



# Strategic Investment Service



**Product Disclosure Statement (PDS)**

**Issue Number 22**

This Product Disclosure Statement is dated 7 November 2012

## important information

ipac asset management limited ABN 22 003 257 225 Australian Financial Services Licence Number 234655 (ipac), is the Responsible Entity and issuer of this Product Disclosure Statement (PDS). In this PDS, the Strategic Investment Service is referred to as 'the Service', each of the investment funds offered is referred to as a 'Strategy' and collectively as 'the Strategies' and 'ipac iAccess is referred to as 'iAccess'. The Responsible Entity has appointed ipac portfolio management limited ("the Portfolio Manager") ABN 51 071 315 618 Australian Financial Services Limited Number 234658 as the Portfolio Manager of the Service.

You can invest in the Strategies through a master trust, wrap account, investor directed portfolio service, or nominee or custody service. In this document we refer to these services as master trusts or wrap accounts. An investment in the Strategies is subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither the Responsible Entity, nor any associated companies, nor any investment manager guarantees the repayment of capital, payment of income or the performance of the Strategies.

Nothing in this PDS is to be taken as financial product advice. The Responsible Entity has not taken any investor's investment objectives, financial situation or particular needs into account when preparing this PDS. Investors should seek quality financial advice before investing.

The offer made in this PDS is only available to investors receiving it (electronically or otherwise) in Australia. The Responsible Entity reserves the right to change the terms and conditions of the PDS. If the change is an increase in fees then notice will be provided 30 days before the change takes effect. Otherwise notice of a material change will be provided before or as soon as practicable after the change occurs. This PDS is up-to-date at the time of preparation. From time to time we may change or update information in this PDS. To view this updated information please go to [www.ipac.com.au/pdsinformation](http://www.ipac.com.au/pdsinformation).

ipac asset management limited and ipac portfolio management limited are part of the AMP Group.

managed investment scheme name	ARSN
ipac Strategic Investment Service – Inflation Plus 2 Strategy	092 483 540
ipac Strategic Investment Service – Inflation Plus 4 Strategy	092 488 732
ipac Strategic Investment Service – Inflation Plus 6 Strategy	092 487 300
ipac Strategic Investment Service – Inflation Plus 7 Strategy	092 487 860

## throughout this PDS

references to:	to be read as:
'investor' or 'you'	A client invested in any of the Strategies options, including any person authorised to act on your behalf.
'investment options'	The Strategies, the financial product described in this PDS offered by ipac.
'Financial adviser'	A financial adviser holding an Australian Financial Services Licence or acting as a representative or an authorised representative of a licensee.
'We', 'us', 'our', 'your' or 'Responsible Entity'	ipac asset management limited (ipac).
'Portfolio Manager'	ipac portfolio management limited (the Portfolio Manager)

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Grosvenor Place NSW 1220

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“if you are looking to build your wealth, be a long-term investor, not a short-term speculator.”

Paul Clitheroe is a founding director of ipac and a leading commentator and author on financial issues. Paul is also Chairman of the Australian Government’s Financial Literacy Board. The Board was established to assist Australians to make informed financial decisions and better manage their money.



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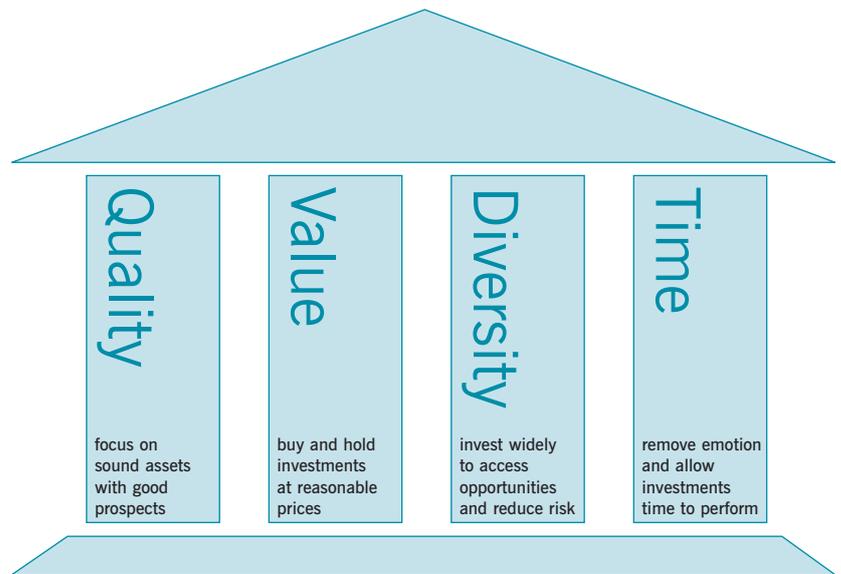
# the longest journey starts with a single step

Investment is a complex business. The markets are unpredictable. Opportunities are everywhere – but so are risks. How can you hope to succeed in such a climate?

**There is a way.**

By working closely with your financial adviser, you can identify the goals that matter to you most, make the choices that suit you best, and start the journey to achieving your chosen lifestyle.

And when it comes time to invest, ipac brings it all together for you with the Strategic Investment Service, our range of multi-manager strategy solutions that support your changing path through life.



## Quality, Value, Diversity, Time™

The Strategies within the Service are based on four guiding principles: Quality, Value, Diversity, Time™. Each Strategy seeks to provide you with a wide range of quality investments, bought at reasonable prices and given time to perform well.

It's that simple – and that challenging. While markets and investments change constantly, these principles are timeless, making them the foundations of successful long-term investing.

### protect and build your wealth

The Strategies aim to protect your money from the damaging effects of inflation and build your investment over time, while carefully managing risk. With the guidance of your financial adviser, you can choose from four diversified Inflation Plus Strategies that provide for different investment needs and time horizons.

### Inflation Plus Strategies

Diversifying your portfolio is a sensible way to protect and build your wealth because you can access a world of opportunities without betting your future on just a few. But the Inflation Plus Strategies provide much more than a range of shares or investment types that you could put together yourself.

Instead, in each Strategy your money is spread widely across:

- ~ asset classes, from shares to fixed interest and alternative investments;
- ~ a range of leading investment managers sourced from around the world, with different investment styles; and
- ~ more than 3,000 individual investments in Australia and worldwide.

This 'multi-diversified' approach gives you all the depth of a global investment portfolio with none of the complexity.

The four Inflation Plus Strategies, which provide a range of investment combinations to meet different objectives, are:

- ~ Inflation Plus 2
- ~ Inflation Plus 4
- ~ Inflation Plus 6
- ~ Inflation Plus 7

These Strategies are explained in detail on pages 4 and 5.

## how managed investments work

When you invest in a Strategy available through the Strategic Investment Service, you are allocated units in a trust. This type of trust is called a 'managed investment'. The money of individual investors is pooled and invested according to the Strategy's investment objective. When you invest, your units are purchased at the application unit price. The value of your units changes over time as the market value of the assets in the Strategy rises or falls.

As with any managed investment scheme, you do not have any direct ownership of the underlying securities held in the Strategies. Managed investments are an alternative to investing money directly into the various asset classes yourself. Some of the benefits of managed investments include:

- ~ gaining from the 'buying power' of a large investor, because your money is pooled with many other investors;
- ~ having a team of specialist investment managers responsible for the analysis and selection of assets in each Strategy; and
- ~ saving time, with less administrative paperwork.

## ipac brings it all together

To deliver you the Strategies, ipac conducts extensive research into the different asset classes from shares to bonds and listed property, and forms a combination to suit each Strategy's objective.

No investment manager is a master in all areas of investing. So ipac's investment team searches the world for leading managers in each asset class – from well-known global firms to smaller boutiques – and combines them where appropriate with the aim of achieving superior risk adjusted results.

But building the Strategies is only the beginning.

## managing change

Your life and the laws related to your finances change over time, requiring updates to your overall financial strategy. Investment markets and managers change too. And your portfolio needs to respond.

That's why ipac monitors each Strategy intensively, reviewing asset allocations and monitoring the investment managers closely. Behind the scenes, the investment managers work constantly, positioning each Strategy to benefit from changes in markets and investments.

This continuous portfolio updating makes the Strategic Investment Service a simple and efficient way to manage your investments in a changing world.

## who is ipac?

ipac is the Responsible entity of the Strategies. ipac and its related entities are a financial advice and investment group that has been helping clients to achieve their financial goals and chosen lifestyles since its formation in 1983. ipac is one of Australia's largest operators of multi-manager portfolios, managing over \$12 billion for clients from individuals to large superannuation funds.

# strategy profiles

## Inflation Plus Strategies<sup>1</sup>

	Inflation Plus 2 Strategy	Inflation Plus 4 Strategy																																																																																				
investment strategy	To provide some growth in your investment over the medium term, with smaller fluctuations in value than the other Inflation Plus Strategies.	To provide moderate growth in your investment over the medium to long term, with moderate fluctuations in value likely. Broad diversification is used to help reduce fluctuations.																																																																																				
general investment mix	Generally in the range of 20-40% in growth assets such as shares and property with the balance in defensive assets such as cash and fixed interest.	Generally in the range of 60-80% in growth assets such as shares and property with the balance in defensive assets such as cash and fixed interest.																																																																																				
strategic investment mix <sup>2</sup>	<table border="1"> <thead> <tr> <th>Asset</th> <th>Current target %</th> <th>Range %</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Defensive assets</b></td> </tr> <tr> <td>Australian cash</td> <td>20</td> <td>0 – 50</td> </tr> <tr> <td>Fixed interest</td> <td>47</td> <td>35 – 60</td> </tr> <tr> <td>Alternative defensive</td> <td>3</td> <td>0 – 10</td> </tr> <tr> <td><b>Total Defensive Assets</b></td> <td><b>70</b></td> <td></td> </tr> <tr> <td colspan="3"><b>Growth assets</b></td> </tr> <tr> <td>Australian listed property</td> <td>2</td> <td>0 – 11</td> </tr> <tr> <td>Global listed property</td> <td>2</td> <td>0 – 11</td> </tr> <tr> <td>Australian shares</td> <td>12</td> <td>5 – 19</td> </tr> <tr> <td>International shares<sup>3</sup></td> <td>10</td> <td>3 – 17</td> </tr> <tr> <td>Alternative growth</td> <td>4</td> <td>0 – 7</td> </tr> <tr> <td><b>Total Growth Assets</b></td> <td><b>30</b></td> <td></td> </tr> <tr> <td><b>Total</b></td> <td><b>100</b></td> <td></td> </tr> </tbody> </table>	Asset	Current target %	Range %	<b>Defensive assets</b>			Australian cash	20	0 – 50	Fixed interest	47	35 – 60	Alternative defensive	3	0 – 10	<b>Total Defensive Assets</b>	<b>70</b>		<b>Growth assets</b>			Australian listed property	2	0 – 11	Global listed property	2	0 – 11	Australian shares	12	5 – 19	International shares <sup>3</sup>	10	3 – 17	Alternative growth	4	0 – 7	<b>Total Growth Assets</b>	<b>30</b>		<b>Total</b>	<b>100</b>		<table border="1"> <thead> <tr> <th>Asset</th> <th>Current target %</th> <th>Range %</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Defensive assets</b></td> </tr> <tr> <td>Australian cash</td> <td>3</td> <td>0 – 30</td> </tr> <tr> <td>Fixed interest</td> <td>24</td> <td>10 – 35</td> </tr> <tr> <td>Alternative defensive</td> <td>4</td> <td>0 – 10</td> </tr> <tr> <td><b>Total Defensive Assets</b></td> <td><b>31</b></td> <td></td> </tr> <tr> <td colspan="3"><b>Growth assets</b></td> </tr> <tr> <td>Australian listed property</td> <td>3</td> <td>0 – 12</td> </tr> <tr> <td>Global listed property</td> <td>2</td> <td>0 – 12</td> </tr> <tr> <td>Australian shares</td> <td>30</td> <td>25 – 39</td> </tr> <tr> <td>International shares<sup>3</sup></td> <td>28</td> <td>21 – 35</td> </tr> <tr> <td>Alternative growth</td> <td>6</td> <td>0 – 10</td> </tr> <tr> <td><b>Total Growth Assets</b></td> <td><b>69</b></td> <td></td> </tr> <tr> <td><b>Total</b></td> <td><b>100</b></td> <td></td> </tr> </tbody> </table>	Asset	Current target %	Range %	<b>Defensive assets</b>			Australian cash	3	0 – 30	Fixed interest	24	10 – 35	Alternative defensive	4	0 – 10	<b>Total Defensive Assets</b>	<b>31</b>		<b>Growth assets</b>			Australian listed property	3	0 – 12	Global listed property	2	0 – 12	Australian shares	30	25 – 39	International shares <sup>3</sup>	28	21 – 35	Alternative growth	6	0 – 10	<b>Total Growth Assets</b>	<b>69</b>		<b>Total</b>	<b>100</b>	
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risk profile <sup>5</sup>	Moderate/low	Moderate																																																																																				
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- 1 The investment strategy and asset allocation of the investment options may vary from time to time. The overall foreign currency exposure of the portfolio may be partially hedged back to the Australian dollar. Refer to page 14. for the management cost and buy and sell cost of each Investment option.
- 2 The Portfolio Manager aims to manage asset allocations within the asset allocation ranges. However, in certain circumstances, the Portfolio Manager may manage actual allocations outside of the asset allocation ranges. Such circumstances may include but are not limited to where one of the investment options or underlying funds is closed for new applications or withdrawals, during changes to the product structure, asset allocation or manager line-up, or in certain market conditions. The Portfolio Manager will not employ tactical asset allocation or deviate outside the asset allocation ranges to pursue investment opportunities based on short-term expectations.
- 3 Includes International Shares, Global Emerging Markets and Global Smaller Companies asset classes.
- 4 The investment objective of each Strategy is to generate on average the stated return (net of ongoing fees and expenses but not transaction costs) above the Australian inflation rate over the recommended minimum investment term.
- 5 The risk profile is a guide to the risk of each Strategy compared with the other Strategies offered by the Strategic Investment Service.

	<b>Inflation Plus 6 Strategy</b>	<b>Inflation Plus 7 Strategy</b>																																																																																				
<b>investment strategy</b>	To provide moderate to high growth in your investment over the long term, with larger fluctuations in value likely. Broad diversification is used to help reduce fluctuations.	To provide high growth in your investment over the long term, with larger fluctuations in value likely. Broad diversification is used to help reduce fluctuations.																																																																																				
<b>general investment mix</b>	Generally in the range of 75-95% in growth assets such as shares and property with the balance in defensive assets such as cash and fixed interest.	Generally in the range of 85-100% in growth assets such as shares and property with the balance in defensive assets such as cash and fixed interest.																																																																																				
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**Please note:** ipac may change the investment strategy, investment managers, general investment mix, strategic investment mix or investment objective of each Strategy. For up to date information on each Strategy (including performance information), please contact your financial adviser or call Investor Services on 1800 624 542.

Neither ipac, nor any member of the AMP Group, nor any investment manager guarantees the performance of any Inflation Plus Strategy or the repayment of capital.

# investor information

## what are the risks?

Investments involve varying degrees of risk and the value of the assets in the investment options can fall as well as rise. Many factors affect the value and possible investment returns of these assets. Generally, the higher the potential return the higher the potential risks associated with that investment.

Some of the main risks of investing in the Strategies include:

- ~ **Market risk:** The risk of a fall in the price of assets within a particular market. In the investment options, movements in interest and inflation rates, changes in government policy, taxation, legislation and market sentiment can affect the value of assets and the income these assets can generate. Some markets such as those in emerging economies can be more volatile due to risks associated with global or local political, economic and social policies.
- ~ **Currency risk:** The risk that movements in foreign currencies will reduce the returns from unhedged international investments, including income. Currency risk is greater for those investment options with a higher exposure to unhedged international securities.
- ~ **Counterparty risk:** Entry into some financial transactions, such as swaps, creates counterparty risk. Substantial losses can be incurred if a counterparty failed to deliver on its contractual obligations, or experienced financial difficulties. For this reason, the investment options only engage with approved counterparties and has processes in place to reduce the risk exposure to these counterparties.

- ~ **Liquidity risk:** The risk that an investment may not be easily converted into cash with little or no loss of capital and minimum delay, because of inadequate market depth or disruptions in the marketplace.
- ~ **Investment specific risk:** The risk of a fall in the price of an individual investment within an investment option. Examples may include the unforeseen entry of a new competitor into the market or an increase in the cost of raw materials affecting the value of individual investments.
- ~ **International risk:** Risks such as political and economic instability of overseas countries, different accounting and reporting standards resulting in reduced disclosure, limited availability of reliable company financial information and international fund flow restrictions are all examples of potential risks when investing in international assets. This risk is greater for those investment options with a higher exposure to international assets.
- ~ **Debt and leverage:** Some of the underlying securities managers may use leverage or borrowings. This increases the opportunities for higher investment returns, but also increases the risk of loss.
- ~ **Trust risk:** Risks particular to the Trusts include that it or any investment options offered within it could terminate, the fees and expenses could change, or the Portfolio Manager or its investment team could change. There is also a risk that investing in the Trusts may give different results than investing individually because of income or capital gains accrued in the Trusts and the consequences of investment and withdrawal by other investors.

No assurance can be given by the Responsible Entity that the operations of the Responsible Entity or the Trust will not be adversely affected by the risks outlined above.

## use of derivatives

The underlying investment managers and the Strategies may use derivatives such as options, futures, or forward exchange rate agreements with the aim of protecting against risks such as unfavourable changes in an investment's price brought about by changes in interest rates, commodity prices or currencies, and/or enhancing returns by taking advantage of favourable mispricings within a market or as a cost-effective alternative to purchasing physical assets.

Derivatives can cause losses. The use of derivatives is closely monitored by ipac.

## investing

You can invest in the Strategies through a master trust, wrap account, investor directed portfolio service, or nominee or custody service. In this document we refer to these services as master trusts or wrap accounts and refer to people who invest through them as indirect investors.

Indirect investors do not become investors in the Strategies. Instead, it is generally the operator of the master trust or wrap account that invests for you and so has the rights of an investor. They exercise these rights in accordance with their arrangements with you.

To invest in the Strategies through a master trust or wrap account, please complete the application form provided by your master trust or wrap account operator. It is important to ensure you have fully read and understood the disclosure document applicable to the master trust or wrap account prior to investing. That document includes important information on how to invest and withdraw funds, your rights as an investor and information on fees.

We may accept or refuse (without reason) any application.

### **withdrawing/redeeming**

Withdrawal requests will normally be paid within three business days of receipt by us, although the Constitutions allow up to 30 days.

Under certain circumstances, we may be unable to realise assets to fund redemptions due to circumstances beyond our control. In this case, the period for payment of redemption proceeds may be extended under the terms of the Constitutions (ie under the Constitutions, while the Strategies are liquid, redemption requests must be paid from the Strategies within 30 days of receipt of the request or, when circumstances beyond the control of the Responsible Entity exist, the redemption period may be extended by the number of days during which these circumstances exist).

If at least 80% of the value of assets of a portfolio no longer consist of cash and other assets which may be converted to cash within 30 days, the Corporations Act 2001 (Corporations Act) will classify the Strategy as 'not liquid'. If this happens, unit holders will be unable to redeem unless we choose to make a redemption offer under the Corporations Act and the Constitutions. We expect the Strategies to remain liquid in normal circumstances.

Please refer to the master trust or wrap account operator's disclosure document for further information regarding the payment of withdrawal proceeds.

### **switching**

Please contact your master trust or wrap account operator to switch part, or all, of your investment from one Strategy to another.

When you switch between Strategies, transaction costs may apply, refer to pages 12 to 14.

Please refer to the master trust or wrap account disclosure document for further information regarding switching.

### **unit pricing**

Unit prices for each Strategy are generally calculated each business day.

Units are issued at the application price and redeemed at the redemption price.

The application and redemption unit prices are calculated based on the net asset value of the Strategy divided by the number of units on issue, adjusted by an allowance for transactions costs (refer to pages 12 to 14).

The net asset value of a Strategy includes the value of the investments of that Strategy and any accumulated income and profits, less amounts required to meet actual or contingent liabilities of the Strategy and any accrued fees and expenses.

Generally alternative investments provide a unit price once a month, and some funds may also provide an estimated price more frequently. The daily value of alternative investments in the Strategies will be calculated using the last price provided to us by the relevant investment manager with an accrual based on an appropriate index determined by us added for each subsequent day, or using the estimated price provided by the alternative investment manager to us.

If an application or redemption is received before 11.00am (Sydney time) on a Sydney business day, the investor will generally receive the unit price for that day. If it is received after 11.00am (Sydney time) on a Sydney business day, or on a weekend or Sydney public holiday, the investor will generally receive the unit price for the next business day.

We may delay the calculation of the unit price if we feel it is appropriate to do so, for example, in the case of closure of or trading restrictions on a securities exchange or an emergency or moratorium.

Provisions in the Constitutions give the Responsible Entity the ability to exercise discretion in relation to the calculation of application and redemption unit price. The Responsible Entity has a policy that details how and when it may exercise this discretion. A copy of this policy is available free of charge by contacting Investor Services on 1800 624 542.

# investor information

## income of the Strategies

### *calculation of distributions*

Each Strategy can earn income from its investments. It may also earn net realised capital gains.

The amount to be distributed by the Strategy is calculated by deducting all expenses and fees incurred in respect of that Strategy from the income and realised gains. The Responsible Entity may include a return of capital in the distribution.

The distribution amount is divided by the number of units on issue on the last day of the distribution period to provide a cents per unit distribution amount.

The amount each unit holder receives is calculated by multiplying the cents per unit distribution amount by the number of units held at the end of the last day of the distribution period. Each unit receives the same distribution amount, regardless of how long it has been held.

The distribution amount will vary at each distribution. Distributions are not guaranteed. Unit prices normally fall immediately after a distribution has been declared, because the net assets of the Strategy have been reduced by the amount of the distribution.

## payment of distributions

The frequency of each Strategy's regular distributions are outlined on pages 4 to 5. Where a distribution is to be made, it is typically paid within 30 days of the distribution date.

Investors should note that payment of distributions from the Strategies may be delayed due to delayed payments of distributions from the underlying alternative investments. The Constitutions require us to distribute within three months of the end of the financial year. It allows additional distributions to be made at any time.

# fees and other costs

## consumer advisory warning

### did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

### to find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([moneysmart.gov.au](http://moneysmart.gov.au)) has a managed investment fee calculator to help you check out different fee options.

# fees and other costs

## what fees apply?

This PDS shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the fund assets as a whole.

Taxation information is on page 15. All fees are inclusive of GST, less any reduced input tax credits (RITC) or other input tax credits claimable.

You should read all of the information about fees and costs, because it is important to understand their impact on your investment in the Strategies. Further information about fees is available on pages 11 to 14.

If you are accessing the Strategies through a master trust or wrap account, please refer to the relevant disclosure document for any additional fees associated with that service.

type of fee or cost	amount	how and when paid
<b>fees when your money moves in or out of the Strategies</b>		
<b>establishment fee</b> The fee to open your investment.	Not applicable.	Not applicable.
<b>contribution fee</b> The fee on each amount contributed to your investment – either by you, your employer or anyone on your behalf.	Nil.	There is currently no contribution fee payable.
<b>withdrawal fee</b> The fee on each amount you take out of your investment.	Nil.	There is currently no withdrawal fee payable.
<b>termination fee</b> This is the fee to close your investment.	Not applicable.	There is no termination fee payable.
<b>management costs<sup>1</sup></b>		
The fees and costs for managing your investment. <sup>2</sup> The amount you pay for specific investment options is shown in the management costs table on page 18.	Estimated range of 2.08% pa to 2.32% pa In addition, a performance fee may be charged. The performance fee is calculated as: 0-30% of the outperformance above a certain performance hurdle for each applicable underlying investment manager. Please note: A fee rebate for iAccess investors may be applicable if you become an investor in the Strategies from 1 July 2010, or if you were an investor as at 30 June 2010 and have subsequently entered into a client/member advice fee relationship with your adviser through iAccess. See fee rebate section on page 13.	Calculated as a percentage of the amount you have invested in each Strategy and included in the unit price of that option. The actual fees charged may increase or decrease over time. The performance fee is a fee payable to certain underlying investment managers when their performance exceeds its performance hurdle. The performance fee is reflected in the unit price in each applicable Strategy.
<b>service fees</b>		
<b>investment switching fee</b> The fee for changing Strategies <sup>2</sup>	Nil.	There is currently no switching fee payable.

1 This fee may include an amount payable to your financial adviser. For further information, refer to page 12 'adviser remuneration' and 'fee rebate' in the 'additional explanation of fees and costs'.

2 Excluding transaction costs. For further information on transaction costs, refer to page 12 in the 'additional explanation of fees and costs'.

## additional explanation of fees and costs

### contribution/withdrawal fee

ipac does not currently charge contribution or withdrawal fees (which are also known as entry and exit fees within this PDS) on any of the Strategies. If introduced, ipac will give you 30 days notice of the intention to do so. The maximum fee payable under the Constitutions is 2.2%<sup>†</sup> of the amount contributed or withdrawn.

### management costs

This is an estimate of the total costs incurred by investors in each Strategy and is shown for each Strategy within the management costs table on page 14. It is based on actual past costs and expenses incurred and is deducted from the Strategy before the unit price is calculated. It is based on information at the date of publication and is subject to change.

The management costs include the following:

#### management fee

The Responsible Entity receives the management fee. Fees payable to the Portfolio Manager and the underlying investment managers are paid from the management fee.

The management fee for each Strategic Investment Service strategy is partly dependent on the underlying construction of each Strategy, including its asset and investment manager allocations. Changes to the Strategy construction may lead to an increase or decrease in the management fee.

The maximum fee ipac may receive for services under the Constitutions is 2.2<sup>†</sup> per cent per annum.

ipac may individually negotiate a rebate of part of the management fees with wholesale investors including operators of master trusts, wrap accounts and similar vehicles.

Where one of the Strategies invests in any managed fund for which ipac acts as Responsible Entity (known as an interfund investment), no additional management fee applies on the amount of the interfund investment.

### expense recovery

The Constitutions provide for ipac to be reimbursed from the Strategies for all expenses incurred in relation to the proper performance of its duties in connection with the Strategies. These expenses include (but are not limited to) compliance committee costs, printing and posting expenses, insurance costs, unit registry costs and costs associated with the preparation of the PDS. These reimbursable expenses are reflected in the unit price for the Strategies.

### other expenses

The Constitutions also provide for the Strategies to directly pay for expenses incurred in the general management and administration of the Strategies. Examples include (but are not limited to) custodial costs and accounting and audit costs. These expenses are reflected in the unit price of the Strategies.

### performance fees

As well as the management fee, some underlying investment managers may also receive a performance fee when their performance exceeds its performance hurdle.

The performance hurdle could be a certain index or an agreed target rate of return, and may differ for each underlying investment manager. The performance fee is calculated on the value by which the underlying

investment manager outperforms their respective performance hurdle, and is reflected in the unit price in each applicable Strategy.

Please note:

- ~ Applicable investment managers will only charge a performance fee when their performance exceeds its performance hurdle. Outperformance may not incorporate recognition of previous periods of underperformance.
- ~ Performance fees are charged by certain underlying investment managers.
- ~ From time to time, additional underlying investment managers may be added that charge higher rates of performance fees or performance fees calculated using different methodologies than described above.
- ~ Performance fees are not included in the estimated management costs table on page 14 of the PDS.

**If you would like further information on performance fees please contact Investor Services on 1800 624 542.**

<sup>†</sup> Inclusive of GST.

# fees and other costs

## transaction costs

A transaction cost (also known as a buy/sell spread) is incurred each time you apply for or redeem units. The spread relates to transaction costs, such as brokerage, custody settlement and stamp duty costs directly incurred in the purchase and sale of assets as required by each application or redemption. It is an additional charge used by the Service to meet the type of costs described above and is not paid to the Responsible Entity.

Buy/sell spreads are intended to ensure that investors who transact infrequently do not bear the costs generated by investors who transact more frequently.

The buy/sell spread for each Strategy is shown in the Management Costs Table on page 14. The amounts shown are payable on both application and redemption and are subject to change at any time. The most up-to-date buy/sell spreads are available from your financial adviser, by contacting Investor Services on 1800 624 542 or at [www.ipac.com.au/pdsinformation](http://www.ipac.com.au/pdsinformation)

Example: if you make a \$50,000 contribution or withdrawal in/from the Inflation Plus 4 portfolio you will incur a transaction cost of \$120 on application and \$130 on redemption based on the estimated buy and sell spreads listed on page 14.

## investing in the Strategies through iAccess\*

You can invest in the Strategies through the iAccess Investment wrap account (for non-superannuation investments) or iAccess Personal Super and Allocated Pension master trust (for superannuation and allocated pension).

Wrap accounts or master trusts generally charge a fee for their service in addition to the fees for the Strategies. However, when you invest in the Strategies through iAccess, you may receive a partial rebate of management costs (see page 14).

Please speak to your financial adviser and refer to the iAccess disclosure documents for further information on fees. You may be able to take advantage of higher rebates on larger accounts by linking iAccess accounts for you and your family. This is called 'fee aggregation'.

## adviser remuneration

### Strategic Investment Service investors prior to 1 July 2010

Financial advisers are paid for their services to investors in different ways depending on how their business is structured. A financial adviser who receives commission from ipac is obliged to disclose this amount to you. Please refer to the Financial Services Guide or Statement of Advice provided by your adviser for details.

Any commission paid to your financial adviser is paid from the management fee and is not an additional charge to you.

ipac does not currently pay up front commissions to advisers, but if you were a Strategic Investment Service investor prior to 1 July 2010 ipac may pay an ongoing commission. The ongoing commission is calculated on your balance in Strategic Investment Service at the end of each month. The table on this page shows the rates payable.

From time to time, we may decide to provide financial advisers with non monetary benefits (such as training or entertainment). This is in addition to the commission your financial adviser may receive. When we do this, it does not represent a charge or cost to you. You should refer to the Statement of Advice or Financial Services Guide received from your financial adviser for details. We maintain a register of the non monetary benefits that we provide to advisers from time to time. If you would like a copy of the register contact Investor Services on 1800 624 542.

## ongoing commission rates<sup>†</sup>

total iAccess account balance	ongoing commission rate
First \$100,000	0.550%
Next \$150,000	0.506%
Next \$250,000	0.473%
Next \$500,000	0.429%
Next \$1,000,000	0.308%
Balance above \$2m	0.200%

For example:

For a month end portfolio balance of \$100,000, the maximum ongoing commission payable to your adviser would be \$45.83 per month (\$550 per annum).

If you invest in any of the Strategies through iAccess, it may be possible to receive a rebate of all or part of the ongoing commission. Refer to the relevant iAccess disclosure document for further information.

For any updated information on fees and other costs contact Investor Services on 1800 625 542 or visit [www.ipac.com.au/pdsinformation](http://www.ipac.com.au/pdsinformation)

\* ipac iAccess Investment is an investor directed portfolio service operated by NMMT Limited, ABN 42 058 835 573, AFS Licence No. 234653. The trustee of iAccess Personal Super and Allocated Pension is N.M. Superannuation Pty Ltd ABN 31 008 428 322, AFS Licence No. 234654. Both of these companies are members of the AMP Group. An application for iAccess can only be accepted on an application form accompanying a current iAccess disclosure document.

† Inclusive of GST.

**fee rebate**

The management costs of each Strategy include an allowance for ongoing commission payable to financial advisers that may or may not be rebated to clients. From 1 July 2010, ongoing commission is not payable to financial advisers for new accounts opened in iAccess which invest in the Strategies and as a result these investors will receive a fee rebate for this allowance. The effect of the rebate is that it reduces the total cost applicable to your investment(s) in the Strategies.

The fee rebate is based on the following table.

<b>strategy balance</b>	<b>fee rebate<sup>1</sup></b>
First \$100,000	0.500%
Next \$150,000	0.460%
Next \$250,000	0.430%
Next \$500,000	0.390%
Next \$1,000,000	0.280%
Balances above \$2m	0.182%

1 The fee rebate payable to you is exclusive of GST and RITC since under GST law the payment of a fee rebate is not subject to GST.

The fee rebate will be credited to your cash account in iAccess based on the balance held in each Strategy on the last day of the month. The fee rebate will not be applied to your account in the month you fully redeem your investment.

# fees and other costs

## management costs table

	estimated management costs % (pa) <sup>1</sup>	buy/sell spread % <sup>2</sup>	
		estimated buy spread	estimated sell spread
Inflation Plus 2	2.08	0.12	0.17
Inflation Plus 4	2.21	0.24	0.26
Inflation Plus 6	2.28	0.27	0.28
Inflation Plus 7	2.32	0.30	0.30

- 1 Performance fees are not included in the estimated management costs. Certain underlying investment managers may include a performance fee when their performance exceeds its performance hurdle. If applicable, this fee is reflected in the unit price on a monthly basis in each applicable Strategy. For further information in relation to performance fees and the circumstances when they apply, please refer to page 11.
- 2 The buy/sell spread is payable when an application or redemption is made. The estimated buy/sell spreads in the table above are based on information at the date of publication and are subject to change. Please refer to page 12 for additional information on buy/sell spreads.

## management cost rebate available to iAccess investors

Total iAccess account balance	Rebate paid to investors of iAccess:		
	Allocated Pension/Term Allocated Pension % pa	Personal Super % pa	Investment % pa
First \$100,000	0	0	0.05
Next \$150,000	0.20	0.25	0.20
Next \$250,000	0.35	0.40	0.40
Next \$500,000	0.50	0.55	0.55
Next \$1,000,000	0.70	0.75	0.75
Balance above \$2,000,000	1.0	1.05	1.05

Rebates will be paid monthly by us to iAccess and then credited to your iAccess cash account.

Example: if you had Strategic Investment Service holdings within iAccess Investment of \$200,000, you would receive a rebate of \$250 pa (\$20.83 per month).

## example of annual fees and costs

This table gives an example of how the fees and costs in the Inflation Plus 4 balanced investment option can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example – Inflation Plus 4 – the balanced investment option		Balance of \$50,000 with total contributions of \$5,000 throughout the year
Contribution fees	0.00%	You will not be charged a contribution fee.
Plus Management costs	2.21% pa	And, for every \$50,000 you have in this fund you will be charged \$1,105.
Equals Cost of fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 you would be charged net fees of \$1,105 <sup>1</sup> over the period. What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser.

Please Note: The management costs amount assumes a constant investment of \$50,000 throughout the year with a \$5,000 contribution made on the last business day of the period. Any applicable performance fees have not been included. Management costs are also applied to any additional contributions that you make during the year.

- 1 From 1 July 2010 a fee rebate as described on page 13 applies to new accounts opened in iAccess, or if you were an investor as at 30 June 2010 and have subsequently entered into a client/member advice fee relationship with your adviser through iAccess. In this case the effective cost in this example would be 1.71% (2.21% – 0.50%) which equates to a charge of \$855.

# taxation

## taxation treatment of your investment

It is important that you seek professional taxation advice before you invest or deal with your investment, as the taxation system is complex, and the taxation treatment of your investment will be specific to your circumstances and to the nature of your investment.

Generally, however, investors are liable to pay tax each year on any distributions from the Portfolios (with the exception of a return of capital), even if the distributions are reinvested, although they may be entitled to tax credits or concessionally taxed income such as capital gains. If you invest through a pension or superannuation fund, it is the fund that will be liable for tax on the distribution.

Please note that at the time of your initial or additional investment there may be unrealised capital gains or accrued income in the Portfolios. If these amounts are subsequently realised, they may be returned as part of a distribution from the Portfolios.

In addition, there may be realised but undistributed capital gains or income in the Fund. These amounts may be returned as part of the next distribution from the Fund.

You may also be liable to pay capital gains tax on any capital gains received from disposing of your investment.

If the Portfolio holds investments which are located outside of Australia, the Portfolio's income may include non-Australian sourced income. The investor may be entitled to foreign tax credits for foreign tax already paid.

Other tax information is provided in the 'fees and other costs' section of this PDS.

## social security

Investing may affect any social security benefits to which you are or may be entitled, and you should consider discussing this with your financial adviser, Centrelink or the Department of Veterans' Affairs before investing.

# additional information

## up-to-date information

The information in this PDS is current as at the date of this PDS however the information is subject to change. Any changes to the information in this PDS that are not materially adverse may be updated from time to time. You can view this updated information at [www.ipac.com.au/pdsinformation](http://www.ipac.com.au/pdsinformation) or please contact your financial adviser or Investor Services on 1800 624 542. A paper copy of any updated information will be provided to you without charge on request.

## investment performance

Past performance information is continually updated. To obtain the most up to date performance figures for each of the Strategies, please speak to your financial adviser or call Investor Services on 1800 624 542.

Past performance should not be taken as an indication of future performance.

## labour standards and environmental, social and ethical considerations

The investment decisions made for the Service do not generally consider labour standards or environmental, social or ethical issues.

## International Financial Reporting Standards (IFRS)

Terminology used in this PDS eg market value, net asset value, may not necessarily be consistent with terminology in the new Australian accounting standards equivalent to International Financial Reporting Standards (AEIFRS). The new accounting standards relate to financial statements. The PDS uses terminology commonly accepted in the financial services industry when referring to the calculation of fees and unit prices which may differ to that used in the Strategies' financial statements.

## alternative forms of remuneration

Financial services providers are required to maintain a register which outlines the alternative forms of remuneration. The register is available free of charge by contacting the Responsible Entity.

## the Constitution

The Constitutions under which each of the Strategies was established provides the framework for the operation of each Strategy. Together with the general law, relevant legislation and the Corporations Act, the Constitutions sets out the terms and conditions under which the trust operates, many of the rights, liabilities and obligations of unit holders and the responsibilities and duties of the Responsible Entity. In summary, the Constitutions allows ipac to:

- ~ Pay redemptions in cash or through transfer of the Strategies' assets.
- ~ Deduct from redemption proceeds any unpaid money owed by a unit holder to ipac.
- ~ Arrange reinvestment.
- ~ Delay payment of redemptions where, due to circumstances beyond ipac's control, it is not possible to realise assets to pay the redemption.
- ~ Vary minimum investment and unit holding amounts.
- ~ Appoint agents to exercise delegated power.
- ~ Vary distribution periods, make special distributions and return capital to unit holders.
- ~ Restrict a unit holder's right to redeem units from a portfolio while it is not liquid (see 'withdrawing/ redeeming' on page 7 for definition of 'not liquid').
- ~ Terminate the Strategies. In this situation, we will sell all of the assets and distribute net proceeds

to unit holders in proportion to the units held, after taking account of expenses and liabilities.

- ~ Hold meetings of unit holders.
- ~ Amend the Constitutions. If an amendment will adversely affect a unit holder's rights, it must be approved by special resolution of the unit holders.
- ~ Refuse applications or transfers.
- ~ Retire as permitted or required by law.

The Constitutions have been lodged with ASIC and may be read by prospective unit holders.

Copies of the Constitutions are available free of charge by contacting Investor Services on 1800 624 542.

## compliance

In accordance with the requirements of the Corporations Act, a compliance plan has been prepared for each of the Strategies and lodged with the Australian Securities and Investments Commission (ASIC). The compliance plan, among other things, sets out the measures the Responsible Entity will apply to ensure that the Strategies operate in accordance with the Corporations Act and the Constitutions.

A compliance committee, with a majority of external members, has been established with the principal role of monitoring the Responsible Entity's adherence to the compliance plan, and the adequacy of the plan. An external auditor will audit the compliance plan annually and report its findings to the Responsible Entity.

Subject to the proper performance of their powers and duties in respect of the Strategies, the members of the compliance committee are entitled to be indemnified, and have their fees and expenses met out of the assets of the Strategies.

## rights of a unit holder

Each unit confers an equal and undivided interest in the net assets of the relevant Strategy but not an interest in a specific part or investment in the Strategy.

In addition to other rights described in this PDS, unit holders are entitled to exercise their rights as a unit holder, including:

- ~ attending and voting at meetings of unit holders;
- ~ sharing in income and capital distributions; and
- ~ participating in the winding up of a Strategy.

Meetings of unit holders may be convened at any time by the Responsible Entity, provided that proper notice is given as required by the Constitutions and the Corporations Act. The Responsible Entity must also convene a meeting of unit holders when requested to do so by unit holders holding at least 5 per cent of the value of units in a Strategy or at least 100 investors of the Strategy.

## unit holders' liability

Unit holders' liability is limited by the terms of the Constitutions to any unpaid subscription amount in relation to their units. However, this matter has not yet been tested in court and the Responsible Entity is, therefore, not able to give an absolute assurance in this regard.

## indirect investors

People investing through a master trust or wrap account do not become unit holders, nor do they acquire the rights of a unit holder. The operator/trustee of a master trust or wrap account holds units on behalf of investors, and is the unit holder. This means some provisions of the Constitutions will not be relevant for clients of a master trust or wrap

account. For example, these investors cannot attend meetings or transfer units. Please refer to your master trust or wrap account disclosure document for more details.

## liability of the Responsible Entity

The Responsible entity is not liable to unit holders for any loss suffered in any way relating to the Strategies except to the extent that it is imposed under Corporations Act. The liability of the Responsible Entity to any other person other than a unit holder is limited to the Responsible Entity's ability to be indemnified from the assets of the Strategies. The Responsible Entity is entitled to be indemnified out of the assets of the Strategies for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to the Strategies.

## reporting

People who invest in the Strategies through a master trust or wrap account will not receive confirmation of transactions, quarterly reports, distribution statements, tax statements or financial statements directly from the Responsible Entity. These will be provided by the Responsible Entity to the operator, the trustee or their nominee, who will report to the master trust or wrap account investors according to the arrangements governing the master trust or wrap account.

## borrowings

The Strategies Constitutions place no formal restrictions on amounts that may be borrowed or liabilities that may be incurred. The Strategies may incur costs through interest expenses and establishment and maintenance of borrowing facility.

## privacy and complaints

Clients investing through a master trust or wrap account should refer to the privacy policy and the complaints policy set out in the master trust or wrap account disclosure document.

ipac may request and receive your personal and investment information from the master trust or wrap account operator for the purpose of calculating and paying remuneration to your financial adviser.

## cooling-off period

Please contact your master trust or wrap account operator about any right you may have to cooling-off.

## related party transactions

The Responsible Entity may use the services of other companies within or associated with the AMP Group of companies. If it does so, these transactions will be made on an arm's length basis.

## Directors of the responsible entity

From time to time the directors of ipac may hold investments in the Strategies. These investments are made at arm's length.

The directors of ipac asset management limited have authorised the issue of this PDS.

## how to invest

The offer in this PDS is currently available only to investors through a master trust or wrap account. We may make it available to direct investors in the future.

## if you have any questions

If you have any questions, please contact Investor Services on 1800 624 542, or email [iservice@ipac.com.au](mailto:iservice@ipac.com.au)

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# directory

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Neither ipac asset management limited or any member of the AMP Group nor its shareholders or employees guarantees the investment performance of Strategic Investment Service or the repayment of capital.

