

AUSTRALIAN

RESEARCH



Contents

1. Product Summary	3
2. Structure	5
3. Management & Corporate Governance	7
4. Investment Process	8
5. Performance Analytics	13
Appendix – Ratings Process	14

IMPORTANT NOTICE

Aegis has been commissioned to produce this report. This means that Aegis has received a fee for reviewing and assessing this product. In compiling this report, Aegis' views remain fully independent of influence or conflicts of interest. Our team of analysts undertake an objective analysis of the offer and conclusions are presented to senior officers and an External Committee for review. The External Committee has a separate charter and does not report to management and its findings are conclusive and not subject to appeal by the issuer of the product.

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 is 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>

For more information regarding our services please refer to our website www.aegis.com.au

For Advisers Only

Australian Managed Investments

Structured Products

Note: This report is based on the Lifepan Education Investment Fund PDS, dated **1 December 2008** and Supplementary PDS dated **6 August 2009**, together with other information provided by Lifepan Funds Management.

Lifepan Education Investment Fund

Tax-effective investment with education benefits

Offer Overview

Product Summary

The Lifepan Education Investment Fund (the *Fund*), being issued by Lifepan Funds Management (*Lifepan*), is a tax-effective investment that caters to those investors who are looking to fund an individual's (the *beneficiary's*) education. The Fund provides access to 19 investment options offering differing risk/return profiles. The Fund offers daily liquidity and, as such, investors may partially or wholly withdraw their investment at any time. Features of the Fund include the ability of the investor to control the source (that is, Contributions or Earnings) from which withdrawals are made; the deferral of annual tax liabilities until Earnings are withdrawn; tax liability for Earnings withdrawn for education purposes is that of the beneficiary rather than the investor; and a convenient investment vehicle providing taxation benefits and the ability to set up a regular savings plan. The Fund has been recently updated. Three Colonial First Choice Funds were added and the BT Cash Fund was replaced by a UBS Cash Fund. Other changes include the tax free threshold for students increasing on 1st July 2009 (\$3,000 for under 18 yr olds, \$15,000 for over 18 yr olds).

Investment View

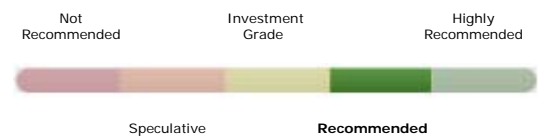
Investor Suitability

Aegis regards an investment in the Fund to be suited to parents and/or grandparents who are seeking a tax-effective investment/savings plan to assist in funding the education of their child/grandchild. The ability of the investor to elect the investment option(s) in which to invest results in the Fund being suitable for investors with varying risk/return appetites. Investors should note that this report analyses the structure of the Fund. Aegis has not performed an in-depth analysis of the underlying investment options.

Recommendation

Aegis has issued the Fund a **Recommended** rating, with our rating based on the investment structure, as opposed to the individual funds. Aegis views the Fund as a convenient tax-effective investment/savings plan designed to assist investors in funding an individual's education. The Fund enables investors to defer tax liabilities primarily as a result of the ability of investors to withdraw funds from Earnings and/or Contributions when used for the purpose of paying education expenses, with the onus of any tax liabilities resulting from such withdrawals being on the beneficiary. Furthermore, investors benefit from deferring withdrawals used for non-education purposes beyond eight years of the commencement of the investment, given the favourable tax treatment of such withdrawals. The ability of investors to determine and to change the risk/return profile of their investment enables them to cater the investment to suit their specific requirements and risk/return appetite.

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.



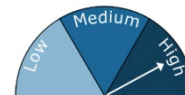
Offer Details

Offer Period	1-December-2008: Open ended
Listing Date	Not listed
Maturity	Ongoing
Min. Investment	A\$1,000
Liquidity	Daily
Distributions	None

Risk/Return Profile

The risk/return profile of the Fund is dependent on the underlying investment options chosen by the investor.

Tax Effectiveness



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

Up-front	Up to 4.4
Ongoing, p.a.	Up to 0.44

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

SWOT Summary

Strengths

- Tax benefits are received upon the withdrawal of funds, the extent of which depends on the use of the funds withdrawn. Investors benefit from tax deferral, with tax liabilities, if any, incurred only upon the withdrawal of Earnings.
- Ability of the investor to control the source from which withdrawals are made. Investors can nominate whether to draw down funds from Contributions or Earnings when withdrawals are to be used for 'education expenses'. Lifepan, unless requested, will not draw down any more than the effective tax-free threshold of the beneficiary from Earnings to eliminate any tax liability of the beneficiary.
- The Fund encompasses an estate planning feature.
- Unclaimed education expenses may be carried forward and claimed up to 12 months later, provided the education expenses were incurred after the commencement of the investment.
- Ability to change the beneficiary at any time.

Weaknesses

- Investors incur a double layer of fees: that of the underlying investment manager plus Lifepan's management fee.
- Accrued earnings can be accessed for non-education purposes only after all funds have been withdrawn from the investor's Contributions account. Therefore, the amount of returns generated and the education tax benefit reduce as the amount of funds invested declines.
- Beneficiaries under the age of 18 are taxed at the highest marginal tax rate for income, excluding 'excepted' income, above the effective tax-free threshold.

Opportunities

- Opportunity to generate earnings with reduced tax liabilities.
- Investors can change the funds they have invested into, in line with any changes in their investment profile. Investors can switch between investment options with no service fee; however, transaction costs (up to 0.5%) will be incurred.

Threats

- Depending on the investment funds chosen, Investors may be exposed to various risks (for example currency risk, market risk, and interest rate risk) through the underlying investment options, which may affect returns.
- Australian tax laws or the interpretation of the tax laws may change over the investment term, which may affect the value of the investment.

Product Fees (paid by investors)

Base Fees, % of Assets

Up-front	4.00 ¹
Ongoing (p.a.)	1.33–2.15 ²
Buy/Sell Spread ³	0–0.50
Exit	0.0

1. Assumes maximum advisor commission. Actual commissions may be less.
2. Depending on investment option.
3. Transaction costs are incurred upon investment and in the event an investor switches between investment options. Transaction costs depend on investment option taken.

Total Fees, % of Expected Total Return*

Up-front	2.51
Ongoing ¹	20.28
Buy/Sell Spread ²	0-0.50
Total	22.79

* Based on an average return of 10% p.a. over a 10-year term. The actual fees paid will depend on the investment option, and the returns from them over time.

1. Assuming highest ongoing fee charged.
2. Assuming no switching between options.

Performance Fees

The underlying investment option manager may be eligible for performance fees, thus such fees may be incurred as a result of an investment in these options. Currently, investment options eligible for performance fees are AMP Capital Conservative Option, AMP Capital Balanced Growth Option and all BT managed options.

Indirect Fees/Product Costs

Investors may incur additional fees and charges as a result of an investment in the underlying investment options, such as ongoing operating expenses and infrequent abnormal expenses. These additional fees will be reflected in the unit price determined by Lifepan.

Fee Commentary

Investors may incur both up-front and ongoing fees, the extent of which varies depending on the underlying investment option(s) selected.

A buy/sell spread of up to 0.5% will be incurred by investors upon investment and in the event they switch between investment options throughout the investment term.

2. Structure

Product Overview

The Fund operates as a 'scholarship plan' under Australian tax laws. This entitles investors in the Fund to obtain special tax benefits, including the ability to withdraw contributions tax-free and the deferral of tax obligations.

Upon investment in the Fund, investors nominate an individual (the beneficiary) for whom the investment is set up. The nominated beneficiary can be of any age, with investors having the ability to nominate themselves as the beneficiary. Investors can change the nominated beneficiary at any time. Investors must be over 16 years of age.

Investors have the ability to choose to invest their funds in one or more of 19 investment options (see Section 5). The investment options cover a range of asset classes and have differing risk/return profiles, enabling investors to select an investment option that caters to their risk/return appetite.

An investment in the Fund is divided into two categories: Contributions and Earnings. Contributions represent the initial and subsequent investor contributions to the Fund. The maximum contribution is currently A\$385,000 (reviewed annually). Investors can invest further funds on an ad hoc basis (minimum A\$500) or on a regular basis through the use of the Regular Savings Plan.

Earnings represent total returns generated by the selected underlying investment option(s). Total returns will be reflected in the unit price of the investment option(s) and will be net of all fees and taxes on the underlying investment. Unit prices will be calculated daily.

From a tax perspective, a distinction is made between Contributions and Earnings. Contributions and Earnings can be withdrawn at any time (minimum A\$500). Withdrawals from investor Contributions are tax-free and can be used for any purpose.

In relation to Earnings, any tax liability on returns generated by the investment option(s) is deferred until the investor makes a withdrawal from the Earnings account. The tax treatment of the Earnings withdrawal will depend on 1) whether or not it is used to pay for 'education expenses'; 2) whether the beneficiary is 18+ years; and 3) whether the investment has been established for over eight years. The tax treatment is detailed in Section 4.

Investor Earnings can be withdrawn for purposes other than education expenses only after all Contributions have been withdrawn.

Key Exposure

Underlying Exposure: Investors may choose to invest in one or more of 19 investment options managed by seven managers, specifically AMP Capital Investors, BT Investment Management, Colonial First State, ING, MLC, Perpetual and UBS Global Asset Management.

Currency Exposure: An investment in options with international investment exposure may be subject to currency exposure.

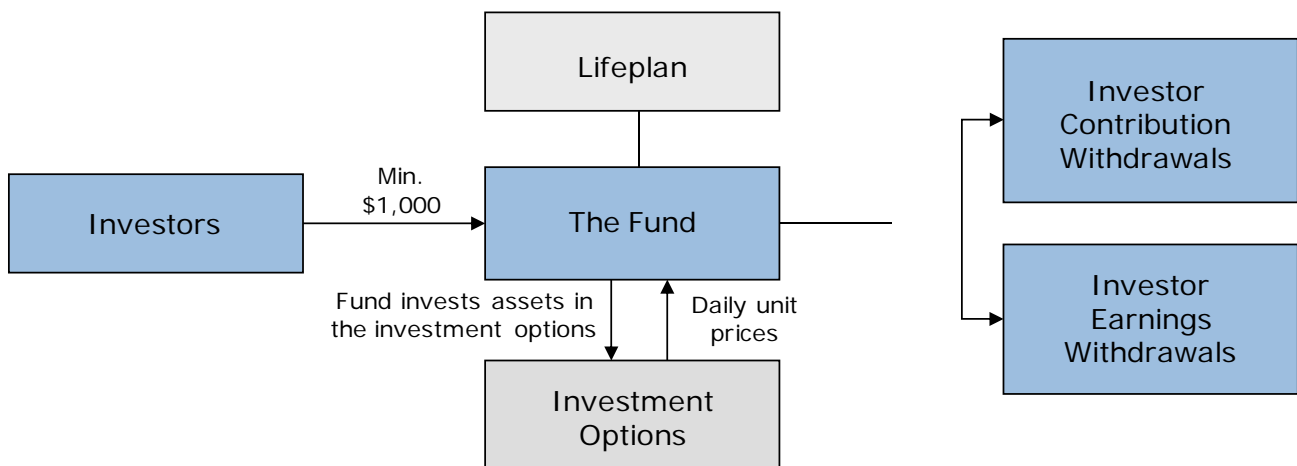
Exit Details

Exit Facility: Investors may partially or wholly withdraw from the Fund at any time and on a daily basis.

Liquidity: Daily redemptions available.

Holder Early Redemption: In the event Lifepan is unable to continue operating the Fund, investors may redeem any contributions and accumulated earnings or retain their investment if responsibility for managing the Fund is acquired by another Friendly Society.

For Advisers Only



Product Leverage

Used: Lifepan is ineligible to leverage the Fund (stipulated in the constitution); however, the underlying investment options may gear their investments.

Capital Protection

Method: None

Tax

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

Capital gains: There are no capital gains tax (CGT) consequences for investors on withdrawal of Contributions or Earnings. Any CGT incurred from the underlying investment options is reflected in the daily unit prices calculated by Lifepan.

Withdrawals: Withdrawals made from investor Contributions are tax-free. Withdrawals from Earnings used for the purpose of education expenses are eligible for an education tax benefit, which equates to the tax paid by the Fund, with any tax liability lies with the beneficiary. Withdrawals from Earnings for purposes other than education expenses are not eligible for the education tax benefit and any tax liability lies with the investor; however, these withdrawals are eligible for the 30% tax rebate. Further tax benefits are available for withdrawals for purposes other than education expenses, when made more than eight years from the commencement of the investment.

Foreign Income Fund (FIF): n/a

Legal Structure

Product Wrapper: Scholarship Plan

Custodian: n/a

Trustee: n/a

Offer Document: The PDS dated 1 December 2008 and Supplementary PDS dated 6 August 2009.

Returns

Capital vs. Income: Capital and income returns, net of fees and taxes, are reflected in the unit price calculated by Lifepan for each investment option.

Income Frequency: Withdrawals can be made at any time.

Foreign Currency Risk: An investment in options with international investment exposure may result in returns being subject to foreign exchange exposure.

Investor Leverage

Available: No

Information

Investors can obtain further information and details regarding scholarship plans from the Australian Tax Office website (www.ato.gov.au).

Risks

Risks for Investors will vary and will depend on the investment options chosen by the Investor.

Key Risks: Investments in managed investment products are subject to a range of risks, including general market risks and risks specific to the product. The PDS contains a full list of risks associated with this product. Investors should read and understand these risks before investing in the product. In our view, the key risks specific to this product are as follows.

Liquidity Risk: Lifepan provides daily liquidity (subject to a seven-day notice period), as does each of the underlying investment options; however, circumstances may arise that may affect the liquidity of the underlying investments and, therefore, the liquidity of the Fund.

Taxation: Lifepan has stated that the Fund is compliant with current tax laws. However, changes to these laws, particularly in relation to 'scholarship plans', may affect the value of the investment.

Investment Management Risk: Lifepan invests the Fund's assets into funds managed by appointed investment managers. Investment managers may not perform to expectations.

For Advisers Only

3. Management & Corporate Governance

Company Background and Overview

Lifeplan is a Friendly Society that provides specialist tax effective investment products. It has in excess of A\$1.56 billion of assets and funds under management as at 31 August 2009.

On 31 August 2009, Lifeplan became part of Australian Unity Investments (AUI), which is the funds management arm of financial services, health and retirement living services provider Australian Unity Limited (AUL). AUI has over \$7.6 billion in funds under management as at 31 August 2009 (including Lifeplan).

Aegis regards Lifeplan as well placed to offer an education savings product such as the Fund. Lifeplan operates in niche markets and provides unique products, primarily due to the favourable tax treatment that the investment products issued by Friendly Societies are eligible for, as disclosed in the *Income Tax Assessment Act, 1997*. Products issued by Lifeplan include a range of investment bonds, funeral bonds, fixed interest investments and education savings plans. Lifeplan is a market leader in investment bonds in the Australian market place and was the first organisation to launch an education savings/investment product under the new legislation governing these vehicles, effective 1 January 2003.

Board of Directors

The board is comprised of eight directors, including an independent chairman, five independent non-executive directors, one non-executive director and one executive director. The directors have extensive experience in legal, finance and business matters and have held positions in major corporations, government agencies and financial institutions.

Management Team

Lifeplan's management team has enjoyed good stability, comprising six people, four of whom have been with Lifeplan in excess of nine years each. Lifeplan management, supported by management and specialist skills drawn from the broader AUI group, are responsible for the ongoing development, compliance monitoring and management of the Fund, including management of the flow of funds between the underlying investment options and investors.

The management team is responsible for a number of tax-effective investments, including two existing education savings plans, which operate in a similar fashion to the Fund. Aegis regards the management team as well qualified and appropriately equipped to manage the Fund.

Alignment of Interest

Remuneration of management includes incentives based on the profitability of the Fund, which aligns the interests of management and investors/members to some extent. The alignment of interest is further improved through the reputational risk associated with the performance/operation of the Fund.

Employees of Lifeplan, AUI and AUL are eligible to invest in the Fund. While a number of employees have invested in the Fund, employee participation is expected to be relatively low as a proportion of total investors in the Fund.

Information Flow

Investors will receive a statement on a semi-annual basis, outlining transactions made over the previous six-month period and the value of the investment and expected education tax benefits. On an annual basis, a communications pack will be distributed, including (a) an annual statement regarding transactions for the previous year and the value of an investor's investment; (b) information regarding performance and asset allocation of the Fund; and (c) comments on market trends. After financial year-end, a tax statement will be distributed to the beneficiary, stipulating the educational benefits paid during the financial year.

In addition, investors can visit Lifeplan's website (www.lifeplan.com.au) or call Lifeplan on 1300 133 285 to obtain the latest information and performance updates.

For Advisers Only

4. Investment Process

Investment Philosophy

The objective of the Fund is to provide investors with a tax-effective investment/savings plan to cater for the education requirements of the nominated beneficiary.

The seven underlying investment option managers were selected taking into account a range of factors including; the depth of personnel within the investment manager which are available to support the investment management function; the quality of the manager; the investment philosophy and approach; the investment objectives, asset sectors and fee arrangements; and longevity to cater for the long-term investment horizon of the product. Lifepan worked with these managers to compile the selection of funds, incorporating a range of risk/return profiles to suit the varying requirements of investors. The risk/return profiles of the investment options range from low to high:

- **Low-risk options:** Investment options with a low-risk profile expect relatively low returns and low volatility. These portfolios generally allocate a large portion of assets to defensive assets (cash and fixed income) and a small portion to growth assets (Australian and international equity, property and alternative investments);
- **Moderate-risk options:** Investment options with a moderate-risk profile expect low to moderate returns and greater volatility than that in low-risk options. These portfolios generally allocate a similar portion of assets to defensive assets and growth assets; and
- **High-risk options:** Investment options with a high-risk profile expect higher returns than those of the moderate- and low-risk options; however, volatility is also greater. These options generally allocate a large portion of assets to growth assets and a small portion, if any, to defensive assets.

All funds included in the Fund have a Morningstar Australia rating of three or more, with the exception of the FirstChoice Growth Option which has a rating of 2. Lifepan uses Morningstar Australia to provide a range of ongoing monitoring services on the underlying investment managers and their funds.

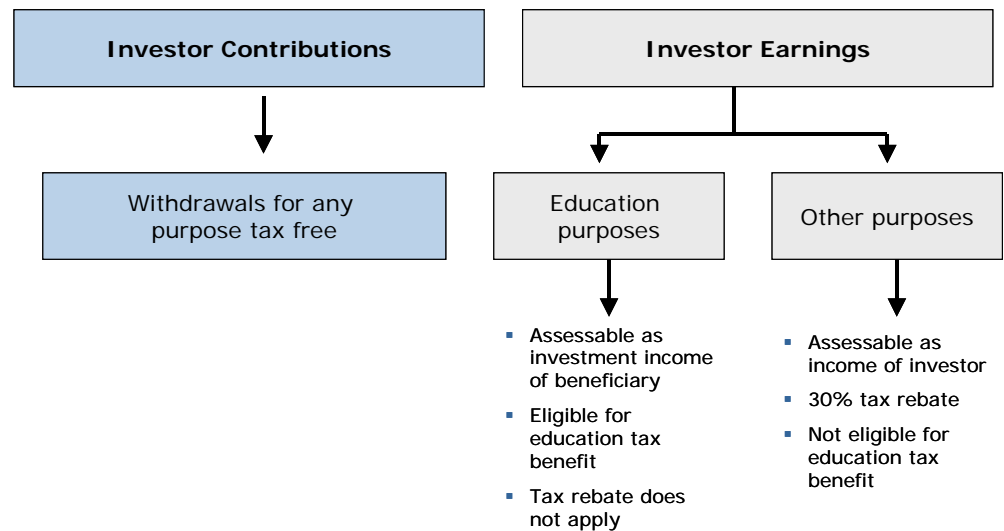
Lifepan has confirmed that although there is no set minimum rating required in order for an investment fund to be selected for the Fund's investment menu, Lifepan will take into account the factors identified above during the selection process. If there is an adverse change to a fund's rating, Lifepan will consider the reasons for the downgrade and decide whether to retain the underlying investment fund within the PDS investment menu. Any change to the investment menu is notified to investors and the dealergroup. Although the Fund offers 19 investment options, the dealer group has the final say on what constitutes the investable menu in respect of advisers within the dealergroup.

Tax Implications

Tax implications of the investment vary, as shown in Figure 1.

For Advisers Only

Figure 1. Tax Implications of Withdrawals



Source: Lifeplan Funds Management/Aegis Equities Research

Tax implications of an investment in the Fund depend on the following:

- **Whether the withdrawal represents a withdrawal from investor Contributions or Earnings:** The Fund distinguishes between Contributions and Earnings on those Contributions. Withdrawals made from Contributions are tax-free, whereas withdrawals from Earnings have tax implications. Withdrawals made for the purposes of 'education expenses' can be drawn down from Contributions and/or Earnings; however, withdrawals made for purposes 'other' than education expenses can be drawn down from Earnings only after Contributions have been exhausted. Investors should note that, unless requested, the amount withdrawn from Earnings will not exceed the beneficiary's tax-free threshold to avoid a tax liability for the beneficiary. Therefore, for drawdowns in excess of the beneficiary's tax-free threshold, a portion is taken from both Earnings and Contributions;
- **The purpose for which withdrawals are used:** Withdrawals from Earnings used for the purpose of 'education expenses' are eligible for the education tax benefit. Education expenses are considered those incurred for the purpose of the beneficiary attaining the qualifications sought, including expenses for pre-school, primary, secondary and tertiary education and approved training courses (see section *What Education Expenses are Covered* in the PDS). Withdrawals from Earnings made for purposes other than education expenses are not eligible for the education tax benefit; however, they are eligible for a 30% tax rebate on the assessable amount. If an investor's personal tax rate is less than 30%, the excess rebate will reduce that investor's tax liability on other assessable income;
- **The marginal tax rates of the individual:** The tax liability for withdrawals from Earnings for the purpose of paying education expenses lies with the beneficiary, whereas the tax liability, if any, for withdrawals made for other purposes is that of the investor;
- **The age of the beneficiary:** Investment income of individuals under the age of 18 is subject to the highest marginal tax rate, beyond the effective tax-free threshold (up to A\$3,000 per annum as at 1 July 2009), as stipulated in the *Income Tax Assessment Act, 1997*; and
- **Whether the investment has been established for more than eight years:** Additional tax benefits are available for withdrawals from Earnings for purposes other than education expenses that are made more than eight years after the commencement of the investment. Withdrawals within the first eight years of investment commencement are fully assessable as investment income. For withdrawals made in the ninth year, the assessable amount is reduced to two thirds of the withdrawal and to one-third in the 10th year. Withdrawals made more than 10 years after the commencement of the investment are not taxable.

For Advisers Only

Figures below provide some examples of the tax treatment of withdrawals from the Fund. The examples are intended to provide an illustration of the potential tax treatment of funds and do not forecast the actual tax liability individual investors may incur.

The example below shows an investor who has invested in the Fund and the implications of 1) withdrawals funding education and non-education expenses and 2) the age of the beneficiary. An investor's investment in the Fund is made up of capital contributions, earnings from the Fund and an education tax benefit. The education tax benefit relates to the ability to recover the 30% corporate tax on earnings when earnings are used to fund education expenses.

- The investor has the flexibility to draw down from Contributions and/or Earnings for withdrawals made for the purpose of paying education expenses, enabling the deferral of any tax liabilities. Unless requested, the Fund will not draw down an amount from Earnings in excess of the beneficiary's effective tax-free threshold to avoid a tax liability being incurred. Investors should note that in the event a tax liability is incurred, the liability lies with the beneficiary;
- Withdrawals from Contributions are tax-free;
- Withdrawals from Earnings for education expenses are eligible for the education tax benefit, which equates to the tax recovered by the Fund. This increases the amount of Earnings available to the investor;
- Withdrawals from Earnings for purposes other than education expenses are assessable income of the investor and are not eligible for the education tax benefit; and
- In relation to withdrawals for 'other' purposes, investors cannot draw down from Earnings until Contributions have been exhausted. Withdrawals from Earnings incur a tax liability at the investor's applicable marginal tax rate. Investors are eligible for a 30% tax rebate on any tax liability.

Figure 2. Investor Assumptions

Key Assumptions

Under 18 Student Tax-Free Threshold	\$3,000	Reflecting tax-free threshold as at 1/07/09
Over 18 Student Tax-Free Threshold	\$15,000	Reflecting tax-free threshold as at 1/07/09
Marginal Tax Rate (excl. medicare levy)	45%	
Amount withdrawn required	\$20,000	

Current Investor Balance breakup, assuming total balance is \$70,000:

Investor Contribution	\$50,000
Investor Earnings*	<u>\$20,000</u>
Total Balance	\$70,000

*Investor Earnings Broken Down As:

Post-Tax Earnings on Contributed Funds	\$14,000	70% of \$20,000
Education Tax Benefit	<u>\$6,000</u>	30% of \$20,000
	\$20,000	

Source: Lifepan Funds Management/Aegis Equities Research

For Advisers Only

Figure 3. Example of Tax Implications of Withdrawals for Education Expenses

Assume \$20,000 withdrawn, paying Education Expenses:

A. For students under 18, this would be broken down as:

Post-Tax Earnings on Contributed Funds	\$2,100	Drawdowns from investor Earnings (Earnings on Contributed Funds plus Education Tax Benefit) will be limited to the tax-free threshold amount of \$3,000, therefore, drawdowns from Earnings on contributed funds will equal \$3,000 x 70%
plus: Education Tax Benefit	\$900	Drawdowns from Education Tax Benefit account will equal \$3,000 x 30%
plus: Investor Contribution	<u>\$17,000</u>	Remainder is funded by investor Contributions
Total Withdrawal	\$20,000	

B. For students over 18, this would be broken down as:

Post-Tax Earnings on Contributed Funds	\$10,500	Students over 18 are eligible for a higher minimum threshold tax allowance of \$15,000. Therefore, higher funding from investor Earnings is available compared to the above scenario. Drawdowns from Earnings on Contributed funds in this case will equal \$15,000 x 70%
plus: Education Tax Benefit	\$4,500	Withdrawals funding education expenses allow the investor to claim back the 30% tax rebate (30% x \$15,000)
plus: Investor Contribution	<u>\$5,000</u>	Remainder is funded by investor Contributions
Total Withdrawal	\$20,000	

Tax Liability: There are no tax liabilities for the investor or the beneficiary under either scenario because withdrawals have been funded by Earnings only to maximum tax-free threshold allowed, which changes depending on the beneficiary's age. Any amount required above this point have been funded by Contributions, hence, there is no tax liability created for the beneficiary or the investor (withdrawals from Contributions have no tax consequence).

Source: Lifeplan Funds Management/Aegis Equities Research

For Advisers Only

Figure 4. Example of Tax Implications of Withdrawals for Non-Education Expenses

Assume \$20,000 withdrawn, but paying Non-Education Expenses. Tax laws covering withdrawals for Non-Education Expenses are applicable to all students, regardless of age.

A. For students of any age, this would be broken down as:

Investor Contribution	\$20,000	Maximum investor Contribution must be withdrawn before Earnings can be withdrawn
plus: Post-Tax Earnings on Contributed Funds	nil	Remainder withdrawn from Earnings on Contributed funds
plus: Education Tax Benefit	nil	Tax benefit not allowed for non-education expenses
Total Withdrawal	\$20,000	
Tax Liability	nil	Investor Earnings drawn x (Marginal Tax Rate - 30% tax rebate) ¹

Tax Liability: Non-education expenses funded by investor Earnings are considered taxable income for investors, with the 10-year tax-paid investment bond rules applying. Withdrawals made within eight years of the investment will allow investors to claim back a 30% tax rebate; hence, assuming a marginal tax rate of 45%, investors will pay an equivalent tax rate of 15%.

In this example, investor Contributions are enough to cover the withdrawal; however, had the withdrawn amount been greater, then post-tax earnings could have been drawn, with a tax liability created.

Source: Lifepan Funds Management/Aegis Equities Research

Estate Planning Features

The Fund offers investors the opportunity to nominate a 'plan guardian' and a 'plan beneficiary' in the event adverse circumstances arise.

Plan Guardian

Investors can nominate a plan guardian to be responsible for the plan in the event the investor dies or becomes intellectually disabled before the nominated beneficiary has completed his/her education. The guardian has limited capacity to alter an investor's arrangements to ensure that the initial objectives of the plan are adhered to. A guardian can be any individual aged 18 or over, a company or a trustee of a trust. The nominated guardian may be altered at any time.

If a plan guardian is not nominated, the following arrangements take effect:

- In the event of death, the ownership of the plan is transferred to the investor's estate. The executor of the estate will become responsible for the execution of the plan; and
- In the event the investor suffers from intellectual disability, any person appointed by power of attorney or a court to administer the investor's affairs will become responsible for the execution of the plan.

Plan Beneficiary

Investors can nominate one or more beneficiaries who will receive any residual proceeds of the investment in the event the current beneficiary dies after the investor's death. The proceeds are tax-free in the hands of the nominated plan beneficiaries and are paid in proportions advised by the investor prior to his/her death. Investors may alter the nominated plan beneficiaries at any time.

If no plan beneficiary is nominated and the current beneficiary dies after the investor's death, any residual investment proceeds will form part of the investor's estate and dealt with under the terms of the investor's will.

For Advisers Only

5. Performance Analytics

Performance of the investment will depend on the performance of the underlying investment option(s) chosen by the investor. The 19 investment options available cover a range of asset classes and encompass varying levels of risk and, therefore, return.

Figure 5 provides an indication of the historical performance of the investment options. This representation is for informational purposes only and does not reflect the expected future performance of the investment options. The returns shown are net of Lifepan and underlying investment manager fees, inclusive of the Education Tax Benefit, which is only available for genuine education expenses; exclusive of account based transaction fees such as contribution fees, adviser service fees and transaction costs; not annualised for periods of less than one year.

Figure 5. Historical Performance of Investment Options

Investment Option	Risk Profile	Total Return (%) as at 31 August 2009		
		6-month	1-yr	Since Inception*
AMP Capital Managed Options				
AMP Capital Balanced Growth Option	Low-Moderate	19.69	-5.88	-7.20
AMP Capital Conservative	Moderate-High	9.5	0.24	-1.75
AMP Capital Sustainable Share Option	High	31.56	-6.83	-8.52
BT Managed Options				
BT Future Goals	Low	19.14	-6.99	-8.01
BT Active Balanced Option	Moderate-High	18.17	-0.56	-4.16
BT Conservative Outlook Option	Low-Moderate	9.54	-1.04	-1.58
Colonial First State Options				
FirstChoice Conservative	Low-Moderate	11.81	n/a	9.14*
FirstChoice Growth	Moderate	n/a	n/a	9.72*
FirstChoice Moderate	Moderate-High	20.37	n/a	16.01*
ING Managed Options				
ING Capital Stable Option	Low-Moderate	5.66	-0.66	0.01
ING Managed Growth Option	Moderate-High	14.53	-8.00	-6.85
ING High Growth Option	High	18.38	-10.65	-10.06
MLC Managed Options				
MLC Horizon 2 - Capital Stable Option	Low-Moderate	11.09	-0.70	-2.78
MLC Horizon 4 - Balanced Option	Moderate-High	22.48	-5.57	-6.15
MLC Horizon 6 - Share Option	High	29.74	-7.31	-8.03
Perpetual Managed Options				
Perpetual Conservative Growth Option	Low-Moderate	9.47	-0.55	-0.10
Perpetual Balanced Growth Option	Moderate-High	16.54	-5.42	-4.46
Perpetual Industrial Share Option	High	34.75	2.47	-7.00
UBS Managed Options				
UBS Cash	Low	0.94	n/a	1.82

* Inception date refers to 11 July 2007, except for FirstChoice Conservative (5 February 2009), FirstChoice Growth (2 June 2008), FirstChoice Moderate (5 February 2009) and UBS Cash (3 December 2008).

Source: Lifepan Funds Management

For Advisers Only

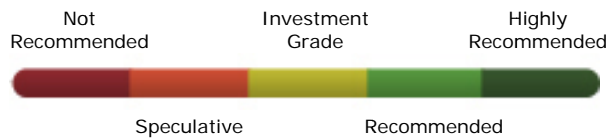
Appendix – Ratings Process

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

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.obrien@aegis.com.au

CLIENT SERVICES

Mandy Depangher
Manager Client Services,
Research and Model Portfolios
Phone: 61 2 8296 1159
mandy.depangher@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 to produce this report. This means that Aegis has received a fee for reviewing and assessing this product. In compiling this report, Aegis' views remain fully independent of influence or conflicts of interest. Our team of analysts undertake an objective analysis of the offer and conclusions are presented to senior officers and an External Committee for review. The External Committee has a separate charter and does not report to management and its findings are conclusive and not subject to appeal by the issuer of the product.

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 is 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>

For more information regarding our services please refer to our website www.aegis.com.au



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