

AUSTRALIAN

RESEARCH

MANAGED INVESTMENTS ANALYSIS

Instreet Focus Momentum Trust

May 2008

Providing long-term exposure to the Merrill Lynch Focus Moment
Index with 100% financing and capital protection

Contents

1. Product Summary	3
2. Structure	5
3. Management & Corporate Governance	7
4. Investment Process	8
5. Performance Analytics	11
Appendix – Ratings Process	14

For Advisers Only

IMPORTANT NOTICE

Aegis has been commissioned by Instreet Investment Limited to produce this report.

Disclaimer & Disclosure of Interests

This publication has been prepared by Aegis Equities Research Pty Limited ("Aegis") (ACN 085 293 910), an Australian Financial Services Licensee (AFSL no. 225072). Aegis has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. The company specified in the Report (the "Participant") has provided Aegis with information about its activities. Whilst the information contained in this publication has been prepared with all reasonable care from sources that Aegis believes are reliable, no responsibility or liability is accepted by Aegis for any errors, omissions or misstatements however caused. Any opinions, forecasts or recommendations reflects the judgement and assumptions of Aegis as at the date of publication and may change without notice. Aegis and the Participant, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither Aegis nor the Participant are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This publication is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining the prior written consent of Aegis. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. Aegis and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. Aegis and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

Structured securities are complex instruments, which may involve a high degree of risk, and are intended for sale to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. High-volatility investments may experience sudden and large falls in their value, causing losses when those investments are realised.

An investor considering purchasing a structured product should conduct their own investigation and analysis of the product and consult their professional advisers as to the risks involved in making such a purchase.

Aegis, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. Aegis discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may effect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any). However, under no circumstances has Aegis been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report.

The information contained in this publication must be read in conjunction with the [Legal Notice](http://www.aegis.com.au/Public/Disclaimer.aspx) that can be located at <http://www.aegis.com.au/Public/Disclaimer.aspx>

Australian Managed Investments Structured Products

Note: This report is based on the Instreet Enterprise Trusts PDS, dated **7 May 2008**, together with other information provided by Instreet Enterprise Limited as at May 2008.

Instreet Focus Momentum Trust

Providing long-term exposure to the Merrill Lynch Focus Moment Index with 100% financing and capital protection



Offer Overview

Product Summary

Instreet Focus Momentum Trust (*Focus Momentum Trust*) is one of the investment choices of the Instreet Enterprise Trusts (the *Trust or Product*) being offered by Macquarie Financial Products Management Limited (*MFPML* or the *Issuer*). The Instreet Enterprise Trusts offers investors the ability to select from three trusts with different underlying investments: 1) Instreet Global Gold Trust (*Global Gold Trust*); 2) Instreet Emerging Markets Trust (Emerging Markets Trust); 3) Instreet Focus Momentum Trust (Focus Momentum Trust).

The Product is designed for investors willing to utilise geared investment, as investors are required to take a full-recourse loan to fund 100% of the initial investment amount. Each Trust is capital protected at maturity and managed separately according to its Investment Strategy (the underlying investments together with the capital protection constitute the *Investment Strategy*). The capital-protected term is seven years. There is no distribution during the term, and final distribution (if any) will be paid upon maturity or early redemption, and will be in the form of income. Redemptions before or at maturity will be settled in cash. The Product is managed through a managed-investment scheme and Instreet Investment Limited (*Instreet*) acts as the consultant to financial advisers (the *Consultant*).

Due to variations in the Investment Strategies of the Trusts, Aegis has evaluated and rated them separately. This report relates solely to the Instreet Focus Momentum Trust.

Investment View

Investor Suitability

As the investment loan is compulsory, Focus Momentum Trust will suit investors with limited available capital, who are willing to utilise geared investment, such as investors with high marginal tax rates. Investors should note that the interest rate as well as the return of the Product will be exposed to foreign currency risks. The constituents focus on alternative assets such as commodity and Asian equities markets, thus will suit investors seeking exposure or diversification into such asset classes and regions. The Momentum Indexing method employed is suited to very specific market conditions where the underlying components perform in a similar fashion through consecutive periods; it may not be suitable for markets going through heavy corrections or mean reversions. Investors should note while their initial investment amount is capital protected at maturity, they may incur a loss equal to cumulative after-tax interest costs. Investors should be comfortable funding interest payments from their own financial resources as there is no distribution during the long investment term (seven years), and early redemption may cause significant loss.

Recommendation

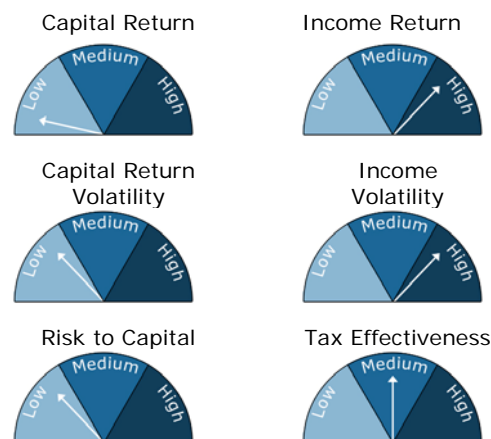
Aegis has assigned Instreet Focus Momentum Trust an **Investment Grade** rating.

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.

Offer Details

Offer Period	7 May 08 - 30 June 08
Issue Date	30 June 2008
Maturity (years)	30 June 2015 (7 years)
Min. Investment	A\$20,000
Liquidity	Semi-annually from June 2009
Distributions	At maturity

Risk/Return Profile



Fees (paid to advisors and the consultant), incl. GST, %

Upfront	Up to 3.3%
Ongoing	Up to 0.55% p.a.
Distribution fee ¹	Up to 0.77% p.a.

1. Including trailing commissions of up to 0.55% paid to financial advisors, and distribution fee of 0.77% paid to the Consultant.

Note: The above represent the maximum advisor fees payable by the Responsible Entity.

For Advisers Only

SWOT Summary

Strengths

- The Focus Momentum Trust provides exposure to a diversified basket of commodity and regional indices and a fund.
- The Trust uses a notional zero-coupon bond (ZCB) plus call-option structure to preserve capital, as opposed to a constant-proportion portfolio insurance (CPPI) mechanism, meaning investors maintain full exposure to the strategy and do not risk being sold out of the 'risky asset' during market downturns.

Weaknesses

- A long protected term with limited liquidity, early redemption by investors may result in significant loss. The long term also reduces the inherent value of capital protection.
- Income-type product with no regular distribution and potential final distribution is only made at maturity or redemption.

Opportunities

- Diversification benefits and potential to outperform other asset classes.
- Potential to outperform the constituents in declining markets through the momentum indexing mechanism.

Threats

- Investment return is exposed to currency risk, and interest rates on investment loan will be affected by USD interest-rate and AUD/USD exchange rate movements.
- The momentum indexing method involves using past performance to predict future performance, thus may not suit markets experiencing large-scale corrections or trend reversions.
- Some of the constituents are recently introduced and lack operating history.

Product Fees (paid by investors)

	Product	Sector Avg. *
Base Fees, % of Assets		
Upfront ¹	2	1.7
Ongoing ²	0.01	1.7
Exit ³	0	0.2
Average, p.a.	0.4	1.9

1. Loan Establishment fee of 2% of the investment loan drawdown.
2. Components of ongoing fees include: Administration fee AU\$1,100 p.a. for the Instreet Trusts.
3. Investors may incur break costs on the investment loan on early redemption

Total Fees, % of Expected Total Return**

Upfront	3.1	1.7
Ongoing	0	13.3
Exit	0	0.4
Total	3.1	15.4

* Sector Average reflects average fee level for similar products researched by Aegis

**Based on an average return of 13% p.a. over a 5-year term

Performance Fees

There is no performance fee

Indirect Fees

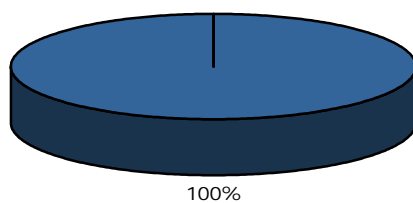
Asset management fee of underlying investments: BlackRock Global Funds (BGF) – India Fund: 1.5% p.a.

Fee Commentary

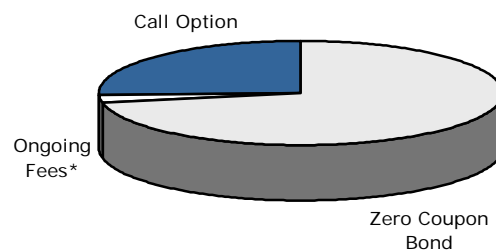
The explicit ongoing fees are very low; however, part of the Product costs and fees have been built into the interest rate of the investment loan. Based on the indicative investment loan interest rate, current USD 1-Year Libor Rate and relevant information provided to Aegis, we estimate approximately 3.1% p.a. has been built into the loan interest rate to cover ongoing fees and costs.

Portfolio Diversification

By Strategy



By Financial Instruments



Source: Instreet

*Ongoing fees is built into the investment loan interest rate, there by providing investors with 100% exposure to the performance of the strategy

2. Structure

Product Overview

The Instreet Momentum Focus Trust is an unlisted unit trust. The responsible entity is MFPML (RE). Investors are required to apply for a full-recourse investment loan from the loan provider (*Macquarie Acceptances Limited or Macquarie Bank Limited*) to fund 100% of the issue price. The Product is derivative based, where each Trust simultaneously enters into an Investment Linked Swap Agreement with the Swap Counterparty, and a Foreign Currency Exchange Agreement with the FX Counterparty, both of which are members of *Macquarie Group of Companies (Macquarie)*. Merrill Lynch International (*Merrill Lynch*) is the Investment Sponsor, Calculation Agent under the Swap Agreements and the Hedge Counterparty for Focus Momentum Trust.

The Investment Linked Swap Agreement enables each Trust to gain exposure to the Merrill Lynch Focus Momentum Index (*The Momentum*), which has been created specifically for this offer. The Momentum has four components; each in turn contains Merrill Lynch (ML) indices and funds.

On each of the 14 observation dates (half-yearly starting 15 December 2008), the Focus Momentum Index is rebalanced every six months among the four components by applying the momentum indexing mechanism. The Momentum gain for the period is calculated as the weighted average gain of the components over the period.

There is no distribution during the seven-year term. Final gain is calculated by compounding 14 half-yearly periodic returns of the ML Focus Momentum Index (*Momentum Gain*), and will be income in nature.

While the principal amount will be capital protected and currency hedged at maturity (through the Foreign Currency Exchange Agreement), investors are exposed to foreign-currency risks and interest-rate risks related to strategy gains and the interest rate on their investment loan.

Early redemption will be available on a half-yearly basis after June 2009. Settlement will be in the form of cash. Investors should note the Product is designed to be held until maturity; early redemption invalidates capital protection and may cause significant loss to investors.

Key Exposure

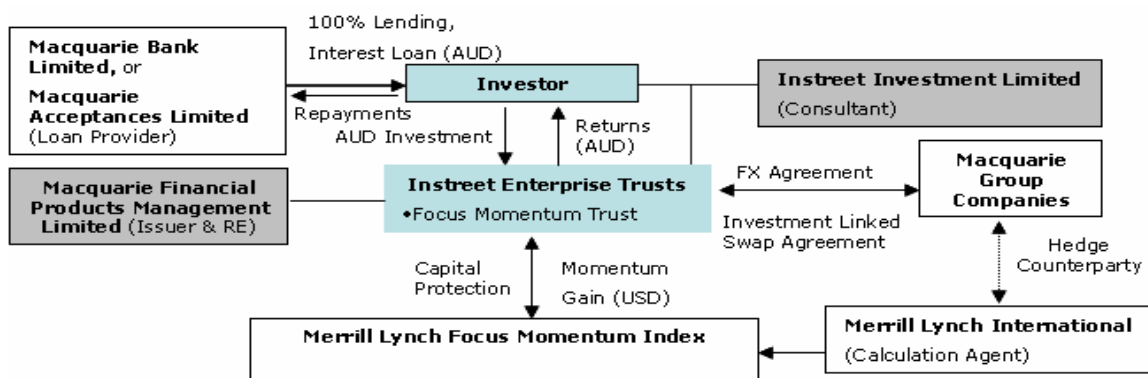
Underlying Exposure:	<p>Component 1: MLCX Commodity Index (100%)</p> <p>Component 2: MLCX Commodity Index – Ind. Metals (50%) BGF India Fund (25%) ML China Dragon Index (25%)</p> <p>Component 3: MLCX Biofuels Index (50%) ML Renewable Energy Index (50%)</p> <p>Component 4: MLCX Commodity Index – Agriculture (50%) ML Asia Focus 1 (ex India) Index (50%)</p>
FX Exposure:	<p>Underlying Indices and funds are denominated in USD, investment return is unhedged</p> <p>Principal invested will be hedged back to AUD at maturity</p>

Exit Details

Exit Facility:	Half-yearly redemption facility provided by issuer starting June 2009. Investors wishing to exit early must notify the RE by 15 May for June Redemption or 15 November for December redemption.
Holder Early Redemption:	Early redemption invalidates capital protection.
Issuer Early Redemption:	If an early-termination event occurs, the issuer will give 30 days' notice to investors. Units will be redeemed at the fair economic value of the units minus any costs associated with the termination of the investment, including break costs and administrative costs.

For Advisers Only

Investment Structure



Source: Aegis Equities Research/MFPML

Product Leverage

Used: None

Capital Protection

Method: Zero-coupon bond (ZCB) plus call option.

Conditions: Must be held to maturity.

Cost: Incorporated in the investment-loan interest rate.

Counterparty Risk: The risk that Macquarie Group Ltd (S&P: A-) company or companies (Issuer, RE, Swap Counterparty, FX Counterparty), and/or Merrill Lynch International (Hedge Counterparty, Calculation Agent) guaranteed by Merrill Lynch and Co., Inc (S&P: A+) fails in its obligations. It is noted in the PDS that the Swap Counterparties will have an S&P credit rating of at least A-, or have the benefit of a guarantee from a member of the Macquarie Group of Companies, which has such a rating.

Tax

Disclaimer: Tax consequences depend on individual circumstances. Investors must seek their own taxation advice. The following comments show Aegis' expectation of tax for ordinary Australian taxpayers, but cannot be considered tax advice.

Capital gains: Capital gains tax (CGT) is likely to apply upon sale of units if the proceeds on disposal of the units differ from the cost base. Investors will likely be eligible for the 50% CGT discount upon sale of the delivery securities, if held for more than 12 months.

Distributions: The final distribution received upon redemption or maturity should be included in assessable income in the year the distribution is made.

Interest deductibility: 100% deductible. Additional tax deduction may arise from the investment loan; please refer to Section 8 of the Product Disclosure Statement.

Fee Deductibility: Loan establishment fee: 100% deductible, to be spread over five years on a straight-line basis from the start of the investment loan.

Legal Structure

Wrapper: Unlisted unit trust under Managed Investment Scheme

Responsible Entity: Macquarie Financial Products Management Limited

Offer Document: The PDS, dated 7 May 2008, has not been lodged with the Australian Securities Investment Commission (ASIC) and is not required by the *Corporations Act* 2001 to be lodged with ASIC.

Returns

Capital vs. Income: Returns are all income in nature, unless Macquarie offers to acquire investors' units after 1 January 2015 and before maturity.

Income Frequency: Only at maturity or upon redemption.

Investor Leverage

Available: 100% investment loan. Investors are required to apply a 100% investment loan offered by the Loan Provider (Macquarie Acceptances Limited) to fund the issue price of the units. An interest loan is also available to fund the annual-in-advance interest payments on the respective investment loan.

Cost: Indicative Interest Rate: Floating Annual in Advance: 8.1% p.a.; Floating Monthly in Arrears: 8.50% p.a.; Semi-Fixed Annual-in-Advance: 9.35%. Aegis notes this is noticeably below most market rates applicable to AUD-denominated investment loans such as margin-lending or protected-equity loans.

Recourse: Full recourse applies to principal and interest repayments in respect of investment loans and interest loans.

Risks

Foreign Currency Risk: Refer to the Risks section in the PDS.
The capital-protection feature ensures that at maturity the value of investors' units will be equal to the investment loan (principal) repayment. However, investors are exposed to currency movements between the AUD and the currency of underlying investments (USD) and constituent stocks. Investors should note the interest rate applicable on the investment loan is subject to AUD/USD exchange-rate movements; in addition, floating rates will be subject to future movements in interest rates in the United States.

3. Management & Corporate Governance

Board of Directors – MFPML

Aegis has reviewed the composition of the board of MFPML and believes the board has adequate skills and experience to supervise the Trust. Aegis notes, however, that all four directors are employees of Macquarie Capital Group Limited and, hence, the board lacks independence. However, MFPML is a member of the Macquarie Group of Companies. The Macquarie Group has board-approved corporate governance principles, which must be adhered to by MFPML.

The MFPML management team is responsible for the creation and oversight of the Trust. Aegis believes the team has the requisite skills in relation to these roles, given the team's experience, including the 6 series of Macquarie reFlexion Trusts since 2005 and 13 Macquarie Fusion Funds series offered since 2002 and a range of other similarly structured products.

Macquarie Group of Companies

Each Trust will enter into an Investment Linked Swap Agreement and a Foreign Currency Exchange Agreement with certain entities in the Macquarie Group of Companies (*Macquarie*) as counterparties. As such, investors are exposed to credit worthiness of certain entities of Macquarie. Standard and Poor's (S&P) has given Macquarie Group Ltd a credit rating of "A-/Stable/A-2" as of November 15, 2007. It is noted in the PDS that the Swap Counterparties will have an S&P credit rating of at least A-, or have the benefit of a guarantee from a member of the Macquarie Group of Companies, which has such a rating.

Merrill Lynch International

Macquarie will enter into hedging agreements with Merrill Lynch International, the performance of which is guaranteed by Merrill Lynch and Co., Inc. Merrill Lynch and Co., Inc. was assigned a "A+/Negative/A-1" rating by S&P as of 24 October, 2007.

BlackRock

BlackRock (Channel Islands) Limited (*BlackRock*) is the investment manager of the BGF India Fund. BlackRock was founded in 1988, and has pro-forma assets under management totalling \$1.357 trillion as of 31 December, 2007 across asset classes and geographic regions.

Instreet Investment Limited

Instreet Investment Limited (*Instreet*) is the Consultant in relation to the Instreet Enterprise Trusts and an authorised representative of EA Financial, LP. The Product is the first that Instreet has actively sourced and introduced to the financial adviser community. Instreet is not a member, an agent or representative of MFPML, Macquarie or any other member of the Macquarie Group and acts on behalf of EA Financial, LP. Key personnel of Instreet include David Gordon (Chairman), George Lucas (Managing Director), Ian Rae (Director), and Justin Byrne (Sales and Business Development Principal).

Alignment of Interest

The related-party transactions and potential conflicts of interest relating to the Instreet Enterprise Trusts have been stated in Section 9 of the Product Disclosure Statement.

For Advisers Only

4. Investment Process

Product Philosophy

As noted earlier, the investment loan is mandatory and the Product has been designed specifically for investors seeking geared investment. The capital protection is incorporated into the Product primarily for the purpose of providing security to the lender and, in turn, investment financing to the investor. The exposure to the underlying investments and capital protection at maturity are achieved via each Trust simultaneously entering into two Swap Agreements – an Investment Linked Swap Agreement and A Foreign Currency Exchange Agreement.

On issue date, the investment proceeds (funded by the 100% investment loan denominated in AUD) is effectively converted into USD and placed as the Cash Collateral under the Investment Linked Swap Agreement, in exchange for receiving the Cash Collateral (in USD) at maturity, plus Strategy Gain. At maturity, under the Foreign Currency Exchange Agreement, the Trust will pay the Foreign Currency Exchange Counterparty a USD amount equal to the Cash Collateral amount, in exchange for an AUD payment equal to the investment loan (principal) repayment. The Trusts then convert the Strategy Gain received into AUD and distribute to investors.

The Investment Loan

The investment structure of the Product has been designed by Macquarie to incorporate the 100% AUD-denominated investment loan with interest rate reference to prevailing foreign exchange rates (AUD/USD) and interest rates for the relevant foreign currency, in this instance, the USD.

The interest rate will be reset annually. Investors should note that while the interest rate is denominated in AUD, the interest rate will be affected by AUD/USD foreign exchange-rate movement; in addition, floating rates will be subject to future movements in interest rates in the United States. Generally, depreciation of the AUD against the USD and/or a rise in USD interest rates will cause the interest rate on the investment loan to rise, and vice versa. Investors can choose the Semi-Fixed Interest Rate option to limit the effect of USD interest-rate movements.

The capital protection at maturity ensures investment in the Trust should have a minimum value sufficient to meet the investment loan repayment, which is calculated as:

- The Investment Loan Repayment = Investment Loan Drawdown x Spot Foreign Exchange Rate as at the Unit Issue Date / Forward Foreign Exchange Rate at the Unit Issue Date for exchange at Maturity.

Investors choosing to redeem early will be required to repay the investment loan and interest loan (if applicable). As the investment loan repayment is affected by factors such as foreign exchange rate, time remaining to maturity and movement in the USD interest rate, the amount of the loan repayment may be greater than the investment loan drawdown. There may also be a break cost/benefit associated with early termination of the investment loan.

Merrill Lynch Focus Momentum Index

The Instreet Focus Momentum Trust provides investors with a USD-denominated exposure to the price performance of the Merrill Lynch Focus Momentum Index (*The Momentum*). The Momentum has been created specifically for this offer, comprising four components; each has different constituents, being Merrill Lynch (ML) indices and a BlackRock fund with focus on commodities and Asian Equities markets, as summarised in Figure 1. The exposure to the underlying constituents and components is delivered via a dynamic algorithm that allocates different weights to the component on a semi-annual basis. The philosophy behind the Momentum is to allocate greater exposure to what appeared to be the best performing component over the previous period in anticipation of that component performing in a similar fashion in the subsequent period.

For Advisers Only

Figure 1. Components of the ML Focus Momentum Index

Underlying Components	Component Constituents	Currency	Bloomberg Ticker	Constituent Weight in Component
1	MLCX Commodity Index (Excess Return)	USD	MLCXER	100%
2	BGF India Fund	USD	MLINA2D LX	25%
	Merrill Lynch China Dragons Index	USD	MLEIDRAG I	25%
	MLCX Commodity Index (Industrial Metals)	USD	MLCXIMER	50%
3	Merrill Lynch Renewable Energy Index	USD	MLEIREND	50%
	MLCX Commodity Index (Bio Fuel)	USD	MLCXBER	50%
4	Merrill Lynch Asia Focus 1 Index	USD	MLEIAFXI	50%
	MLCX Commodity Index (Soft Commodities)	USD	MLCXAGER	50%

Source: Instreet / Merrill Lynch

On each semi-annual observation date commencing 15 December 2008, performance of each underlying component is calculated as the weighted average performance of the constituents over the six-month period. The four components will be ranked based on their respective performance over the previous six months, and weights will be allocated to each based on the ranking, where the best-performing component will be allocated a weight of 60%, and the second-, third- and worst-performing component will be allocated weightings of 30%, 10% and 0%, respectively. The weights are then applied to each component in order to determine the performance of the index over the subsequent six months.

The Momentum Gain is calculated as follows:

$$\blacksquare \text{ Momentum Gain} = (\text{Final Index Level} - \text{Initial Index Level}) / \text{Initial Index Level} \times \text{Investment Amount}$$

Initial Index Level is to be set at 100 on or around 6 July 2008 and Final Index Level is calculated by compounding the periodic returns.

The underlying investments as well as the strategy value are denominated in USD. At maturity, the capital-protected amount, which is equal to the investment-loan principal repayment, is hedged for AUD/USD foreign exchange-rate risk via the foreign-currency swap. However, any increase in the strategy value derived from strategy gain or as a result of profit lock-in will be affected by movements in the AUD/USD foreign exchange rate.

Key factors affecting value of unit and investment loan

During the investment term, there are various factors affecting the value of the unit, the investment loan interest rate, and investment loan repayment amount on early termination. The most important factors would be the value and the volatility level of the Momentum, the USD interest rate, as well as the AUD/USD foreign exchange rates. Figure 2. summarises the effects on the Unit value, investment loan interest rates and repayment amount, should the variables move upwards. Inverse relationships apply if the variables move downwards, all else been equal.

For Advisers Only

Figure 2. Variables affecting valuation and investment loan prior to maturity

Variable*	Units Value	Effect of Variable movement upwards:	
		Investment Loan Interest Rate	The Investment Loan Repayment on early termination
The value of The Momentum	↑	Not applicable.	Not applicable.
The volatility level of the Momentum	↑	Not applicable.	Not applicable.
Underlying USD interest rates	↓	↑ (The Floating Interest Rate option only.)	↓ (The Semi-Fixed Interest Rate option only.)
AUD/USD foreign exchange rates	↓	↑	↓

*The movement in each variable assumes that all other variables remain equal;

Source: MFPL

For Advisers Only

5. Performance Analytics

Constituents Historical Performance

Figure 2 presents the historical performance of the constituents forming the Merrill Lynch Focus Momentum Index. A risk-return analysis has been performed for a seven-year period or since inception for constituents commenced after 30 April 2001. The correlation between the constituents' performance over the same period is presented in Figure 3. Most of the constituents displayed positive correlations.

It should be noted that the different weightings assigned to each constituent within the components, as well as the Momentum indexing mechanism used to calculate the investment at maturity, will result in the return of the Merrill Lynch Focus Momentum Index returns deviating from the returns of the underlying constituents and components.

Figure 3. Constituents' Historical Performance to 30 April 2008

	Start Date	Annual Returns			Risk>Returns	
		1 Yr (%)	3 Yr (%)	7 Yr (%)	Std. Dev. (% p.a.)	Return /Risk
Component 1						
MLCX Commodity Index (Excess Return)	Jun-90	38.5	17.6	17.2	19.4	0.89
Component 2						
BGF India Fund	Feb-05	21.5	40.7	n/a	33.1	1.22
Merrill Lynch China Dragons Index	Jan-99	43.1	40.6	15.5	24.1	0.64
MLCX Commodity Index (Industrial Metals)	Jun-90	-7.1	33.9	20.9	20.8	1.00
Component 3						
Merrill Lynch Renewable Energy Index	Jan-02	50.0	51.0	n/a	19.3	1.68
MLCX Commodity Index (Bio Fuel)	Jun-90	50.9	17.8	13.6	19.1	0.71
Component 4						
Merrill Lynch Asia Focus 1 Index	Oct-06	14.4	n/a	n/a	23.1	1.24
MLCX Commodity Index (Soft Commodities)	Jun-90	35.1	11.1	6.1	14.9	0.41

Source: Instreet/ Merrill Lynch /Aegis Equities Research

Figure 4. Constituents Historical Correlation

	MLCXER Index	MLINA2DL X Equity	MLEIDRAG Index	MLCXIMER Index	MLEIREND Index	MLCXBER Index	MLEIAFXI Index	MLCXAGER Index
MLCXER	1.00	0.26	0.21	0.36	0.16	0.18	0.50	0.16
MLINA2DLX		1.00	0.61	0.00	0.59	0.23	0.74	0.12
MLEIDRAG			1.00	0.30	0.46	0.18	0.87	0.20
MLCXIMER				1.00	0.06	0.19	0.14	0.17
MLEIREND					1.00	-0.05	0.50	-0.16
MLCXBER						1.00	0.16	0.80
MLEIAFXI							1.00	0.05
MLCXAGER								1.00

Source: Instreet/ Merrill Lynch /Aegis Equities Research

For Advisers Only

Back-Tested Performance

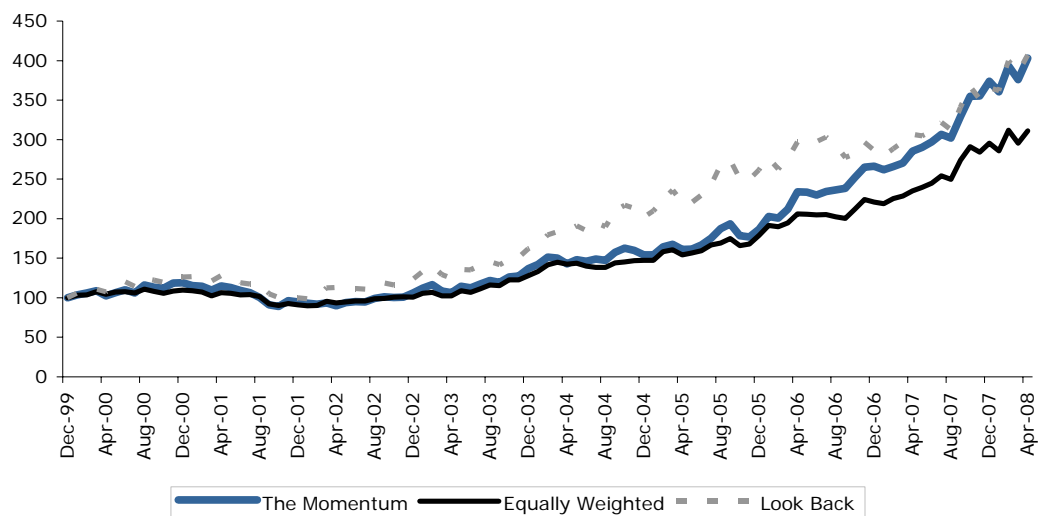
Instreet and Merrill Lynch have provided the back-tested performance of the Merrill Lynch Focus Momentum Index for the period between 31 December 1999 and 30 April 2008. For periods in which not all constituents of a given component are available, only the available constituents were used and weightings allocated to each constituent within the component were adjusted accordingly.

We compared the performance of the ML Focus Momentum Index to two hypothetical indexing methods over the same period using the same components and constituents:

- **Equally Weighted:** The four components were equally weighted (i.e. 25% allocation to each component) throughout the period.
- **Look Back:** The weightings of each component were assigned based on their respective performance over the period calculated as point-to-point observation (initial level as of 31 December 1999; and final level as of 30 April 2008). The best-performing to the worst-performing component were then allocated weights of 60%, 30%, 10%, 0%, respectively, to calculate the Look Back index gain.

The back-tested performance of the Momentum and the two hypothetical indexing methods were presented in Figure 5, and key performance metrics summarised in Figure 6. Correlations between the components over the back-tested period are summarized in Figure 7.

Figure 5. Back-Tested Performance of the Momentum (December 1999 to April 2008)



Source: Instreet / Merrill Lynch / Aegis Equities Research

Based on the back-tested performances, the Momentum delivered considerable out-performance comparing to the Equally Weighted Index. Comparing to a Look back index, where the weighting allocated to respective components was based on the actual performance over the same period, the Momentum slightly underperformed with lower volatility.

Investors should note the analysis only reflects the Merrill Lynch Focus Momentum Index performance over the back-tested period. Future performance of the underlying constituents and the Momentum will differ from past performance. In addition, the Momentum Gain is denominated in USD; thus, the final return of the Product will be dependent on, among other factors, the AUD/USD exchange-rate movement at maturity or redemption as compared to the issue date.

Figure 6. Key Performance Metrics

	The Merrill Lynch Focus Momentum Index	Equally Weighted	Look Back
Return (%p.a.)	18.2%	14.6%	18.3%
Risk (Std. Dev. % p.a.)	14.4%	11.4%	15.9%
Return / Risk	1.26	1.27	1.15

Source: Instreet / Merrill Lynch / Aegis Equities Research

Figure 7. Components Historical Correlation

	Component 1	Component 2	Component 3	Component 4
Component 1	1	0.29	0.22	0.22
Component 2		1	0.34	0.31
Component 3			1	0.67
Component 4				1

Source: Instreet / Merrill Lynch / Aegis Equities Research

For Advisers Only

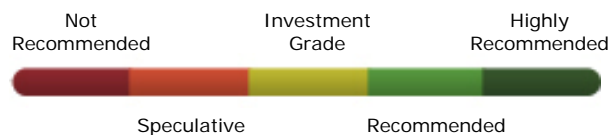
Appendix – Ratings Process

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.

This report has been commissioned, and, as such, Aegis has received a fee for its publication. However, under no circumstances has Aegis been influenced, either directly or indirectly, in making statements and/or recommendations contained in this report.

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.

For Advisers Only

Aegis Equities Research

Peter Leodaritsis
Managing Director
Phone: 61 2 8296 1100
peter.leodaritsis@aegis.com.au

Mamun Rashid
Chief Operating Officer & General Counsel
Phone: 61 2 8296 1160
mamun.rashid@aegis.com.au

RESEARCH

John Kessell
Head of Investment Research
Phone: 61 2 8296 1152
john.kessell@aegis.com.au

Sharon Loaiza
Research Manager
Phone: 61 2 8296 1131
sharon.loaiza@aegis.com.au

Ravi Reddy
Head of Equities Analysis
Phone: 61 2 8296 1165
ravi.reddy@aegis.com.au

SALES

Craig Northey
Head of Sales
Phone: 61 2 8296 1114
craig.northey@aegis.com.au

Nigel O'Brien
Business Development Manager
Phone: 61 2 8296 1166
nigel.o'brien@aegis.com.au

Joyce Sivris
Business Development Manager
Phone: 61 2 8296 1125
joyce.sivris@aegis.com.au

Joanna Judd
Business Development Officer
Phone: 61 2 8296 1102
joanna.judd@aegis.com.au

IMPLEMENTED RESEARCH MODELS

Mandy Depangher
Client Services Manager
Phone: 61 2 8296 1159
mandy.depangher@aegis.com.au

CLIENT SERVICES

Pamella McIntosh
Manager Client Services
Phone: 61 2 8296 1124
pamella.mcintosh@aegis.com.au

INFORMATION TECHNOLOGY

Evan Ferris
Chief Technical Officer
Phone: 61 2 8296 1116
evan.ferris@aegis.com.au

IMPORTANT NOTICE

Aegis has been commissioned by Instreet Investment Limited to produce this report.

Disclaimer & Disclosure of Interests

This publication has been prepared by Aegis Equities Research Pty Limited ("Aegis") (ACN 085 293 910), an Australian Financial Services Licensee (AFSL no. 225072). Aegis has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. The company specified in the Report (the "Participant") has provided Aegis with information about its activities. Whilst the information contained in this publication has been prepared with all reasonable care from sources that Aegis believes are reliable, no responsibility or liability is accepted by Aegis for any errors, omissions or misstatements however caused. Any opinions, forecasts or recommendations reflects the judgement and assumptions of Aegis as at the date of publication and may change without notice. Aegis and the Participant, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither Aegis nor the Participant are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This publication is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining the prior written consent of Aegis. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. Aegis and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. Aegis and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

Structured securities are complex instruments, which may involve a high degree of risk, and are intended for sale to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. High-volatility investments may experience sudden and large falls in their value, causing losses when those investments are realised.

An investor considering purchasing a structured product should conduct their own investigation and analysis of the product and consult their professional advisers as to the risks involved in making such a purchase.

Aegis, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. Aegis discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may effect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any). However, under no circumstances has Aegis been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report.

The information contained in this publication must be read in conjunction with the [Legal Notice](#) that can be located at <http://www.aegis.com.au/Public/Disclaimer.aspx>



Level 6, 33 York Street
Sydney NSW 2000 Australia
Locked Bag 7 Australia Square
Sydney NSW 1215
Phone 61 2 8296 1100
Fax 61 2 9299 3777
ABN 72 085 293 910
www.aegis.com.au