally. The index was created in January 2007 and comprises between 15 and 50 stocks in the renewable energy sub sectors of biofuels, solar energy and wind power. The index is calculated in USD on a price return basis, that is, on the basis no dividends are reinvested. An investment committee of Merrill Lynch professionals

applies the following screening: stocks must have more than 15% of operating profits in any of the three renewable energy sub sectors or 30% of valuation in one of the three sub sectors, have market capitalisation of no less than US\$1 billion and have average daily turnover of at least US\$5 million. Stocks must also be listed in a developed market.

Stocks in the index are weighted according to their turnover where more than 50 stocks pass the screening. Where fewer than 50 stocks pass the screening, size and liquidity constraints may be relaxed. As at 30 April 2008, the index had 31 stocks from the following countries: US, Spain, China, Denmark, Norway, Germany, UK, France, Netherlands, Portugal and Taiwan. Individual stock weightings are capped at 20% of the index. Stocks are rebalanced semi-annually in March and September.

Whilst stocks may derive a material portion of their profits from renewable energy, the selection criteria makes it possible for stocks deriving significant revenue from non-related activities to be in the index. Lonsec would prefer to see tighter rules governing the construction of the index. Investors should be comfortable that this index provides the type of exposure they require to the investment theme.

### **Merrill Lynch Commodity Index – Agriculture**

This index represents the Agriculture sector of the broader index. The principles used for selection and weighting of contracts is the same as the broader index.

### **Merrill Lynch Asia Pacific Focus 1(ex India) Index**

This index is made up of an equally weighted between 15 and 40 stocks listed in markets in the Asia Pacific region. The index is calculated in USD on a price return basis, that is, on the basis no dividends are reinvested. The index was created in October 2006 and consists of 'buy' rated stocks recommended by Merrill Lynch research analysts (excluding India and Japan).

An investment committee (which is made up of Merrill Lynch Japan research analysts) meets periodically and is responsible for selecting and reviewing the composition of the index. The index will be rebalanced to equal weight every time there is an addition or deletion to the index. As well as meeting the index inclusion criteria of being a 'buy' rated company, all stocks must have a daily market turnover of at least US\$5 million. There are currently approximately 885 stocks researched by the Merrill Lynch analysts and of these 497 have buy recommendations.

The investment committee performs an important task and their actions can impact the performance of the index significantly. For example if there are more than 40 buy recommendations then the committee determines which stocks will be included in the index. Where the index becomes too concentrated in a

## Instreet Enterprise Trusts

specific industry then the committee is able to re-weight at its discretion.

Whilst Lonsec supports the idea behind the construction of the index, we would prefer to see the rules governing the construction of the index to be a little tighter.

Overall, Lonsec considers that the construction of the Merrill Lynch Focus Momentum Index is based on a reasonably well articulated investment thesis. The index is primarily designed to capture the price movements of companies and commodities that can benefit from the 3 sub-themes identified. The constituent indices offer broad representation, investability and transparency, although one constituent lacks “hard” rules. In Lonsec’s view, a lack of hard rules introduces an element of subjectivity to an index. Investors should realise that momentum investing is a legitimate investment management technique that may have some application in commodity markets but is untested in this form. This increases the risk associated with an investment in this Trust.

### Mandatory Investment Loan

Investors must apply for a loan for 100% of the investment amount into the Instreet Enterprise Trusts. Investors may choose to make interest payments annually in advance or monthly in arrears. Investors choosing to pay annually in advance may apply for an Interest Loan from the Loan Provider to cover the interest payable from 30 June 2008 to 29 June 2009. The interest and principal on the interest loan are to be repaid in 12 monthly instalments starting 31 July 2008. Both the Investment Loan and Interest Loan are full recourse loans, secured against an investor’s units in the Trusts.

The investment loan is denominated in AUD, however the interest rate on the loan will be set according to the foreign currency of the Instreet Enterprise Trust and the interest repayment option chosen. Investors may choose a:

- **floating interest rate** – the interest changes with foreign exchange rates and foreign interest rates; or
- **semi-fixed interest rate** – this protects investors from movements in foreign interest rates but investors are still exposed to movements in foreign exchange rates.

The effects of these variables on future investment loan rates, along with indicative first period investment loan rates can be viewed in Section 6 of the PDS.

Indicative interest rates for the period 30 June 2008 to 29 June 2009:

Instreet Investment Trust	Floating Interest Rates		Semi-Fixed Interest Rate
	Annual-in-advance p.a.	Monthly in arrears p.a.	Annual-in-advance p.a.
Global Gold Trust	7.60%	8.00%	8.85%
Emerging Markets Trust	7.60%	8.00%	8.85%
Focus Momentum Trust	8.10%	8.50%	9.35%

### Risks

***An investment in the Instreet Enterprise Trusts carries a number of standard investment risks associated with international investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in Section 5 of the PDS and should be read in full and understood by potential investors. Below are what Lonsec considers to be the major risks.***

**Underlying investment risk** - The value of, and returns (if any) from, an investment in the Instreet Enterprise Trusts will depend upon the performance of the relevant Underlying Investment. Each Underlying Investment will have a different risk/return profile.

**Early Maturity Risk** – there are a number of circumstances which can lead to an early maturity such as:

- the underlying investment terminates or is no longer published and no successor investment exists,
- there is a disruption of the ability of the Swap Counterparty to hedge its exposure or there is an increased cost of such hedging, or
- there is an event of default relating to the relevant Trust, Swap, FX or Collateral Counterparty.

In these circumstances the swap agreement will terminate and investors will be exposed to an early termination. It is unlikely that the value of the Trust prior to maturity will correspond to the value of the underlying investment at that time due to movements in exchange rates, interest rates and changes in the volatility of the underlying investments.

**Counterparty risk** – The capital protection and returns from the underlying investments are dependent on the ability of the Swap Counterparty, Foreign Exchange Counterparty and Cash Collateral Counterparty, a

Macquarie group company, to meet their obligations as they fall due. Investors will rank as unsecured creditors of these companies. A Macquarie group company is defined as an entity in the Macquarie group of companies that will have, or will be guaranteed by an entity that will have, a credit rating of at least A- by S&P at the Close Date.

The Swap Counterparty will enter into hedging arrangements with Merrill Lynch International to pay the gain (if any) on the relevant underlying investment. Investors are also exposed to counterparty risk on Merrill Lynch International. Merrill Lynch International is a subsidiary of Merrill Lynch & Co., Inc which is currently rated A+ by S&P.

There is also a risk that those responsible for the calculation of the Merrill Lynch sponsored indices are unable to perform these functions.

**Threshold Management risk** – the risk that investors in the Global Gold and Emerging Markets Trusts may not be fully exposed to movements in the underlying markets and instead be invested up to 80% to 95% in cash. This can have a major impact on returns particularly where the reallocation to cash occurs early in the life of a Trust.

**Emerging Markets risk** – Investments in emerging markets are subject to heightened risks due to a lack of legal, political, business and social frameworks to support securities markets. This means the prices of securities in these countries are generally more volatile than securities in developed economies.

## Exit Mechanism

All of the Instreet Enterprise Trusts are designed to be held to maturity and investors only receive the benefit of capital protection at maturity. However, investors may request redemption semi-annually from June 2009. As a number of swap and foreign currency exchange contracts may need to be terminated at potentially disadvantageous levels in order to satisfy redemption requests, returns in the case of early redemption may be less than expected.

## Taxation

**Distributions at Maturity** – any amounts received at maturity may comprise a final distribution and a payment for the redemption of units. The final distribution should be included as assessable income and the amount relating to the payment for redemption of units is relevant for determining whether there is a gain or loss at maturity. It is expected that any gain at maturity would be treated as ordinary income for tax purposes.

A capital gain or loss may arise if units are sold prior to maturity.

## Additional tax deduction

In addition to any interest payments that may be able to be claimed as a tax deduction there may be an additional amount that can be claimed. This arises due to the loan repayment at maturity being greater than the amount originally borrowed (due to foreign exchange hedging behind the loan). If the amount of this “premium” is greater than 1.5%, Division 16E of the Tax Act potentially allows this amount to be claimed as a deduction as it accrues over the life of the investment loan at a rate determined under the Tax Act.

Investors should note these additional deductions are effectively reversed at maturity, creating a tax liability. At this point the additional amounts claimed are likely to be included as assessable income.

***These comments constitute ‘General Advice’ only and Lonsec advises potential investors to consult a taxation specialist before making a decision to invest (or not to invest) based upon these taxation considerations. Investors should refer to Section 8 of the PDS for more information regarding the taxation of shareholders.***

## Fees

### Loan Establishment Fee

2% flat fee of the investment loan amount and is used to fund Adviser Commissions.

### Adviser Commissions

The Responsible Entity may pay from its own funds:

#### **Upfront Commissions**

Up to 3.3% (inc GST) flat of the investment amount.

#### **Ongoing Commissions**

0.55% p.a. trail on the investment amount.  
These fees may be rebated by advisers.

#### **Distribution Fee**

0.77% p.a. of the investment amount will be paid to Instreet Investment Limited.

### Asset Management Fee

Global Gold Trust	1.75% p.a.
Emerging Markets Trust	1.50% p.a.
Focus Momentum Trust *	N/A.

\* the BlackRock Global Funds - India Fund charges an asset management fee of 1.5% p.a.

## Contact Information

Further information on the Instreet Enterprise Trusts can be obtained by contacting Instreet Investment Limited on (02) 8216 0844, the Responsible Entity on 1800 080 033 or at

<http://www.instreet.com.au/>

## Analyst Disclosure & Certification

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**Date Prepared: May 2008**

**Analyst: Michael Elsworth**

**Release Authorised by: Grant Kennaway**

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