



QUANTUM  
Investment Solutions

I need stability in this market?

Invest in Tier 1 bank bonds issued by Australia's 4 major banks

I need access to my money?

The bonds can be traded daily via the OTC market

I need to plan for the future?

The bonds pay regular returns with fixed maturity dates

I need flexibility in my investment?

You choose the bond of your choice

# Quantum Portfolio of Warrants

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## Bond Investments

Under the PDS, you have the opportunity to invest via your SMSF in Tier 1 Bonds issued by Australian Banks.

# Overview of Portfolio of Warrants – Bond Investments

Portfolio of Warrants bond investments is an unlisted financial product providing investors with the ability to obtain at their discretion a leveraged exposure to Tier 1 Australian bank bonds. The bonds you are able to access are ranked as Tier 1 capital and are issued by major Australian banks (CBA, NAB, ANZ and WBC) in the Australian and global bond market. Bonds may be offered in AUD and foreign currency.

Portfolio of Warrants bond investments are able to be leveraged. Leverage allows investors to acquire an interest in a particular investment without paying the full purchase

price up-front. A Portfolio of Warrants allow Investors to gain direct exposure to the bonds by making an initial payment (Initial Instalment) and delaying the final payment (Completion Payment) to a later date (Maturity Date).

To facilitate the investment in a foreign currency Australian bank bond, the warrant may borrow in the currency of the relevant security or enter into forward foreign exchange contracts to hedge against the risk of exchange rate movements. Each Portfolio of Warrants is a collection of separate Warrants which have been structured to comply with the SIS Borrowing Rules.

## What is a bond?

A bond is a security that pays an investor (you) a regular income stream (coupon) over a defined time (the term). At the end of the term of the bond your initial investment amount is repaid. In contrast to equity a bond is a loan to the borrower (in this case the Australian Banks).

## Why do banks issue bonds and why is there an opportunity?

Bonds are issued to meet the funding requirements of the bank.

The opportunity exists because international investors are not required to hold Australian banks in their portfolios, hence demand for foreign currency denominated Australian bank bonds is not as high, resulting in the bonds trading at a discount to face value.

## What type of bonds can I invest in?

You may invest in Australian bank bonds denominated in AUD or foreign currency (Typically USD and EUR). The bonds have been issued to fill funding requirements that cannot be satisfied through the domestic market.

The interest rate differential between the Australian markets and these foreign markets is creating the opportunity to generate higher returns than similar AUD denominated Australian bank bonds.

By using a forward contract you can mitigate the foreign exchange risk by locking in the price at which you buy and sell the foreign currency on the maturity date (known as hedging your investment).

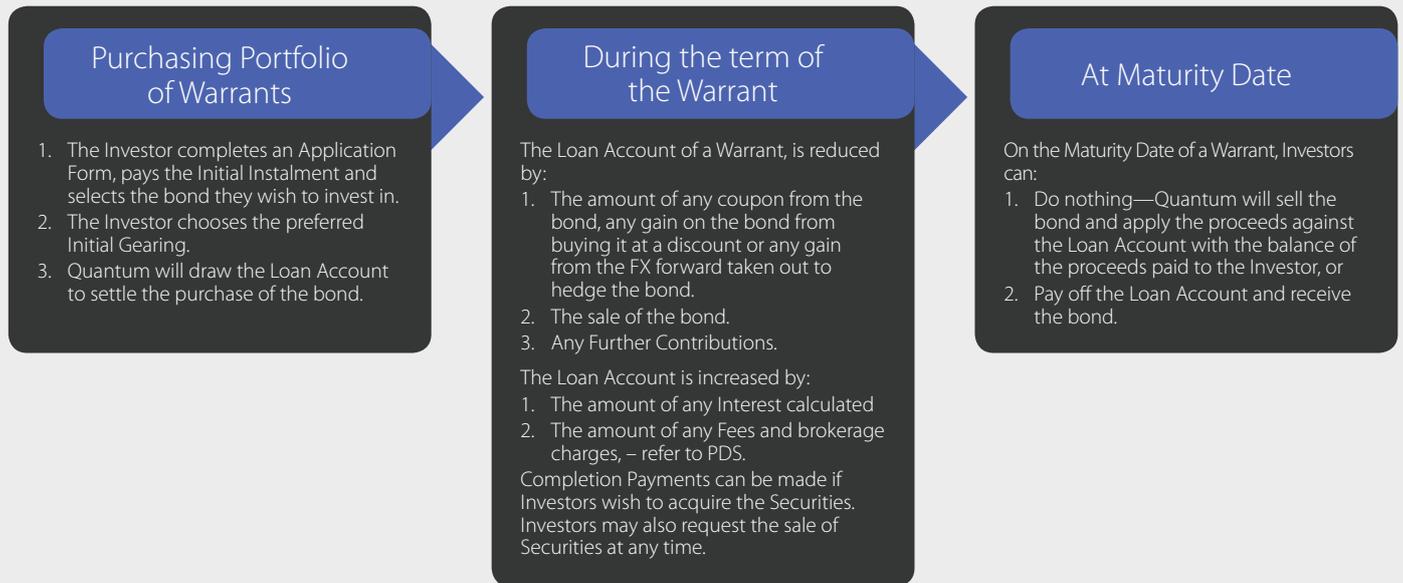
## Where does Tier 1 capital rank?



The Australian Banks ranks amongst the highest Tier 1 rankings in the world.

Global bank Preferred/Tier 1 ratings	S&P		Moody's	
	Senior	Preferred	Senior	Preferred
HSBC Bank PLC	AA-	A-	Aa3	A3
Standard Chartered Bank	AA-	A-	A1	A3
Rabobank	AA-	A	Aa2	Baa1
<b>Westpac Banking Corporation</b>	<b>AA-</b>	<b>BBB</b>	<b>Aa2</b>	<b>Baa1</b>
<b>National Australia Bank</b>	<b>AA-</b>	<b>BBB</b>	<b>Aa2</b>	<b>Baa1</b>
<b>Commonwealth Bank of Australia</b>	<b>AA-</b>	<b>BBB</b>	<b>Aa2</b>	<b>Baa1</b>
<b>Australian &amp; New Zealand Banking Group</b>	<b>AA-</b>	<b>BBB</b>	<b>Aa2</b>	<b>Baa3</b>
Wells Fargo & Co	A+	BBB+	A2	Ba1
Barclays Bank PLC	A+	BBB	A2	Ba1
JPMorgan Chase & Co	A	BBB	A2	Ba1
Macquarie Bank	A	BB+	A2	Ba1
Goldman Sachs Group Inc	A-	BB+	A2	Ba1
BNP Paribas SA	AA-	BBB+	A2	Ba2
UBS AG	A	BBB-	A2	Ba2
Societe Generale SA	A	BBB-	A2	Ba2
Deutsche Bank AG	A+	BBB	A2	Ba2
Credit Agricole SA	A	BBB-	A2	Ba2
Morgan Stanley	A-	BB+	Baa1	Ba3
Bank of America Corp	A-	BB+	Baa2	B1

# How does the Warrant investment work?



Below is an example of the bonds that an investor could purchase using the Portfolio of Warrants and the expected returns they may generate.

Tier 1 security	Currency	Price	Call Date	Years to call	Yeild to Call in AUD (Hedged) <sup>^</sup>
ANZ	EUR	89.6	15-Dec-14	2.2 yrs	10.5% pa
NAB	USD	96.55	23-Mar-15	2.5 yrs	10.3% pa
NAB	EUR	77.8	29-Sep-16	4.08 yrs	13.3% pa
WBC	USD	99.75	30-Sep-13	1.0 yrs	7.9% pa

<sup>^</sup> after fees and execution fees. Returns may vary, these numbers are indicative only and subject to certain assumptions. As the pricing of the bonds change daily, the above scenario may no longer exist at the time of your investment. Please refer to the PDS for more details.

## Where do the cash flows come from?

**1 Coupons**  
regular coupon payments from the bond

**2 Pricing Gain**  
currently many bonds are trading at a discount to face value, when redeemed the investor will be repaid the face value.  
(E.g. ANZ 15 Dec 2014 bond above can be bought at \$89.60 but will be redeemed by the bank at maturity at \$100, therefore a gain to the investor of \$11.40/bond)

**3 Forward Gain**  
currently the interest rate differential between Australia and other markets is creating a positive forward margin.

## What are the risks?

Whilst the product is offered with the aim of providing competitive investment returns and protecting against risk, you should be aware that the product is subject to investment risks, which could include delays in repayment, the non-payment of distributions and loss of income and capital invested.

For more information about risks, please refer to the PDS.

# What are my returns?

## Indicative Cashflows

Bond:	ANZ 15 Dec 2014, floating rate note (Euro)	NAB 23 March 2015, fixed rate (5.486%) USD
Investment	50000	50000
Coupon	1437	7,990
Gain on bonds	5975	1,725
Gain on FX	4178	3,162
Total Return	11590	12,877
Term	2.2 yrs	2.5 yrs
Yield per annum	10.5%	10.3%

### Benefits?

- Regular defined income
- Higher returns than the domestic equivalent yet similar credit risk
- Fixed maturity
- Access to high credit quality bonds
- Access to bonds that are usually only available to wholesale investors
- Invest via your SMSF, as an individual, as a Trust or a company

### Reasons to invest using a Portfolio of Warrants

- Accelerate your potential investment returns
- Minimise tax by generating additional income and franking credits
- Select the level of gearing to suit you
- Choose from a wide range of shares, managed funds and unlisted securities
- Full trading flexibility  
Buy and sell when you choose
- Low cost when compared to traditional forms of borrowing within Super
- A unique way to borrow to invest with your SMSF

### How do I Invest?

- Complete the application form accompanying a current PDS available at [www.quantumwarrants.com.au](http://www.quantumwarrants.com.au) or contact Quantum on 1300 360 949 and submit your application to Quantum.
- Minimum Investment \$30,000



## QUANTUM Investment Solutions

#### Important Notice:

This is only an outline of the information that is presented to potential investors via the Product Disclosure Statement (PDS) and the Incorporated Information Memorandum. An 'in use notice' has been lodged with the Australian Securities and Investments Commission (ASIC). You will only be able to apply to participate after reading the PDS in its entirety and completing the application form accompanying the PDS. Any forecast figures provided in this document are estimates only and are not to be relied upon. Investors should consider the PDS and the Incorporated Information Memorandum, their objectives, financial situation and needs in deciding whether to acquire, or continue to hold, the product. This information has been prepared without taking into account your objectives, financial situation or needs. Investors should seek their own independent financial advice.

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