



ASX

AUSTRALIAN SECURITIES EXCHANGE

Instalment Warrants – Getting Started

Fact Sheet

A warrant is a structured financial instrument issued by a bank or other financial institution, traded on ASX. Warrants provide investors an alternative way to gain exposure to a variety of underlying assets, such as shares, to achieve a desired result.

Why invest in Warrants?

There are approximately 2,000 instalments quoted on ASX, covering over 100 different underlying assets. Instalments may be issued over domestic and international shares, baskets of shares, share price indices, currencies and commodities. Warrants allow investors to:

- Leverage exposure to the sharemarket – from shares to debt to commodities.
- Generate an income stream in the form of dividends and franking credits.
- Protect the value of a share portfolio.

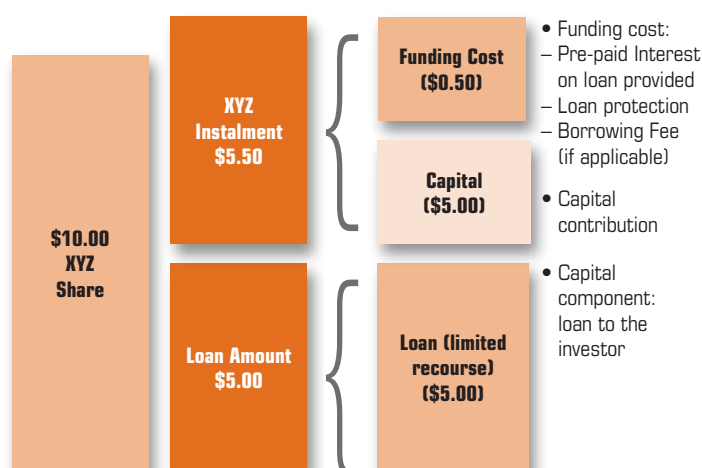
Features of trading Instalment Warrants

Generally, the purchase of an instalment warrant gives the investor the right to buy the underlying asset with an initial part payment and an optional final payment. Key features of instalments are:

- The holder is entitled to all dividends, distributions and franking credits similar to share ownership.
- Generally issued between 1 to 15 years by a financial institution.
- Tradeable on-market (ASX) through a broker.
- Offered over 'blue chip/Top 100' ASX listed securities including shares, LICs and ETFs.
- Eligible form of gearing in Self Managed Super Funds (SMSFs).

FEATURE	MARGIN LENDING	INSTALMENTS
Available over most blue chip stocks	✓	✓
Tradeable on ASX	✓	✓
No need to repay loan	✗	✓
No credit checks	✗	✓
No margin payments	✗	✓
Eligible for SMSF	✗	✓

Buying an Instalment Warrant



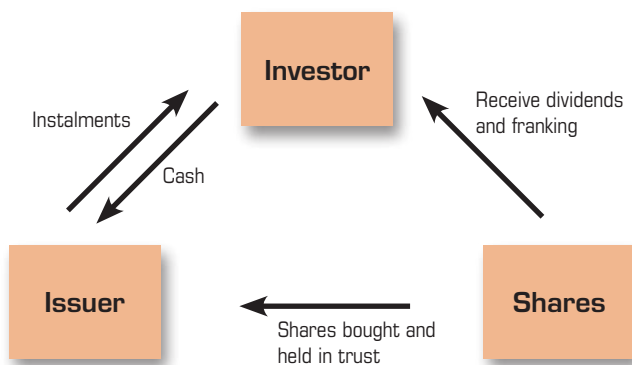
The structure of an Instalment

The diagram above shows:

- The purchase cost of a single XYZ share is \$10.00.
- The purchase cost of a single warrant on the underlying XYZ is \$5.50.
- This initial part payment of \$5.50 is a combination of \$5.00 as an upfront capital payment and \$0.50 to cover the warrant issuer's funding costs.
- The funding costs are made up of pre-paid interest on the loan provided, loan protection and a borrowing fee if applicable.
- The issuer is loaning the holder \$5.00 if the holder wishes to take full share ownership at the end of the term this outstanding balance will need to be paid.
- Over the warrants term the initial instalment value (\$5.50) will change as the XYZ share price changes.
- The loan amount remains constant.

Instalment Warrants Fact Sheet

A Warrants overview



The diagram above shows the relationship between warrant holders, issuers and the underlying shares.

How to buy Instalments?

Warrants can be bought on the primary market through a warrant issuer by using a cash application, shareholder or roll-over application form. They can also be bought on the secondary market (ASX sharemarket) through any licensed adviser or internet broker.

Benefits of Instalments

Instalments offer investors many benefits and strategies including:

- Leverage and diversification
- Enhanced dividend yield (compared to shares)
- Unlocking wealth from existing shareholdings
- Application within self-managed super funds (SMSFs)
- Smaller initial outlays through partial payment upfront
- Known and limited downside risk
- Excess franking credits can be refundable for SMSFs
- Potential taxation benefits
- Interest expense deductible
- Tradeable on ASX.

Risks of Instalments

Instalments are issued by a number of different investment banks. Each Instalment is unique. Therefore, it is important that you read each instalment product disclosure statement to ensure you have a proper understanding of gearing, dividends and the relationship to the underlying asset.

Additional Information

- To learn more about instalments and for contact details of each of the warrant issuers visit the ASX website www.asx.com.au/warrants
- To register for a free seminar on 'Instalments' go to www.asx.com.au/warrants
- To obtain an ASX brochure 'Understanding Trading and Investment Warrants' contact ASX customer service on **131 279** or email info@asx.com.au

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