



## SMSF INVESTMENT SOLUTIONS

# TWIN PAYOFF UNITS SERIES 1 AND 2

### A 2 year exposure to a basket of USA or Australian companies

The objective of the Twin Payoff Units Series 1 and 2 Units is to deliver positive returns to Investors over a 2 year period. The Units aim to achieve this by offering a potential fixed income payment if an Auto-Call Event occurs, otherwise the potential exposure to the absolute price movements of the Lowest Performing Component Share at Maturity of a Series (i.e. the potential for negative returns on the Lowest Performing Component Share at Maturity to be paid out as a positive return, so long as there has not been a Kick-In Event or Auto-Call Event).

The Units provide Investors with exposure to the Reference Basket of a Series for a period of 2 years.

An investment in Series 1 and/or Series 2 Units may suit you if you:

- are seeking a fixed Conditional Payment upon occurrence of an Auto-Call Event;
- believe that the price of the Component Shares of a Series will increase, or will not fall lower than the Kick-In Price at any time throughout the Investment Term.

Each Unit is a separate right to receive the Delivery Asset and certain related rights under a deferred purchase agreement as described in the PDS.

After Maturity, Investors will receive the Delivery Assets, unless they request for the Issuer to sell the Delivery Assets on their behalf and receive the Sale Monies (which includes a deduction for any Delivery Costs).

### Summary of the key features are as follows

	Series 1	Series 2
Reference Basket (each share a Component Share)	Amazon.com Inc Apple Inc Netflix Inc PayPal Holdings Inc	BHP Billiton Limited CSL Limited Insurance Australia Group Limited National Australia Bank Limited Woolworths Group Limited
Issue Price	\$1.00 for each Series	
Auto Call Level	100% for each Series	
Kick-In Level	Series 1: 60% Series 2: 65%	
Conditional Payment Rate	17% for each Series	
Auto-Call Event	<p>An Auto-Call Event will occur in respect of a Series if, on any Auto-Call Date, an Auto-Call Memory Event has occurred in respect of each Component Share of a Series and a Kick-In Event has not occurred. Auto-Call dates occur quarterly (other than the first quarter of the investment).</p> <p>An Auto-Call Memory Event is deemed to have occurred in respect of a Component Share if, on an Auto-Call Date, the Closing Price of a Component Share is greater than the Auto-Call Level i.e. if the Closing Price of the Component Share on an Auto-Call Date is greater than its Starting Price.</p> <p>Once an Auto-Call Memory Event has occurred in respect of a Component Share, it shall be deemed to have occurred in respect of <b>all remaining Auto-Call Event Dates</b> for such Component Share.</p>	

Kick-In Event	A Kick-In Event occurs in respect of a Series if the Closing Price of a Component Share of that Series is less than the Starting Price of that Component Share multiplied by the Kick-In Level of that Series at any time during the Investment Term, from and excluding the Commencement Date to and including the Maturity Date. Once a Kick-In Event has occurred an Auto-Call Event can not occur (meaning that a Conditional Payment can also not occur).
Conditional Payment	A Conditional Payment will be payable per Unit of a Series only if an Auto-Call Event occurs on an Auto-Call Date in respect of that Series. The amount of the Conditional Payment will be determined in accordance with the following formula: $\text{Conditional Payment} = (\text{Conditional Payment Rate}/4) \times \text{Number of Quarters} \times \text{Issue Price}$ Where "Number of Quarters" equals 2 to 7 and means the number of periods consisting of 3 consecutive months that have passed between the Commencement Date and the date on which the Auto-Call Event occurs (with no overlapping between any periods).
Final Value	The Final Value is payable to Investors at Maturity and depends on what events have or have not occurred during the Investment Term. If an Auto-Call Event occurs: Final Value per Unit = \$1.00 If a Kick-In Event has not occurred and an Auto-Call Event has not occurred: Final Value per Unit = \$1.00 x (Underlying Performance) Where Underlying Performance is equal to one plus the absolute value of the Performance of the Lowest Performing Component Share of the relevant Series on the Maturity Date of that Series If a Kick-In Event has occurred: Final Value per Unit = \$1.00 x (Maturity Price (w)/Starting Price (w)) Where Starting Price (w) is the Starting Price of the Lowest Performing Component Share and Maturity Price (w) is the Maturity Price of the Lowest Performing Component Share.
Total Investment Return	Final Value + Conditional Payment (if any)
Performance of a Component Share	The Performance of a Component Share is calculated as follows: $(\text{Maturity Price for Component Share} - \text{Starting Price for Component Share}) / \text{Starting Price for Component Share}$
Delivery Assets at Maturity	On Maturity, it is intended that Investors receive a parcel of ordinary shares in Telstra Corporation (ASX Code: TLS, website: www.telstra.com.au) ( <b>Delivery Asset</b> ), equal in value to the Final Value per Unit multiplied by the number of Units held by an Investor. The performance of Units is not directly affected by the performance of the TLS shares up to the Maturity Date. However, after the Maturity Date, the value of the security will be determined by the price of the Delivery Asset as traded on the ASX.
Agency Sale Option	Investors may elect to have the Delivery Assets sold on their behalf rather than take delivery of the Delivery Assets.
Currency Exposure	AUD The Reference Basket for Series 1 is a basket of USA shares however the payoff for the Units depends only on relative price increases (or decreases) and does not take into account any foreign exchange factors (provided Units are held to Maturity).
SMSF Eligibility	Yes

## Overview of each Component Share

Component Share – Series 1	Description
<b>Amazon.com Inc</b>	Amazon.com, Inc. engages in the retail sale of consumer products and subscriptions in North America and internationally. It sells merchandise and content purchased for resale from vendors, as well as those offered by third-party sellers through physical stores and retail Websites.
<b>Apple Inc</b>	Apple Inc. designs, manufactures, and markets mobile communication and media devices, and personal computers to consumers, and small and mid-sized businesses and government customers worldwide. The company also sells related software, services, accessories, networking solutions, and third-party digital content and applications.
<b>PayPal Holdings Inc</b>	PayPal Holdings, Inc. operates as a technology platform company that enables digital and mobile payments on behalf of consumers and merchants worldwide. The company's platform allows consumers to shop by sending payments, withdraw funds to their bank accounts, and hold balances in their PayPal accounts in various currencies.
<b>Netflix Inc</b>	Netflix, Inc., an Internet television network, engages in the Internet delivery of television (TV) shows and movies on various Internet-connected screens. The company offers TV shows and movies, including original series, documentaries, and feature films. It offers members with the ability to receive streaming content through a host of Internet-connected screens.
Component Share – Series 2	Description
<b>National Australia Bank Limited</b>	National Australia Bank Limited provides financial services to individuals and businesses in Australia, New Zealand, Asia, and the United States. It operates through Consumer Banking and Wealth, Business and Private Banking, Corporate and Institutional Banking, and NZ Banking segments.
<b>BHP Billiton Limited</b>	BHP Billiton Limited discovers, acquires, develops, and markets natural resources worldwide. It operates through four main segments: Petroleum, Copper, Iron Ore, and Coal. The company explores for copper, silver, lead, zinc, molybdenum, uranium, gold, and iron ores, as well as metallurgical coal, thermal energy coal, and oil and gas properties.
<b>CSL Limited</b>	CSL Limited researches, develops, manufactures, markets, and distributes biopharmaceutical and allied products in Australia, the United States, Germany, the United Kingdom, Switzerland, China, and internationally.
<b>Woolworths Group Limited</b>	Woolworths Group Limited operates retail stores. It operates through Australian Food, New Zealand Food, Endeavour Drinks, BIG W, Hotels, and Other segments.
<b>Insurance Australia Group Limited</b>	Insurance Australia Group Limited underwrites general insurance products. The company operates through Australia, New Zealand, and Corporate and Other segments. It sells its products directly to customers under the NRMA Insurance, SGIO, SGIC, RACV, Coles, and CGU brands; and through insurance brokers, authorized representatives, and distribution partners under the CGU and WFI brands in Australia.

## Worked Examples – Series 1

The following worked examples for Series 1 Units are hypothetical only and are not forecasts or simulations of Unit returns nor are they a reference to past performance. The actual returns on the Units may be materially different from what is shown in these examples. Any share prices, growth in value or returns shown are hypothetical examples only and are not intended to be a forecast, simulation or guide to future performance or any other representation or warranty as to the repayment of capital invested nor any particular rate of capital or income return.

Returns for Series 2 Units are calculated in the same manner as the examples shown below for Series 1. Please refer to Section 6 “Worked Examples” of the PDS for more information on worked examples, including worked examples for Series 2.

In these examples we assume the following Starting Price and Kick-In Price for Series 1 Units, and that the Units are held to Maturity (i.e. not subject any Issuer Buy-Back or Early Maturity Event):

Component Share	Starting Price	Kick-In Price
APPLE (AAPL)	\$220	\$132
AMAZON (AMZN)	\$1,950	\$1,170
NETFLIX (NFLX)	\$350	\$210
PAYPAL (PYPL)	\$90	\$54

The Kick-In Price is equal to the Starting Price multiplied by the Kick-In Level e.g. for AAPL  $\$220 \times 60\% = \$132$

### Example 1 – Bullish Scenario: No Kick-In Event occurs and an Auto-Call Event Occurs nine (9) months after the Commencement Date

Component Share	Starting Price	Kick-In Price	Price at Auto-Call Event Observation Date	Performance
APPLE	\$220	\$132	\$230	4.5%
AMAZON	\$1,950	\$1,170	\$1,990	2.1%
NETFLIX	\$350	\$210	\$390	11.4%
PAYPAL	\$90	\$54	\$100	11.1%

#### Final Value

An Auto-Call Event has occurred because on an Auto-Call Event Date, all Component Shares are above their respective Starting Prices (and we assume a Kick-In Event has not occurred prior). As such, the Final Value per Unit will be \$1.00 per Unit and a Conditional Payment will be payable.

#### Conditional Payment

$$= (\text{Conditional Payment Rate}/4) \times \text{Quarters} \times \$1.00$$

$$= (17.00\%/4) \times 3 \times \$1.00$$

$$= \$0.1275 \text{ per Unit}$$

Total Conditional Payment per Unit received if an Auto-Call Event occurs after 9 months will be \$0.1275.

### Example 2 – Moderate Scenario: Neither a Kick-In Event nor Auto-Call Event occurs

Component Share	Starting Price	Kick-In Price	Maturity Price	Performance
APPLE	\$220	\$132	\$198	-10.0%
AMAZON	\$1,950	\$1,170	\$1,560	-20.0%
NETFLIX	\$350	\$210	\$315	-10.0%
PAYPAL	\$90	\$54	\$81	-10.0%

#### Final Value

We assume that during the Investment Term, neither a Kick-In Event nor an Auto-Call Event has occurred.

The Final Value per Unit will be:  
\$1.00 x Underlying Performance.

The Underlying Performance is one plus the absolute performance of the Lowest Performing Component Share at Maturity. In this example, AMZN is the Lowest Performing Component Share with its performance being -20% over the Investment Term. This means that the Final Value per Unit will be:  
 $\$1.00 \times 1.20 = \$1.20$  per Unit.

No Conditional Payment is payable in this scenario.

### Example 3 – Recovery Scenario: A Kick-In Event occurs but the Performance of the Lowest Performing Component Share at Maturity is positive

Component Share	Starting Price	Kick-In Price	Maturity Price	Performance
APPLE	\$220	\$132	\$230	4.5%
AMAZON	\$1,950	\$1,170	\$2,000	2.6%
NETFLIX	\$350	\$210	\$360	2.9%
PAYPAL	\$90	\$54	\$95	5.6%

#### Final Value

We assume that during the Investment Term, a Kick-In Event has occurred and an Auto-Call Event has not occurred (because an Auto-Call Event can not occur at Maturity or following a Kick-In Event).

The Final Value is determined in a two-step process as follows:

#### Step One – Determine the Lowest Performing Component Share:

= (Maturity Price for Component Share – Starting Price for Component Share)/Starting Price for Component Share

For example, Performance of AMZN

= (2000 – 1950)/1950

= 2.6%

The Lowest Performing Component Share is the Component Share that has the lowest return from the above calculation. Therefore the Lowest Performing Component Share is AMZN.

#### Step Two – Calculate the Final Value per Unit based on the Lowest Performing Component Share:

= \$1.00 x Maturity Price for Lowest Performing Component Share/Starting Price for Lowest Performing Component Share

= \$1.00 x Maturity Price for AMZN/Starting Price for AMZN

= \$1.00 x \$2,000/\$1,950.00

= \$1.026 per Unit

No Conditional Payment is payable in this scenario.

### Example 4 – Bearish Scenario: A Kick-In Event occurs and the Performance of the Lowest Performing Component Share at Maturity is negative

Component Share	Starting Price	Kick-In Price	Price at Auto-Call Event Observation Date	Performance
APPLE	\$220	\$132	\$130	-40.9%
AMAZON	\$1,950	\$1,170	\$1,000	-48.7%
NETFLIX	\$350	\$210	\$180	-48.6%
PAYPAL	\$90	\$54	\$45	-50.0%

#### Final Value

We assume that during the Investment Term, a Kick-In Event has occurred and an Auto-Call Event has not occurred (because an Auto-Call Event can not occur at Maturity or following a Kick-In Event).

In this example all the Component Shares have a Maturity Price below their Starting Price.

The Final Value is determined in a two-step process as follows:

#### Step One – Determine the Lowest Performing Component Share:

= (Maturity Price for Component Share – Starting Price for Component Share)/Starting Price for Component Share

For example, Performance of PYPL

= (45 – 90)/90

= -50.0%

The Lowest Performing Component Share is the Component Share that has the lowest return from the above calculation. Therefore the Lowest Performing Component Share is PYPL.

#### Step Two – Calculate the Final Value per Unit based on the Lowest Performing Component Share:

= \$1.00 x Maturity Price for Lowest Performing Component Share/Starting Price for Lowest Performing Component Share

= \$1.00 x Maturity Price for PYPL/Starting Price for PYPL

= \$1.00 x \$45.00/\$90.00

= \$0.50 per Unit

No Conditional Payment is payable and the investor has suffered a partial loss of their initial investment in this scenario.



## Key risks include:

- Investors' returns are affected by the performance of the Reference Basket. There is no guarantee that the Reference Basket will perform well.
- There is no guarantee that the Units will generate returns in excess of the Total Investment amount. Investors may lose their entire Total Investment Amount.
- There is no minimum Final Value and a Conditional Payment is not guaranteed. The Final Value depends on the performance of the Reference Basket on the relevant Maturity Date and the Conditional Payment depends on the performance of the Reference Basket during the Investment Term. The Final Value may be equal to zero and no Conditional Payment may be payable.
- There is no established market for the Units. The Issuer has the right to accept or reject redemptions in its absolute discretion. Generally, the Issuer would only reject or defer an Issuer Buy-Back request if it is unable to adequately unwind its hedging arrangements.
- Investors are subject to counterparty credit risk with respect to the Issuer and the Hedge Counterparty.
- If the Issuer defaults under the Hedge, then the Hedge Counterparty may have the right (but not the obligation) to terminate the Hedge of that Series. If the Hedge is terminated, it will be an early unwind and the value derived will be the early termination value of the Hedge. This may be significantly less than the value that the Investor could expect on Maturity, and may be zero.
- Investors are limited in their recourse against the Issuer (for example, if the Issuer defaults under the Units or the PDS) to only the amounts recovered or recoverable under the Hedge corresponding to their Series. Otherwise, Investors have no recourse to the Issuer personally, and cannot claim any amounts greater than the Final Value plus any Conditional Payment that were, or could have been due and owing.

Please refer to Section 8 "Risks" of the PDS for a complete description of all the risks that apply to an investment in SMSF Investment Solutions Twin Payoff Units Series 1 and Series 2.

**Investors should read the PDS in full before making a decision to acquire  
SMSF Investment Solutions Twin Payoff Units Series 1 and Series 2.**

**For more information and to receive a copy of the PDS, please visit**

**[www.smsfinvestmentsolutions.com.au](http://www.smsfinvestmentsolutions.com.au)**

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The Issuer may, in its discretion, extend or shorten the Offer Period for the Units without prior notice. If this happens, the Commencement Date and one or more consequential dates for the Units may vary. The Issuer may also defer the Commencement Date for the Units, in which case the Maturity Dates and other consequential dates for the Units may vary. If the Issuer varies the Offer Period or the Commencement Date for the Units it will post a notice on the website informing applicants of the change at [www.smsfinvestmentsolutions.com.au](http://www.smsfinvestmentsolutions.com.au)

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You should seek independent advice in relation to the tax implications of your investment.