

Manager of underlying funds

**P I M C O**

**Principal Protected Yield Fund** (ARSN 124 906 814)  
**Product Disclosure Statement**



**Please make sure you read this Product Disclosure Statement in full before deciding whether to invest.**

This Product Disclosure Statement (PDS) dated 3 May 2007 is issued by Equity Trustees Limited, 575 Bourke Street, Melbourne VIC 3000 ABN 46 004 031 298 AFSL 240975. Throughout this PDS the 'Responsible Entity', 'Equity Trustees', 'we', 'us' and 'our' refers to Equity Trustees Limited.

This PDS contains an invitation to apply for Units in the Credit Suisse Principal Protected Yield Fund ARSN 124 906 814 (referred to throughout this PDS as the 'Fund' or 'Principal Protected Yield Fund'). This is called the 'Offer'. The Fund is a managed investment scheme registered with ASIC under Chapter 5C of the Corporations Act.

**Certain words and expressions used in this PDS are defined in the Glossary in section 12 of this PDS. All references to dollar amounts in this PDS are in Australian dollars, unless otherwise stated.**

The investment services provider for the Fund is Credit Suisse Sydney Branch (ABN 17 061 700 712 AFSL 226896) (referred to throughout this PDS as 'CS Sydney').

The Standard & Poor's rating referred to throughout this document in relation to CS Sydney pertains to the counterparty credit rating on Credit Suisse, which for this issue is acting through its Sydney Branch (referred to throughout this PDS as 'CS Sydney')

The initial amount invested into the Fund by Investors will be held on deposit with CS Sydney.

The Fund's returns to Investors are dependent primarily on the performance of a portfolio of bond funds managed by Pacific Investment Management Company LLC (referred to throughout this PDS as 'Underlying Pool of PIMCO Funds' and 'PIMCO' respectively), subject to substitution events outlined in section 9 of this PDS. An investment in the Fund is an investment in a unit trust and is subject to risk. The value of your investment can fluctuate up or down with the value of the assets of the Fund.

Units are intended to be a medium term investment with an Investment Timeframe of approximately four years.

The deposit to be made by the Responsible Entity with CS Sydney of 100% of funds subscribed by Investors under the Offer ('Deposit') is designed to deliver Principal Protection in respect of your investment in the Fund. The Principal Protection of \$1.00 per Unit at Maturity is provided by the Deposit, which is held by the Responsible Entity for the benefit of Investors. It is not provided directly to Investors. An investment in the Fund is subject to investment risk, including possible delays in repayment and loss of income and capital invested. Limitations on Principal Protection are set out in section 2.

Investors who withdraw their Units (in whole or part) before the end of the Investment Timeframe will not be afforded the benefit of the Principal Protection on the amount withdrawn.

Neither money invested in the Fund nor any particular rate of return on any money invested in the Fund is guaranteed by Equity Trustees, CS Sydney, any other member of the Credit Suisse group, PIMCO, PIMCO GIS or any other member of the PIMCO group.

Your investment is an investment in the Fund and does not constitute a deposit with or other liability of Equity Trustees, CS Sydney, any other member of the Credit Suisse global operation, PIMCO, PIMCO GIS or any other member of the PIMCO group.

If you have obtained a copy of this PDS electronically, you need to print all of it. If you would like us to send you a paper copy of this PDS, please contact the Registrar who will send you one free of charge.

Information relating to the Fund and this Offer may change from time to time. Where information in this PDS changes and those changes are not materially adverse, the information may be updated and made available to Investors on CS Sydney's internet site at [www.credit-suisse.com/structuredretailproducts](http://www.credit-suisse.com/structuredretailproducts) or by contacting the Registrar using the contact details in the Directory at the end of this PDS. A paper copy of any updated information is available free on request. We will also notify you of any material changes or significant events in writing as soon as practicable after the change.

You should read the entire PDS before making any decision to invest in the Fund. This PDS does not take into account an Investor's individual objectives, financial situation or needs. Therefore, before acting on information in this PDS, you should consider whether the information in this PDS is appropriate in light of your objectives, financial situation and needs, and seek professional advice from a financial adviser before deciding whether to invest.

The Offer under this PDS is available to persons receiving the PDS (electronically or otherwise) in Australia and New Zealand only. Law may restrict the distribution of this PDS in jurisdictions outside Australia and New Zealand and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This PDS does not constitute an offer of securities or financial products or services in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer.

**Credit Suisse**  
**Principal Protected Yield Fund**  
**Supplementary Product Disclosure Statement**  
**Dated 11 July 2007**

This is a Supplementary Product Disclosure Statement (SPDS) issued by Equity Trustees Limited ABN 46 004 031 298 and AFSL 240975. It supplements the Credit Suisse Principal Protect Yield Fund PDS dated 3 May 2007 (PDS) and is to be read together with the PDS.

The following sentence on page 4 of the PDS has been removed

**Initial Offer Size**

Minimum of \$20 million. If applications received total less than \$20 million, the issue of Units will not proceed.

The final sentence on page 15 of the PDS under the heading **Return of application monies** has been removed, and replaced by the following sentence:

‘The issue of Units will not proceed if, for example, the Total Return Swap is not entered into with CSi.’

If you have any questions please contact

**Link Market Services Limited**

Phone 1800 992 481 (within Australia)  
+61 2 8280 7740 (outside Australia)  
8.30am to 5.30pm Monday to Friday (EST)



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**Directory**

IBC

# 1. Investment summary

## Why invest?

The Principal Protected Yield Fund offers Investors the following potential benefits:

- exposure to a portfolio of potentially high yielding investments in bond funds;
- 100% protection at Maturity (4 years) on capital invested, provided to the Fund. Principal Protection<sup>1</sup> is provided by 100% of monies subscribed by Investors under the Offer being placed on deposit with Credit Suisse, which is rated AA- (outlook stable) by Standard & Poor's, and for the purpose of this issue is acting through its Sydney Branch<sup>2</sup>;
- an enhanced return via embedded leverage; the Fund will have between 100% to 200% exposure to the underlying bond fund investments (starting at 150%)<sup>3</sup>. This exposure will be adjusted dependent on performance; a key feature is that unlike many principal protected products, the Fund can never have less than 100% exposure to the underlying bond fund investments;
- potential for attractive semi-annual income payments; and
- an investment benefiting from the combined expertise of two of the world's major financial service organisations:
  - leading global investment bank, **Credit Suisse**<sup>4</sup>, a specialist in structured products, will provide the Leverage, income payments, investment services in relation to the Fund and arrange for Principal Protection; and
  - leading global bond manager, **PIMCO**, manages the underlying bond fund investments.

**Investing involves risk. Risks are summarised in the 'Offer at a glance' and in section 4 'Managing risk.'**

## Who should invest?

The Fund should suit:

- the income component of a balanced investment portfolio;
- investors seeking a potentially high yield income investment;
- investors seeking principal protection;
- investors who want exposure to the PIMCO Global Investor Series global, high yield and emerging markets bond funds;
- investors with a minimum investment of \$20,000;
- investors who can retain their investment for approximately four years; and
- superannuation investors – the Fund provides internal Leverage to enhance returns which may be attractive to self managed super funds.

**Certain words and expressions, including investment terms, used in this PDS are explained in the glossary in section 12.**



1. Principal Protection is discussed in more detail in section 2 of this PDS. You should read the entire PDS before making a decision to invest in the Fund.
2. A rating may be changed, suspended or withdrawn at any time as a result of changes in, or unavailability of, information, or based on other circumstances. A Standard & Poor's rating is not a recommendation to buy, hold or sell any securities in as much as it does not comment as to market price or suitability for a particular investor.
3. Exposure to the bond fund investments at 100% does not involve leverage.
4. Through a combination of Credit Suisse International and Credit Suisse Sydney Branch. See section 3 for information about these and other parties involved in the Fund and its investments.

## Managing your money

### CREDIT SUISSE



#### The Credit Suisse group's expertise

The Credit Suisse group is a leading global provider of financial services. Founded in 1856, the Credit Suisse group has a long tradition of meeting the complex financial needs of a wide range of clients. It provides companies, institutional clients and high-net-worth private clients globally with advisory services, comprehensive solutions and innovative products. The Credit Suisse group is active in over 50 countries and employs approximately 45,000 people from over 100 different nationalities. Its investment banking business specialises in innovative solutions, and is a market leader in structured products. CSi's principal business is banking, and it issues structured products globally. Credit Suisse Sydney Branch conducts an extensive banking business in Australia, including wholesale and corporate banking transactions, leveraged finance business, proprietary trading and institutional fixed income business.

### P I M C O

#### Who is PIMCO?

PIMCO is a leading, global institutional money manager specialising in the management of active fixed income portfolios. Headquartered in Newport Beach, California, it has offices in London, Munich, New York, Tokyo, Sydney and Singapore. Since its founding in 1971, PIMCO has grown to be one of the largest specialist fixed interest managers in the world employing more than 800 people and managing more than AUD\$830 billion around the globe. PIMCO has managed Australian client portfolios since 1996 and offers clients a range of innovative fixed income strategies designed to outperform indices over long time periods.

#### The combined benefit: the Principal Protected Yield Fund

Investors in the Fund will benefit from the combined expertise of both organisations.

The Fund's objective is to produce attractive income returns with the benefit of 100% Principal Protection at Maturity.

#### Credit Suisse<sup>1</sup> will provide:

- exposure to the returns from the Underlying Pool of PIMCO Funds;
- Leverage to potentially enhance the return to Investors;
- income payments from any positive performance of the underlying investments; and
- for Principal Protection at Maturity to safeguard the initial investment via a deposit with Credit Suisse Sydney Branch.

**PIMCO** manages the underlying bond funds to which Investors will gain exposure. The Underlying Pool of PIMCO Funds will comprise three actively managed bond funds selected from the PIMCO GIS range to support the Fund's objectives. PIMCO has a long and successful track record of outperforming global bond indices. The underlying PIMCO GIS funds will be:

- Global Bond Fund (50%)
- High Yield Bond Fund (25%)
- Emerging Markets Bond Fund (25%)

1. Through a combination of Credit Suisse International and Credit Suisse Sydney Branch. See section 3 for information about these and other parties involved in the Fund and its investments.

## The Offer at a glance

The following is not a complete description of an investment in Units in the Fund. Please read the entire PDS and seek any advice you need before deciding whether to invest in Units.

Topic	Summary	Sections
<b>The Offer</b>	This is an offer of fully paid Units.	
<b>Offer opens</b>	4 May 2007	
<b>Offer closing date</b>	29 June 2007	
<b>Issue Date</b>	11 July 2007	
<b>Initial Offer Size</b>	Minimum of \$20 million. If applications received total less than \$20 million, the issue of Units will not proceed.	
<b>Responsible entity</b>	Equity Trustees Limited	3
<b>Investment services provider</b>	Credit Suisse Sydney Branch	3
<b>Minimum investment amount</b>	\$20,000	
<b>Term/Maturity</b>	The Fund will terminate on 11 July 2011, four years from the Issue Date (but may terminate before Maturity in some circumstances).	4
<b>Investment objective</b>	The Fund's objective is to produce attractive income returns with the benefit of 100% Principal Protection at Maturity.	4
<b>Investment strategy</b>	<p>The Fund will enter into a Total Return Swap with Credit Suisse International, which will provide the Fund with:</p> <ul style="list-style-type: none"> <li>■ leveraged exposure to the Underlying Pool of PIMCO Funds; and</li> <li>■ the potential for semi-annual distributions.</li> </ul> <p>The Fund will also hold the Deposit which, subject to the limits set out in section 2, will provide the Fund with 100% Principal Protection at Maturity (four years from the Issue Date) on capital invested (as described below).</p>	For more information on the Total Return Swap, see section 9 and for more information on the Underlying Pool of PIMCO Funds see section 1.
<b>Principal Protection</b>	<p>Under the terms of the Deposit, CS Sydney Branch will return the balance of the principal amount of the Deposit to the Fund at Maturity. The principal amount of the Deposit may be reduced from time to time in order to fund any monthly withdrawals by Investors. Subject to the limits set out in section 2, the Deposit has the effect of providing the Fund with 100% Principal Protection at Maturity. Credit Suisse is rated 'AA-' (stable outlook) by Standard &amp; Poor's, and for the purpose of this issue is acting through its Sydney Branch.</p> <p>A rating may be changed, suspended or withdrawn at any time as a result of changes in or unavailability of, information, or based on other circumstances. A Standard &amp; Poor's rating is not a recommendation to buy, hold or sell any securities in as much as it does not comment as to market price or suitability for a particular investor.</p>	2 and 9
<b>Income distributions</b>	<p>Income distributions are payable semi-annually based on the difference between the initial value of the Fund's Portfolio<sup>1</sup> and its value as at the relevant income distribution calculation date.</p> <p>Any income distributions under the terms of the Total Return Swap are expected to be paid to the Fund on 11 July and 11 January each year, to be distributed by the Fund to Investors within 15 days after those dates.</p>	1 and 5
<b>Risks</b>	<p>The key risks relating to an investment in the Fund include general risks of investing and Fund specific risks, such as:</p> <ul style="list-style-type: none"> <li>■ limitations on Principal Protection;</li> <li>■ counterparty or credit risk;</li> <li>■ major risks associated with investing in bonds;</li> <li>■ interest rate risk;</li> <li>■ Leverage;</li> <li>■ liquidity risk;</li> <li>■ conflicts within Credit Suisse group of companies;</li> <li>■ managed fund risk;</li> <li>■ operational risk;</li> <li>■ tax risk;</li> <li>■ return of application monies.</li> </ul>	4

1. 'Fund's Portfolio' is defined in the Glossary in section 12 and discussed under the section 'How does the investment work?'.

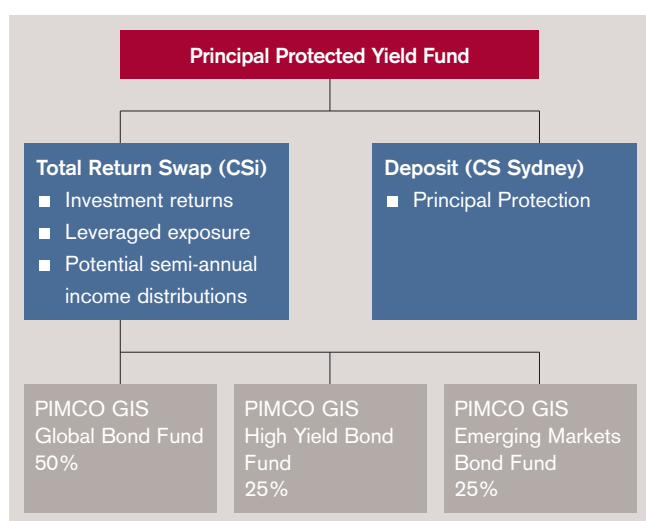


Topic	Summary	Sections
<b>How to invest</b>	To invest, please complete the Application Form attached to or accompanying this PDS and forward your payment in accordance with the instructions set out in the Application Form. Application monies will be held in an interest bearing trust account until the Issue Date. Any interest earned on this account will be for the benefit of the Fund unless the Offer does not proceed, in which case interest will be used to offset the costs of the Offer and establishing the Fund.	
<b>Withdrawals</b>	Subject to certain conditions, Investors will be able to withdraw a minimum of \$5,000 at a time but must maintain an account balance of not less than 10,000 Units at all times throughout the investment Timeframe (unless the Investor fully withdraws). Withdrawals are generally effected as at the end of each month and proceeds will usually be paid within 12 Business Days of the withdrawal date. Early withdrawal fees may apply.	5
<b>Transfers</b>	Transfers of Units are generally permitted.	
<b>Initial Unit price</b>	\$1.00	
<b>Unit pricing for withdrawals</b>	Monthly. For information purposes, daily prices will also be published.	
<b>Fees and costs</b>	Responsible Entity fee and reimbursable expenses – estimated to be approximately 0.338%pa of the gross asset value of the Fund.  Please see section 6 for more details on fees and costs that may affect the returns from the Fund including the fees charged in respect of the Underlying Pool of PIMCO Funds, the Total Return Swap fee ('Swap Fee') and the cost of Leverage under the Total Return Swap.	6
<b>Tax</b>	This PDS sets out certain taxation information about the Fund, which is of a general nature. Before deciding whether to invest in Units, Investors should seek their own professional taxation advice to determine the tax treatment applicable in their particular circumstances.	8 and 11
<b>Complaints</b>	If you have a complaint about the Fund or your investment there are resolution procedures in place and you should contact us. If you are not satisfied with the resolution of your complaint, we are a member of FICS and you can contact FICS on 1300 780 808 about your complaint.	
<b>Contact us</b>	For further information at any time use the contact details below	
<b>For client services/ PDS orders</b>	<b>Credit Suisse Principal Protected Yield Fund</b> C/- Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Phone 1800 992 481 (within Australia) +61 2 8280 7740 (outside Australia)	
<b>Applications send to</b>	<b>Link Market Services Limited</b> PO Box 20043 World Square NSW 2002	
<b>For compliance</b>	<b>Equity Trustees Limited</b> Mailing address GPO Box 2307 Melbourne VIC 3001 Phone 03 8623 5000 9am to 6pm Monday to Friday (EST) Fax 03 8623 5399 Email <a href="mailto:compliance@eqt.com.au">compliance@eqt.com.au</a>	

## How does the investment work?

### The structure

The Responsible Entity (on behalf of the Fund) and CSi will enter into a Total Return Swap on or before the Issue Date to provide a Synthetic Exposure to the Underlying Pool of PIMCO Funds. It is called a 'swap' because the parties agree to 'swap' payments. Under the Total Return Swap, the Responsible Entity (on behalf of the Fund) agrees to make payments to CSi (these payments will equal all the interest paid on the Deposit). In return CSi agrees to provide the Fund with the return of a Leveraged exposure<sup>1</sup> to the Underlying Pool of PIMCO Funds, and pay income into the Fund based on any positive performance. The Fund will distribute this income to Investors semi-annually after payment of fees and costs.



The return to the Fund under the terms of the Total Return Swap is formula based. It is calculated based on the unit prices for the bond funds making up the Underlying Pool of PIMCO Funds, and the amount and cost of the Leverage (adjusted for Swap Fees). The methods for calculating the amount of Leverage, ongoing income payments and the amount payable upon Maturity are discussed below. A summary of the terms of the Total Return Swap can be found in section 9.

### Leverage to potentially enhance returns

The Fund will have Leveraged exposure to the Underlying Pool of PIMCO Funds through the Total Return Swap. The aim of the Leverage is to enhance the returns that would have been achieved by investing directly into the Underlying Pool of PIMCO Funds. The Leveraged exposure to the Underlying Pool of PIMCO Funds is referred to in this PDS as the 'Fund's Portfolio.'

The Fund Portfolio's exposure to the Underlying Pool of PIMCO Funds will start at 150%. That is, for every \$100 invested into the Fund, CSi will effectively borrow another \$50 and invest \$150 to generate returns on behalf of the Investors. Investors will benefit from any additional return that this Leveraged invested amount adds to the Fund return (after the cost of Leverage). The amount of Leverage is 'dynamic' in that it will be adjusted up or down on the basis of a non discretionary formula driven by the performance of the Underlying Pool of PIMCO Funds. Positive performance will result in increased Leverage, boosting the potential for future returns. Negative performance will result in decreased Leverage, reducing exposure to the underlying investments when performance is down. Leverage has the effect of increasing investment risk and potential losses, but this is mitigated by the fact that the Fund is 100% principal protected at Maturity (subject to the limitations set out in section 2).

**The maximum exposure to the Underlying Pool of PIMCO Funds will be 200%.**

**The minimum exposure to the Underlying Pool of PIMCO Funds will be 100%, that is no Leverage.**

This means that unlike many principal protected products, CSi will ensure that the Fund will have at least 100% exposure to the Underlying Pool of PIMCO Funds, and therefore participate in at least 100% of any positive performance of the Underlying Pool of PIMCO Funds over the life of the investment. The amount of Leverage applied to the Underlying Pool of PIMCO Funds is formula based under the terms of the Total Return Swap (and is not determined at CSi's discretion). A more detailed explanation of the Total Return Swap can be found in section 9.

### Principal Protection

On the Issue Date, the Fund will deposit with CS Sydney 100% of monies subscribed by Investors under the Offer, together with any interest accruing on application monies before Units are issued ('Total Funds Raised'). Under the terms of the Deposit, CS Sydney must pay the balance of the Deposit back to the Fund at Maturity. The effect of the Deposit is that the Fund has 100% principal protection at Maturity. CS Sydney is rated AA- (stable outlook) by Standard & Poor's (further details on CS Sydney can be found in section 3).

There are no fees paid by Investors upfront. \$100 invested by Investors in the Fund is then placed on Deposit for \$100 principal protection at Maturity.

As discussed in section 2, some events may affect the Principal Protection.

1. Where exposure to the Underlying Pool of PIMCO Funds is 100%, there will be no leverage. For more information please see section 9.

### Semi-annual income distributions

The Fund's objective is to generate income and not capital returns for Investors.

Each fund making up the Pool of Underlying PIMCO Funds and its weighting within the Pool of Underlying PIMCO Funds has been selected so that the Pool is diversified across a range of bond markets and aims to provide Investors with attractive returns. The Leverage obtained through the Total Return Swap, commencing at 50% (resulting in an initial exposure of 150%), is aimed at enhancing these potential returns to Investors. The Total Return Swap converts positive returns from the Fund's Portfolio into income for the Fund and Investors.

The Fund will distribute any income it receives from the Total Return Swap to Investors every six months and at Maturity (less any fees and fund expenses that have accrued).

How income distributions are calculated and paid to the Fund is demonstrated in the following example, assuming an initial Fund value of \$100 and that there were no withdrawals prior to Maturity. Note that this example is for demonstration purposes only and is not a prediction of Fund performance. To simplify the example, it does not take into account Responsible Entity fees and Fund expenses estimated to be approximately 0.338%pa.

Income distributions will be made every six months when the value of the Fund's Portfolio is above its initial value (eg. \$100). The income distributions are not fixed but are based on the performance of the Fund's Portfolio. Under the terms of the Total Return Swap, every six months, 50% of any positive performance of the Fund's Portfolio, as measured by the difference between the Fund's Portfolio's initial value and its value as at the relevant six monthly income distribution calculation date, will be paid to the Fund as income. All such income amounts will be distributed by the Responsible Entity to Investors (after Responsible Entity fees and Fund expenses). The income paid to the Fund will then be deducted from the value of the Fund's Portfolio.

To demonstrate this numerically, if after six months the Fund's Portfolio has positive performance of 6%, its value will have grown from an initial value of \$100 to \$106. CSi will pay to the Fund income of 50% of this positive performance (being \$3) as an income distribution for that six month period. The opening value of the Fund's Portfolio for the next distribution period will be \$103 (the \$3 distribution has been deducted from the value of the Fund's Portfolio).

If for the next distribution period, the Fund's Portfolio has the same positive performance of 6%, its value will have then grown from \$103 to \$109.20 (calculated by taking 6% of \$103 and adding the result to \$103). The value of the Fund's Portfolio is now 9.2% (or \$9.20) higher than its initial value of \$100 and CSi will then pay 50% of this positive performance (being \$4.60) as an income distribution to the Fund (50% of \$9.20 is \$4.60). The opening value of the Fund's Portfolio for the next distribution period will be \$104.60 (the \$4.60 distribution has been deducted from the value of the Fund's Portfolio).

So under the Total Return Swap, prior to Maturity, the Fund will, semi-annually, receive 50% of any overall positive return of the Fund's Portfolio as income for that semi-annual period, which is then distributed to Investors (less Responsible Entity fees and Fund expenses). Investors will also potentially benefit from the compounding effect of the remaining 50% of positive return remaining in the Fund's Portfolio.

### Final income distribution and return of principal

At Maturity (the end of year 4), the Fund will receive a potentially larger final semi-annual income distribution, as the full 100% of the difference between the initial value of the Fund's Portfolio and its value as at the final distribution calculation date. This amount will be paid as income, rather than partial payment of 50% of positive performance as per the previous income distributions. This amount will be distributed to Investors (less Responsible Entity fees and Fund expenses), along with the return of 100% of the principal invested (subject to the limits on Principal Protection discussed in section 2).

So to complete the above example; if at Maturity the value of the Fund's Portfolio has grown to \$116, CSi will pay an income distribution of \$16 to the Fund to be distributed to Investors (less Responsible Entity fees and Fund expenses). Additionally CS Sydney will return the balance of the Deposit to the Responsible Entity, enabling the return of principal to Investors, that is, a return of capital of \$100 (subject to the limits on Principal Protection discussed in section 2).

Regardless of any income distributions paid during the life of the Fund, these payments do not affect the Principal Protection. That is, the Fund will still receive the balance of the Deposit back at Maturity.

### Valuations and liquidity

Unit prices are calculated for each Business Day and will generally be published within three Business Days. The Unit Price will be available for each Business Day by calling the Registrar or visiting [www.credit-suisse.com/structuredretailproducts](http://www.credit-suisse.com/structuredretailproducts). See section 5 for more information about valuing the Fund and its assets. The Fund will offer Investors an early exit from the Fund prior to Maturity, on a monthly basis (subject to an early withdrawal fee). Early withdrawals will not have the benefit of Principal Protection.

### Maturity

On Maturity, scheduled for 11 July 2011, the final income payment and return of the balance of the Deposit will occur.

## Fund's portfolio performance

This section contains the results of simulations for the income payments generated by the Total Return Swap based on historical data sources as described below. It uses actual historical performance data and applies that data to the non discretionary formulae contained in the Total Return Swap. It does not involve any discretionary inputs, nor does it involve decisions based on hindsight.

### Investments can go up and down. Past performance is not necessarily indicative of future performance.

The period covered by the simulations is 30 June 1998 to 28 February 2007. This period has been selected as it includes varying economic conditions and cycles and, with one exception discussed below, the simulations use actual historical daily performance figures for the bond funds making up the Underlying Pool of PIMCO Funds over the period. This information has been used to generate a series of hypothetical total return swap performance scenarios, with each hypothetical swap having a period of four years and the same terms and conditions as the Total Return Swap to be entered into by the Responsible Entity and CSi and assuming a Swap Fee of 1.40%pa.<sup>1</sup>

These scenarios can be simulated since, as described above, the returns under the Total Return Swap are formula based. The only 'inputs' are the monthly total returns (capital and income) of the three bond funds in the Underlying Pool of PIMCO Funds, calculated as described below and taking into account swap fees and the amount and cost of Leverage. All of these inputs are either formula driven or drawn from verifiable information.

A summary of this simulated information, calculated as the average returns from each hypothetical total return swap, is set out below.

The information on pages 8 and 9 is intended to illustrate the operation of the Total Return Swap by applying historical data to the terms and conditions of the Total Return Swap. Using daily performance figures, sourced as described below, this has resulted in the creation of 57 hypothetical total return swaps (one for each month from June 1998 to February 2003 – the last swap commences in February 2003 because a four year term for that swap takes us to February 2007).

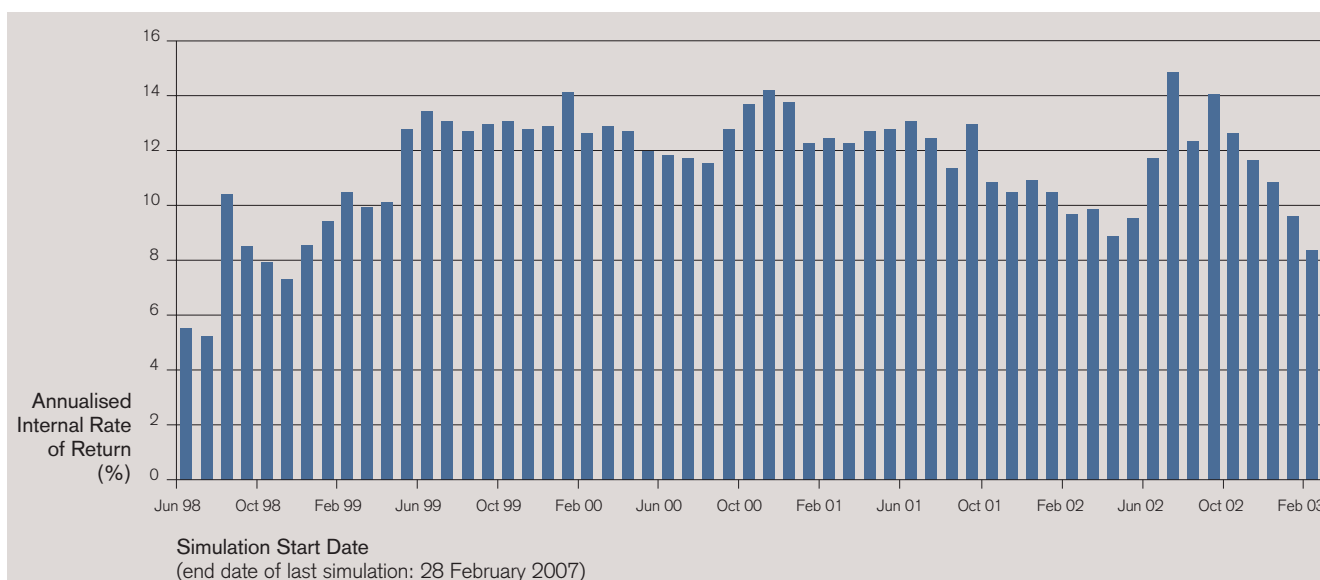
As stated in the table, the average Internal Rate of Return from all hypothetical total return swaps is 11.4%pa, after swap fees and cost of leverage. To properly compare this hypothetical internal rate of return to the potential return of the Fund, the Internal Rate of Return should be reduced to take account of Responsible Entity fees and Fund expenses (estimated at approximately 0.338% pa of the value of the Fund).

The simulations were run based on publicly available data and data sourced from PIMCO under the following assumptions:

- For the PIMCO GIS Global Bond Fund and PIMCO GIS High Yield Bond Fund, the actual returns of the Dublin-domiciled bond funds which form part of the Underlying Pool of PIMCO Funds were used taking into account the fees and expenses that apply to the relevant share class for each of those bond funds which is in the Underlying Pool of PIMCO Funds.

Average Internal Rate of Return (%pa) of all hypothetical total return swaps (after swap fees and cost of leverage)	11.4%	
Minimum Internal Rate of Return (%pa) of all hypothetical total return swaps (after swap fees and cost of leverage)	5.3%	
Maximum Internal Rate of Return (%pa) of all hypothetical total return swaps (after swap fees and cost of leverage)	14.8%	
Average ongoing distributions of all hypothetical total return swaps at:	Semi-annual income distributions	Year's income
6 months	2.7%	
1 year	3.9%	6.6%
1.5 years	4.7%	
2 years	5.6%	10.3%
2.5 years	6.1%	
3 years	6.2%	12.3%
3.5 years	6.0%	
4 years	11.1%	17.1%

1. The actual Swap Fee is set prior to the Issue Date in the range of 1.1% to 1.7%pa as described under 'Swap Fee' in section 6.



- For the PIMCO GIS Emerging Markets Bond Fund, for the period from 17 October 2002, the actual returns for the share class of the Dublin-domiciled PIMCO GIS Emerging Markets Bond Fund which forms part of the Underlying Pool of PIMCO Funds were used. For the period 30 June 1998 to 17 October 2002, which is prior to the existence of the share class of the Dublin-domiciled fund which forms part of the Underlying Pool of PIMCO Funds, the actual returns of the US-domiciled PIMCO Emerging Markets Bond Fund were used. The US-domiciled fund is managed under the same mandate by the same investment team and with the same investment process as the Dublin-domiciled fund. The returns of the US-domiciled fund have been adjusted for the appropriate fees and expenses that apply to the share class of the Dublin domiciled fund which forms part of the Underlying Pool of PIMCO Funds. We have included this information to give a longer and fairer historical calculation, covering a period of relatively poor bond performance – particularly in emerging markets bonds in 1998 which had negative returns.

Note that this historical performance calculation is backward looking and not indicative of the future performance of the Fund, the Total Return Swap or of the Fund's Portfolio. Past performance is not necessarily a guide to future performance. The information provided in this section is not a forecast.

Further information about the above calculations is available upon request.

## Managing the Bond Fund portfolio

### The Fund's Portfolio

The Underlying Pool of PIMCO Funds consists of the funds described below, denominated in USD (however, note that USD returns are converted to AUD returns, on the basis of one AUD for one USD, for Investors in the Fund under the Total Return Swap). The funds, and their weightings in the Fund's Portfolio, have been selected to support the Fund objective of attractive income returns.

#### **PIMCO GIS Global Bond Fund – 50%**

The PIMCO GIS Global Bond Fund has a broadly diversified exposure to international fixed interest markets, while maintaining a high credit quality (average AA+ by Standard & Poor's at 31 March 2007) for its underlying investments. PIMCO emphasises active decision making with a long term focus, and applies a range of diverse investment strategies in managing this fund including Duration, Credit Analysis, Relative Value Analysis, Sector Rotation and Security Selection (these investment terms are described in the glossary).

The PIMCO global bond strategy offers diversification, and the possibility of higher investment returns relative to other money market instruments. PIMCO searches for value in every sector of the bond market with the objective of maximising total return.

**This strategy has been selected as a 50% component of the Underlying Pool of PIMCO Funds to act as a highly diversified, low volatility, 'core' holding.**

#### **PIMCO GIS High Yield Bond Fund – 25%**

The PIMCO GIS High Yield Bond Fund primarily invests in a diversified portfolio of fixed interest securities rated at least CCC by Standard & Poor's. The fund is designed to seek greater long term performance but with a greater appetite for risk than the 'core' fund described above.

The PIMCO high yield bond strategy emphasises independent, in depth Credit Analysis, prudent risk management and preservation of capital. Every bond purchased has been independently reviewed and rated by its inhouse team of seasoned credit analysts.

The principal reasons for investing in high yield bonds are diversification and the potential for superior risk adjusted returns over a full market cycle. High yield bonds have had low correlation with many other investment classes.

**This strategy has been selected as a 25% component of the Underlying Pool of PIMCO Funds in order to add diversification and potentially enhance overall returns.**

#### **PIMCO GIS Emerging Markets Bond Fund – 25%**

The PIMCO GIS Emerging Markets Bond Fund is designed to seek higher investment returns through taking exposure to emerging market economies. Consistent with PIMCO's overall investment philosophy, PIMCO's approach to emerging market investing begins with analysis of the global economy. PIMCO identifies countries with strong underlying investment fundamentals. It considers the impact of their global outlook on emerging market countries, including prospects for demand from advanced economies, commodity prices and interest rate trends. It uses a disciplined process emphasising high quality, to target positive returns in a variety of market conditions while limiting downside risk.

The characteristics of emerging market bonds complement more traditional asset classes in terms of potentially generating positive returns, while providing the additional potential benefit of enhancing portfolio diversification.

**This strategy has been selected as a 25% component of the Underlying Pool of PIMCO Funds to add diversification and potentially enhance overall returns.**

## 2. Principal Protection

### How does Principal Protection work?

On the Issue Date the Fund will place the Total Funds Raised on deposit with CS Sydney. CS Sydney is a Foreign Authorised Deposit Taking Institution rated AA- (stable outlook) by Standard & Poor's (further details on CS Sydney can be found in section 3).

Under the terms of the Deposit, CS Sydney must pay the balance of the principal amount invested to the Fund at Maturity.

For all Units issued under this PDS, the effective level of Principal Protection at Maturity is 100% of the initial amount invested subject to the limits discussed below.

\$1.00 invested in the Fund is \$1.00 protected at Maturity under the terms of the Deposit.

We intend to pass this benefit on to Investors. Subject to the following, this means that, if you hold your Units until Maturity, for every \$1.00 you invest in Units, you should receive at least \$1.00 back for each Unit you hold at Maturity.

### Limits on Principal Protection

You should be aware that:

- Principal Protection is provided by the Deposit held by the Responsible Entity as an asset of the Fund. It is not provided to Investors directly.
- Principal Protection is only available to the Fund at Maturity. If the Total Return Swap terminates prior to Maturity or you withdraw your investment in Units before Maturity, the benefit of this Principal Protection will not apply to you and the amount you receive for each Unit will be the Withdrawal Price at that time for the Unit which may be less than \$1.00 per Unit. An early withdrawal fee may also apply (see section 5).
- The amount protected per Unit under the Principal Protection as at Maturity is unlikely to have the same real value as it would today due to the likely effect of inflation and the time value of money over the Investment Timeframe.
- The availability of Principal Protection is dependent on CS Sydney meeting its obligations under the terms of the Deposit. For more information on counterparty or credit risk see section 4.
- There may be unanticipated Fund liabilities over time or at Maturity which must be met before the proceeds of the Deposit can be paid to Investors. Unanticipated Fund liabilities may need to be met from the Deposit, thereby reducing the:
  - level of Principal Protection; and
  - Net Asset Value of the Fund (and therefore the Withdrawal Price of Units).

Anticipated costs and expenses, such as Responsible Entity fees and audit, custody and registry expenses are intended to be met from semi-annual income payments. Under the terms of the Investment Services Agreement, these anticipated costs and expenses will be met by a member company of the Credit Suisse group if they cannot be met out of semi-annual distributions made to the Fund under the Total Return Swap. See section 10 for more information in relation to the Investment Services Agreement.



### 3. Description of relevant parties

#### The Responsible Entity

Equity Trustees is the responsible entity of the Fund, and the issuer of the Units and this PDS.

Equity Trustees was established in 1888 by its own special Act of Parliament to provide secure trustee services to the people of Victoria. Since establishment, Equity Trustees has expanded its services to meet the wealth management requirements of its clients across Australia. Equity Trustees has been investing on behalf of its clients since 1888.

As a trustee company Equity Trustees prides itself on offering truly personalised service to its clients and is committed to acting in the best interests of its clients via offering wealth management solutions over a range of asset classes carrying different risk profiles. Equity Trustees' traditional values of integrity, responsibility and service are central to how Equity Trustees manages the investments and financial affairs of its clients. Equity Trustees' responsibilities and obligations, as the responsible entity of the Fund, are governed by the Constitution of the Fund as well as the Corporations Act and general trust law.

#### Credit Suisse International

Credit Suisse International (CSI) is a member of the Credit Suisse group of companies, which is a leading global provider of comprehensive financial advisory, debt and equity financing, sales and trading services to clients around the world.

CSI will enter into the Total Return Swap with the Responsible Entity.

CSI was incorporated in England and Wales under the Companies Act 1985 on 9 May 1990 with registered no. 2500199 and was re registered as an unlimited liability company under the name Credit Suisse Financial Products on 6 July 1990. With effect from 16 January 2006, it changed its name to Credit Suisse International. CSI is regulated as an EU credit institution by the Financial Services Authority (FSA) of the United Kingdom under the Financial Services and Markets Act 2000 (UK). The FSA has issued a scope of permission notice authorising CSI to carry out specified regulated investment activities. CSI is exempt from the requirement to hold an Australian financial services licence for the financial services it provides to the Responsible Entity and does not hold such a licence.

CSI commenced business on 16 July 1990. Its principal business includes the trading of derivative products linked to interest rates, foreign exchange, equities, commodities and credit. The primary objective of CSI is to provide comprehensive treasury and risk management derivative product services. CSI is not an authorised deposit taking institution under the Banking Act 1959 (Cth) and is therefore not authorised to carry on banking business in Australia.

CSI has established a significant presence in global derivative markets through offering a full range of derivative products and continues to develop new products in response to the needs of its customers and changes in underlying markets.

CSI has been assigned a senior unsecured debt rating of 'AA-' with a stable outlook, by Standard & Poor's.

A rating may be changed, suspended or withdrawn at any time as a result of changes in, or unavailability of, information, or based on other circumstances. A Standard & Poor's rating is not a recommendation to buy, hold or sell any securities in as much as it does not comment as to market price or suitability for a particular investor.

#### Credit Suisse Sydney Branch

CS Sydney conducts an extensive banking business in Australia, including wholesale and corporate banking transactions, leveraged finance business, proprietary trading and institutional fixed income business.

The Responsible Entity will place the Total Funds Raised on deposit with CS Sydney.

CS Sydney will also be appointed as the investment services provider for the Fund under the Investment Services Agreement discussed under the heading 'Investment Services Agreement' in section 10.

CS Sydney is regulated by the Australian Prudential Regulatory Authority as a Foreign Authorised Deposit Taking Institution under the Banking Act 1959. Credit Suisse received this authorisation in 1994. CS Sydney is also regulated by the Australian Securities and Investment Commission under its Australian Financial Services Licence granted on 16 June 2003.

CS Sydney has been assigned a senior unsecured debt rating of 'AA-' with a stable outlook, by Standard & Poor's.

#### PIMCO

PIMCO is a leading global institutional money manager specialising in the management of active fixed income portfolios. PIMCO is the investment adviser of the Underlying Pool of PIMCO Funds from which the investment return is generated. PIMCO is not involved in the management of the Fund, make no guarantees in relation to the Fund or repayment of principal to Investors.

## 4. Managing risk

Before investing in the Fund you should consider whether it is a suitable investment for your individual investment objectives, financial circumstances and needs. You should also consider your financial targets, investment timeframe, and what degree of risk you will accept in order to achieve your goals. It is important to consider the risks associated with an investment in the Fund prior to investing. It is recommended that you seek your own investment advice.

This section contains an outline of general investment risks and risks that are specific to the Fund.

### General risks of investing

Like most investments, investing in the Fund involves a range of general risks which may influence the value of an investment in the Fund including general market conditions, economic and political conditions in the various regions of the world, consumer confidence, the supply and demand for various investments, movements in interest rates, changes in taxation and other laws and government policy, changes in exchange rates and specific company events.

These general risks, and the specific risks outlined below, mean that:

- it may not be possible to achieve the investment objective of the Fund; and
- the distributions made by the Fund may vary over time significantly, or there may be no distributions for particular or all distribution periods.

### Fund specific risks

The key risks that are specific to an investment in the Fund are as follows.

#### Limitation on Principal Protection

Principal Protection at Maturity is provided under the Deposit held with CS Sydney in the name of the Fund. There are a number of important limitations to this Principal Protection:

- if you dispose of your Units before Maturity, or the Total Return Swap terminates before Maturity, you will not receive the benefit of the Principal Protection;
- the obligation of CS Sydney to pay the balance of the Deposit is owed to the Fund rather than directly to Investors and may be required to meet unanticipated Fund liabilities.

See section 2 for further information about Principal Protection.

#### Counterparty or credit risk

Counterparty (or credit) risk is the risk that a party to a transaction may default on its financial or contractual obligations. The Fund will enter into the Total Return Swap with CSi and place the Total Funds Raised on deposit with CS Sydney. It is therefore exposed to the counterparty risk of CSi and CS Sydney. CSi's obligations under the Total Return Swap and CS Sydney's obligations under the Deposit are unsecured contractual obligations. In particular, the Fund relies on CSi and CS Sydney to meet their payment and other obligations under the Total Return Swap and the Deposit, respectively.

At the date of this PDS, each of CSi and CS Sydney has a Credit Rating of 'AA-' with a stable outlook from Standard & Poor's. Further information about these two Credit Suisse entities and their ratings can be found at the website [www.credit-suisse.com](http://www.credit-suisse.com).

#### Early termination of the Total Return Swap

The Total Return Swap can be terminated for a number of reasons, which means that the Fund (and therefore Investors) will not receive the benefit of Principal Protection or ongoing income and other payments. The Total Return Swap may be terminated if a 'tax event', 'illegality event' or 'event of default' occurs. See section 9 for more details.

#### Underlying investment risk

The value of, and returns (if any) from, your investment in the Fund will depend primarily upon the performance of the Underlying Pool of PIMCO Funds. There is a risk that the bond funds which make up the Underlying Pool of PIMCO Funds will not meet their respective investment objectives, and/or will not perform as well as you expect.

Substitution events may occur under the Total Return Swap which may lead to the replacement of a bond fund in the Underlying Pool of PIMCO Funds with another bond fund, including one that is not managed by PIMCO.

The bond funds which make up the Underlying Pool of PIMCO Funds are USD denominated so there is a risk that USD denominated asset returns are significantly below AUD denominated asset returns. The value of the Fund will not match the value of the Underlying Pool of PIMCO Funds.

Semi-annual distributions are derived directly from changes in the value of the Fund's Portfolio. Positive performance of the Underlying Pool of PIMCO Funds will positively impact the value of the Fund's Portfolio and the value of the Total Return Swap. However, movements in the value of the Total Return Swap (which will affect the Unit Price) will not necessarily reflect movements in the value of the Underlying Pool of PIMCO Funds or the value of the Fund's Portfolio as it is a derivative affected by a number of other market variables including volatility, changes in interest rates and currency movements. In particular, the value of the Total Return Swap is sensitive to the level of Australian interest rates and the spread (or difference) between Australian and US interest rates.

### Major risks associated with investing in bond funds

- Emerging markets risk – investment risk may be particularly high to the extent that a fund invests in emerging market securities of issuers based in countries with developing economies. These securities may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed countries.
- High yield risk – a fund may be subject to greater levels of interest rate, credit and liquidity risks than funds that do not invest in such securities.
- Credit risk – a fund could lose money if the issuer or guarantor of a fixed income security, or counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.
- Interest rate risk – the risk of market fluctuations in the market value of fixed income securities due to interest rate movements. As nominal interest rates rise, the value of fixed income securities held by a fund is likely to decrease.
- Foreign investment risk – a fund may experience more rapid and extreme changes in value when investing in foreign securities.
- Market risk – the value of securities owned by a fund may go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities markets generally or particular industries.
- Issuer risk – the value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.
- Liquidity risk – liquidity risk exists when particular investments are difficult to purchase or sell.
- Derivatives risk – when a fund invests in a derivative instrument, it could lose more than the principal amount invested. Derivatives are subject to a number of risks, such as liquidity, interest rate, market, credit and management risk. They also involve the risk of improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index.
- Currency risk – changes in exchange rates between currencies or the conversion from one currency to another may cause the value of a fund's investments to diminish or increase. Currency exchange rates may fluctuate significantly over short periods of time.
- Exposure risk – derivative transactions may subject a fund to additional risk exposures. Any transaction which gives rise or may give rise to a future commitment on behalf of a fund will be covered either by the applicable underlying asset or by liquid assets.

### Leverage

The use of Leverage under the Total Return Swap magnifies potential losses in that there is increased exposure to any downside performance of the Underlying Pool of PIMCO Funds and, in addition, there is deducted from the performance of the Fund's Portfolio the costs of providing the Leverage. However, in the case of the Fund, the Principal Protection means that Investors should receive their initial investment back at Maturity.

### Liquidity risk

This arises when an investment is made in assets that may be traded on an irregular or infrequent basis. The Units are not listed and there is not expected to be a secondary market for the Units. You should ensure that you are prepared to invest for the four year Investment Timeframe as there is no assurance that withdrawals will be available at all times and the Units will not provide Principal Protection for the amount that you invested if you withdraw your Units within the four year Investment Timeframe.

### Conflicts with Credit Suisse group

The interests of members of the Credit Suisse group may conflict with the interests of Investors. Key potential conflicts are discussed below.

- As a counterparty to the Total Return Swap, CSi may derive certain benefits through its hedging activities. CSi will be under no obligation to act in the best interests of Investors where it is acting in its capacity as provider of the Total Return Swap or calculation agent (under the Total Return Swap).
- CS Sydney may derive benefits through receipt and investment of the Deposit.
- Members of the Credit Suisse group, which is a global investment banking conglomerate, may provide investment banking and other services to the funds in the Underlying Pool of PIMCO Funds. As a result of these services, the Credit Suisse group may obtain access to information relating to its clients which will not be required to be used for the benefit of the Fund.
- Members of the Credit Suisse group may invest in funds in the Underlying Pool of PIMCO Funds on a proprietary or agency basis and may receive fee rebates or similar payments or offsets from PIMCO in connection with such investments or from investments made in connection with the Total Return Swap.

### Managed fund risk

There are risks particular to investing in a managed fund such as the Fund, including that it could terminate, the fees and expenses could change, the Responsible Entity could be replaced as responsible entity or CS Sydney could be replaced as investment services provider. It may not be possible to replace either of these parties.

### Operational risk

The breakdown in administrative procedures or operational controls may cause disruption to day to day operations of the Fund. See section 5 for more information on pricing errors. These business interruptions may arise internally through human error or technology and infrastructure failure, or possible external events.

### Tax risk

General taxation information is included in section 8 (see also section 11 in relation to New Zealand taxation information). Changes to government taxation policy or legislation may adversely affect the tax implications of an investment in the Fund.

On 3 January 2007, the Government released for public consultation a revised version of exposure draft legislation containing proposals for the taxation of financial arrangements.

The exposure draft Tax Laws Amendment (Taxation of Financial Arrangements) Bill 2007 will, if ultimately adopted, insert a new Division 230 into the Income Tax Assessment Act 1997. The new Division would define 'financial arrangements' broadly and it will set out five different methods for recognising the quantum and timing of the income or expenses from such arrangements. Where they apply, in many cases, the proposed new rules would also remove the revenue/capital distinction for determining assessable income and allowable deductions from most financial arrangements, that is, gains and losses would often be on revenue account.

The new rules are to apply to 'financial arrangements' entered into after the time that the new rules commence to apply. The exposure draft contemplates that, if enacted, the new rules will apply from 1 July 2008. The Responsible Entity will be able to make an election to apply the new rules to transactions entered into before 1 July 2008 but, if it does so, it will be required to bring to account certain tax adjustments.

The Government is currently consulting with industry bodies in relation to the content of the new rules and it is difficult to predict what form they may ultimately take. Developments should be monitored.

### Return of application monies

It is possible that Units in the Fund will not be issued and application monies will be returned to applicants without interest. The issue of Units will not proceed if, for example, the specified minimum amount to be raised is not reached before the Offer Closing Date or the Total Return Swap is not entered into with CSi.

## 5. Managing your investment

### How to invest

The offer for investment opens on 4 May 2007 and closes on 29 June 2007. We reserve the right to vary these dates and times, which includes closing the Offer early or extending it, without prior notice.

Application monies received during this period will be invested in an interest bearing trust account. Issue of Units is anticipated to occur on 11 July 2007.

If the Offer proceeds, any interest accrued on application monies will become an asset of the Fund and included in the Deposit.

If the Offer does not proceed or an applicant is issued less than the number of Units they apply for, the balance of their application money will be refunded (without interest), as soon as practicable following the Offer Closing Date. If the Offer does not proceed, any interest accrued on application monies will be used to offset the costs of the Offer and establishing the Fund.

Units will only be issued upon receipt of a correctly completed Application Form that is attached to or accompanies this PDS, together with your payment for Units.

### Term of your investment

An Investor cannot elect to continue in the Fund after the end of the Investment Timeframe. The Fund will be terminated at the end of the Investment Timeframe.

When the Fund terminates, the amount payable to an Investor will be based on the net assets held by the Responsible Entity on liquidation of all investments of the Fund, after fees and expenses, divided by the number of Units on issue.

Provision is made in the application form for you to tell us how you would like amounts to be paid. Third party withdrawals, that is, a cheque made out in the name of a third party, will not be permitted.

If no instructions are received to the contrary, we will send you a cheque made payable to the name of the Investor.

Investors have no entitlement to any in specie distribution of any particular investment of the Fund.

### Your investment

A Unit represents an interest in the Fund. When you invest, you are allocated a number of Units according to the amount you invest and the Application Price of \$1.00. The number of Units you hold will change if you make a withdrawal. The value of your investment at any point in time will depend on the total number of Units you hold in the Fund, the relevant Withdrawal Price and any applicable early withdrawal fee.

### Withdrawals

Units are intended to be a medium term investment for an Investment Timeframe of approximately four years. Investors who withdraw their Units before the end of the Investment Timeframe will not be afforded the benefit of any Principal Protection for the Units withdrawn. Please see section 2 for details of the Principal Protection.

You can withdraw a minimum of \$5,000 at a time but must maintain a minimum account balance of not less than 10,000 Units at all times (unless making a complete withdrawal). Withdrawal requests must be received by the cut off time of 2.00pm (EST) on the 20th day of the month; otherwise, they are deemed to be made in, and will not be processed until, the following calendar month. A withdrawal request may not be made after 20 May 2011. Withdrawal requests will be processed using the Withdrawal Price calculated as at the last Business Day of the month in which the withdrawal request is made. Early withdrawal fees may be charged against the withdrawal proceeds. See section 6 for more information on early withdrawal fees.

Withdrawal Prices are calculated by taking the Net Asset Value of the Fund and dividing that amount by the number of Units on issue in the Fund. For example if the Fund has a Net Asset Value of \$110 and there are 100 units on issue, the Withdrawal Price will be \$1.10 (being \$110 divided by 100 Units).

Unit Prices are calculated for each Business Day for information purposes and are calculated in the same manner as Withdrawal Prices. A Unit Price for a Business Day will generally be available within three Business Days following the relevant Business Day. However if you withdraw from the Fund, you will only be able to do so on the basis of the Withdrawal Price calculated as at the last Business Day of the relevant month. If you withdraw prior to Maturity, you may be subject to early withdrawal fees. For example, if you withdrew in the first year of the Fund and the Withdrawal Price is \$1.10 per Unit at the relevant time, a three cents per Unit early withdrawal fee will apply and you will only receive \$1.07 per Unit withdrawn.

The amount withdrawn can be paid into a previously nominated account or sent to you by cheque. Generally, proceeds from your withdrawal will be available within 12 Business Days after month end given normal operating conditions. However, under the Constitution, we are permitted up to 30 days. We may extend the time for payment of withdrawals for a further 30 days if we are unable to satisfy a withdrawal request due to circumstances outside our control.

### Unit prices and valuation

Applications to invest in the Fund will be processed using the Application Price of \$1.00.

The Net Asset Value of the Fund is calculated daily on each Business Day by deducting the value of the liabilities of the Fund from the value of the Fund's gross assets. Liabilities include an accrual for the management costs of the Fund<sup>1</sup>.

Gross assets include the Deposit, the Total Return Swap, any amount of the GST recoverable from the Australian Taxation Office plus any entitlement to income prior to a distribution.

The Total Return Swap is valued by CSI under the terms of the Total Return Swap by establishing a 'swap mid price'. This involves a 'mark to market' valuation that takes into account a number of factors relevant to a valuation of an 'over the counter' (that is, non market traded) derivative such as the Total Return Swap. These factors are discussed in section 9 under 'Early unwind by Responsible Entity.'

The Withdrawal Price for monthly withdrawal purposes is generally available within three Business Days following the month end. This means that if you request a withdrawal by the cut off time for the month end (as disclosed in section 5), the Withdrawal Price applicable to your withdrawal will be available within three Business Days following the month end.

Should an error occur in a Unit price we will follow best practice, including relevant industry standards, to resolve the error. Please see 'Operational risk' in section 4 for information regarding the breakdown in administrative or operational controls which can lead to pricing errors.

A copy of a document outlining our Unit pricing methodology is available on request, free of charge by calling our Client Services Consultants on 03 8623 5000.

### Income distributions

Net income from the Fund is paid to you as a 'distribution'. It will include the semi-annual payments received by the Fund under the Total Return Swap and other income from any other Fund investments, after the payment of Fund expenses and meeting any other liabilities. Investment income will be fully distributed.

The payments received by the Fund under the Total Return Swap are based on returns made by the Fund's Portfolio.

Your distribution entitlement is generally calculated by dividing the distributable income by the number of Units on issue at the end of each distribution period. The amount of income you receive is based on the number of Units you hold at the end of the distribution period.

Any income distributions under the terms of the Total Return Swap are expected to be paid to the Fund on 11 July and 11 January each year (or the next Business Day). Distributions will generally be paid to Investors within 15 days after those dates. If we change the income distribution period for the Fund we will give you not less than 30 days prior notice to the change taking effect.

The amount of distributable income will vary from period to period and where there is insufficient income a distribution will not be made. There is no current right for Investors to reinvest their income.

1. Please refer to section 6 for information regarding costs applicable to your investment.

## 6. Fees and other costs

The specific fees and costs that will apply to your investment in the Fund are set out in this section. You should read it carefully before making a decision to invest.

The consumer advisory warning information in the box on this page is standardised across all product issuers and does not provide any specific information on the fees and costs in the Fund and therefore, may not reflect what fees you may be charged.

### Fees and other costs

The following table 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. Taxes are described in sections 8 and 11 of this PDS. You should read all of the information about fees and costs, as it is important to understand their impact on your investment.

#### 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 ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
<b>Establishment fee</b> The fee to open your investment.	Nil <sup>1</sup>	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment.	Nil	Not applicable
<b>Early Withdrawal fee</b> The fee on each amount you take out of your investment.	<b>Year 1</b> 3 cents for every Unit withdrawn, for example a fee of \$1,500 for every 50,000 Units withdrawn. After GST, this amount would be \$1,537.50.	Used to fully offset the 'exit spread' charged by CSi under the terms of the Total Return Swap as a consequence of a partial unwind of the Total Return Swap in order to fund the relevant withdrawal of Units.
	<b>Year 2</b> 2 cents for every Unit withdrawn, for example a fee of \$1,000 for every 50,000 Units withdrawn. After GST, this amount would be \$1,025.	Deducted from the withdrawal proceeds before the remaining amount is paid to you.
	<b>Year 3</b> 1 cent for every Unit withdrawn, for example a fee of \$500 for every 50,000 Units withdrawn. After GST, this amount would be \$512.50.	The amount of the fee, if any, will vary depending on whether the Units are withdrawn in year 1, 2, 3 or 4 of the investment.
	<b>Year 4</b> Nil	
<b>Termination fee</b> This is the fee charged when you finally close your investment.	Nil	Not applicable

1. However, costs of establishing the Fund are a reimbursable expense deductible from future semi-annual and final income distributions received by the Fund.

Type of fee or cost	Amount	How and when paid
<b>Management costs</b>		
The fees and costs for managing your investment. The amount you pay for the Fund is shown here.		
<b>Responsible Entity fee</b>	0.082%pa of the value of the Fund.	Accrued daily as a liability of the Fund.  Payable in arrears out of funds available for semi-annual distributions. To the extent that this amount is insufficient, the Responsible Entity fee will be paid by a member of the Credit Suisse group of companies. Any amount so paid will be repaid to the relevant member of the Credit Suisse group from amounts available for future semi-annual distributions. See section 10 for more information.  Information on the Swap Fee and Leverage charges in respect of the Total Return Swap, management fees in respect of the Underlying Pool of PIMCO Funds and remuneration payable to financial advisers is set out in the 'Additional explanation of fees and costs' section.
<b>Reimbursable expenses</b>	Estimated at 0.256%pa of the value of the Fund (based on total funds raised and invested of \$100 million).  Certain expenses incurred by the Responsible Entity in relation to the proper performance of its duties in respect of the Fund are reimbursable. These expenses will include the costs of establishing the Fund, legal expenses and costs of audit, registry, custody and administration services and printing and distributing reports to Investors. Estimates for these expenses have been used to derive the estimated reimbursable expenses figure set out above.	Payable to the Responsible Entity out of funds available for semi-annual distributions. To the extent this amount is insufficient, the anticipated reimbursable expenses will be paid by a member of the Credit Suisse group of companies. Any amount so paid will be repaid to the relevant member of the Credit Suisse group from amounts available for future semi-annual distributions. See section 10 for more information.
<b>Service fees</b>		
<b>Investment switching fee</b>	Nil	Not applicable
The fee for changing investment options.		

### Example of annual fees and costs

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

#### Example

Credit Suisse Principal Protected Yield Fund		Balance of \$50,000
<b>PLUS</b> Management costs	0.338%	For every \$50,000 you have in the Fund you will be charged \$169.  <b>This is an estimate only and the actual amount will depend on the actual costs and expenses of the Fund.</b>
<b>EQUALS</b> Cost of Fund		If you had an investment of \$50,000 at the beginning of the year then during the year you will be charged fees of \$169. <sup>1</sup>  <b>What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser.<sup>2</sup></b>

#### Additional fees may apply:

- If you leave the Fund before the end of the Investment Timeframe, you may also be charged an Early Withdrawal Fee of between 0 and 3 cents per Unit withdrawn depending on when you withdraw. For more information see the fees and costs table in this section.
- Please note that this example is very simplistic. For illustrative purposes, the above example assumes that management costs were calculated on a balance of \$50,000. It does not take into account the fluctuations in value of the investment.

The example on page 19 does not take into account the impact on Fund returns of the Swap Fee, the cost of Leverage and the management fees payable to PIMCO in respect of the Underlying Pool of PIMCO Funds. For more information see the heading 'Additional explanation of fees and costs' in this section.

### Additional explanation of fees and costs

#### Swap Fee

The Swap Fee is deducted by CSi under the terms of the Total Return Swap. The daily calculation of the value of the Fund's Portfolio will reflect a deduction for the Swap Fee (the fee is not directly paid by the Responsible Entity out of the Fund). The Swap Fee will be set for the Investment Timeframe at a fixed annual percentage of the value of the Fund's Portfolio, to be determined on or prior to the Issue Date, based on the prevailing market conditions over the period since the opening of the Offer which affect the price of entering into the Total Return Swap. The Swap Fee will be between a minimum of 1.1% and maximum of 1.7%pa. At current market pricing at the time of issuing this PDS, the indicative fee is 1.40%pa. By way of example, 1.40% of \$50,000 is \$700.

#### Cost of Leverage

The cost of the Leverage under the Total Return Swap is deducted in the process of determining the value of the Fund's Portfolio. The per annum cost of the Leverage is 0.50% above the one month USD Libor rate (short term money market rate) on the Leveraged amount (that is, the amount of notional borrowing), not on the value of the Fund's Portfolio. For example, if \$100 is invested and exposure to the Underlying Pool of PIMCO Funds is 150% (ie. \$150), the cost of Leverage will only apply to the additional \$50 exposure gained through the Leveraging, not the full \$150 of exposure.

#### Fees of underlying PIMCO funds

Returns of the Underlying Pool of PIMCO Funds used to determine the value of the Fund's Portfolio and thus the income distributions payable under the Total Return Swap are net of advisory fees and other expenses payable in respect of the relevant bond funds. The advisory fees for class H retail shares of each relevant bond fund in the Underlying Pool of PIMCO Funds are, as at the date of this PDS:

- PIMCO GIS Global Bond Fund – advisory fee of 1.3%pa of the Net Asset Value of the fund.
- PIMCO GIS High Yield Fund – advisory fee of 1.3%pa of the Net Asset Value of the fund.
- PIMCO GIS Emerging Markets Bond Fund – advisory fee of 1.45%pa of the Net Asset Value of the fund.

The other expenses of each of the above funds are estimated to be between 0.10% and 0.20%pa of the Net Asset Value of the relevant fund.

The advisory fees include investment advisory fees payable to PIMCO as investment adviser of each bond fund in the Underlying Pool of PIMCO Funds and distribution fees payable to members of the Credit Suisse group of companies.

Each bond fund in the Underlying Pool of PIMCO Funds will also pay all of its expenses and its due proportion of any expenses allocated to it. These expenses may include the costs of:

- establishing, registering and maintaining the funds and their investment structure;
- administration, trustee, custodial, paying agency and other third party services;
- preparation, printing and posting of prospectuses, sales literature and reports to shareholders and governmental agencies;
- taxes;
- commissions and brokerage fees;
- auditing, tax, and legal fees;
- insurance premiums; and
- other operating expenses.

For more information on the Total Return Swap see section 9.

### Increases or alterations to fees and costs

It is not our intention to increase any of the fees or costs in connection with the Fund for 12 months following the date of this PDS. However, should we decide to increase the disclosed fees for any reason (which we can do without your consent) we will notify you 30 days prior to the increase. If we were to increase any of our fees, we confirm that:

- any contribution fee will not exceed 6% of the amount contributed;
- the withdrawal fee will not exceed 6% of the amount withdrawn; and
- the Responsible Entity fee will not exceed 2.00%pa of the Gross Asset Value of the Fund.

These maximums are set out in the Constitution and exclude GST and cannot be increased without prior approval of Investors by way of special resolution.

### Adviser remuneration and other arrangements

Up to 1.75% of the amount subscribed by Investors under this PDS may be paid by CSi (out of its own funds) to pay upfront commissions to licensed financial advisers for arranging subscriptions for Units. For example, for every \$100 invested, up to \$1.75 may be payable to financial advisers.

Up to 0.5%pa of the amount subscribed by Investors under this PDS may be paid by CSi (out of its own funds) as trail commissions to licensed financial advisers for arranging subscriptions for Units. For example, for every \$100 invested, up to \$0.50 may be payable to financial advisers.

The commissions are paid by CSi from its own funds and are not an additional cost to you.

You should consult your financial adviser to determine if any of these amounts are negotiable or can be rebated back to you.

### Taxation

Information on taxation is contained in sections 8 and 11.

Unless otherwise expressly stated, the fees and costs set out above are GST inclusive (net of reduced input tax credits ('RITC')).

## 7. Investment information

Information at your finger tips	Internet www.credit-suisse.com/structuredetailproducts 24 hours 7 days	Client Services 1800 992 481 (within Australia) +61 2 8280 7740 (outside Australia) Mon to Fri 8.30am to 5.30pm
Investment balance enquiries	X	✓
Latest Unit prices	✓	✓
Transaction details including distribution information	X	✓
Performance information	✓	✓
Transaction confirmations and statements	X	✓
Annual reports	X	✓

### Cooling off period

You are entitled to a 14 day cooling off period. This means that if you change your mind about your investment, you may request within the 14 day period in writing to have your initial investment in the Fund withdrawn and your application money returned.

Cooling off rights will not apply where an investment is made through a master trust or wrap account. However, indirect Investors should contact their operator and read the operator's offer document for more information on any cooling off rights that may apply in relation to an Investor's investment through a wrap account.

This cooling off period begins on the earlier of the time your investment in the Fund is confirmed by a transaction confirmation or five days after the date your Units are issued.

The amount of your refund will be calculated by reference to the Application Price of the Units on the day we receive your request, less any non refundable taxes or duties paid or payable and reasonable administrative costs (other than the payment of commissions or similar benefits) incurred in relation to the exercise of your cooling off rights.

### Transaction confirmations

A transaction confirmation will be sent to you for any transaction including:

- Initial investment;
- Withdrawals;
- Transfer of Units; and
- Change of details.

### Semi-annual statements

We will send you a statement summarising all transactions for the previous six months including any income distributions along with a summary of your investment value at the end of the six months.

### Tax statement for distributions

An annual tax statement will be sent to you to summarise any income distributed during the previous financial year. The information contained will assist you to complete a tax return for your investment.

### Annual report

The audited financial statements for the Fund will be sent to you within 90 days of the end of each financial year, unless you indicate on the Application Form that you do not want to receive these statements.

## 8. Taxation

# Greenwoods & Freehills

3 May 2007

The Directors  
Equity Trustees Limited  
575 Bourke Street  
MELBOURNE VIC 3000

Dear Directors

### **Credit Suisse Principal Protected Yield Fund Australian Taxation Consequences**

We have been instructed by Equity Trustees Limited (“**Equity Trustees**” or the “**Responsible Entity**”), as responsible entity for the Credit Suisse Principal Protected Yield Fund (the “**Fund**”), to prepare a taxation report for inclusion in a Product Disclosure Statement (“**PDS**”) to be dated on or about 3 May 2007 in relation to the issue of units (“**Units**”) in the Fund.

#### **1 Scope of report**

This letter provides a summary of the principal Australian income tax, goods and services tax (“**GST**”), and stamp duty implications arising from the acquisition, holding and disposal of Units in the Fund by an Australian tax resident unitholder (“**Unitholder**”).

This opinion only examines the indicative tax position of Investors who:

- are individuals, companies or complying superannuation entities;
- do not carry on the business of trading or dealing in securities; and
- intend to hold their Units until Maturity. Investors who do not have such an intention are not within the scope of this letter.

The information contained in this opinion is of a general nature only and does not attempt to address all of the tax implications that may be relevant. The precise tax consequences for Investors will depend on their own facts. Prospective Investors should not rely on the information contained in this opinion and should seek independent taxation advice in light of their own particular facts and circumstances.

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GPO Box 4982 Sydney NSW 2001 Australia [www.gf.com.au](http://www.gf.com.au) DX 482 Sydney

Liability limited by a scheme approved under Professional Standards Legislation

Greenwoods & Freehills Pty Limited ABN 60 003 146 852

All legislative references in this letter are references to provisions of the *Income Tax Assessment Act 1936* and to the provisions of the *Income Tax Assessment Act 1997* (each the “Act”). Capitalised terms not elsewhere defined in this letter have the same meaning as in the PDS.

The representatives of Greenwood & Freehills Pty Limited involved in preparing this opinion are not licensed to provide financial product advice in relation to dealing in securities. Accordingly, Greenwood & Freehills Pty Limited does not seek to recommend, promote or otherwise encourage any party to participate in the Transaction.

Applicants should consider seeking advice from a suitably qualified Australian Financial Services Licence holder before making any investment decision. Applicants should also note that taxation is only one of the matters that may need to be considered.

The summary is based on the Australian income tax and GST laws applicable as at the date of this letter. Applicants should note that taxation law and practice may change during the term of any investment, including the holding of Units in the Fund.

Greenwood & Freehills Pty Limited has given its consent to the inclusion of this letter in the PDS.

## **2 Tax position of the Fund**

On the basis of the Fund’s investment activities as set out in the PDS, the Fund should be subject to the ordinary “flow-through” trust taxing provisions of the Act. The Act in certain circumstances treats a trust in the same manner as a company, where the trust falls within the definition of a “public trading trust”. Given the intended activities of the Fund, the Fund should not constitute such a trust.

Equity Trustees, on behalf of the Fund, will enter into the Total Return Swap. It is anticipated that payments and receipts made/received by Equity Trustees pursuant to the terms of the Total Return Swap will be treated as ordinary assessable income and allowable deductions for the purposes of the Act.

Where, as is expected, Investors are presently entitled each year to all of the net income of the Fund, and Equity Trustees distributes all such income to Investors, neither the Fund nor Equity Trustees in its capacity as Responsible Entity should be subject to tax.

## **3 Fund income and distributions**

Investors will be required to include their proportionate share of the taxable income of the Fund in their assessable income.

A distribution (i.e., the payment of the Semi-Annual Income Distributions and the payment of the Final Income Distribution at Maturity) that is actually received by an Investor after 30 June, but that nonetheless relates to income of the Fund derived during the year ended 30 June, will not be included in the Investor’s assessable income for the tax year in which the distribution is received. Rather, the Investor will be assessable in the same tax year in which the Fund derived the income.

An annual tax statement will be provided by Equity Trustees to each Investor setting out details of their proportionate share of the Fund's taxable income.

The rate of tax applied to Investors will depend upon their particular tax profile.

## **4 Acquiring and disposing of Units**

### **4.1 Acquiring Units**

Subscribing for Units involves the acquisition by an Investor of assets for the purposes of the capital gains tax ("CGT") provisions in the Act. The amount subscribed, together with any incidental capital costs upon acquisition or disposal of Units, will be included in the Investor's CGT cost bases for their Units.

### **4.2 Redemption of Units in the Fund at Maturity**

Generally speaking, provided Units are redeemed at Maturity, no gain or loss should arise, as an Investor's cost base in the Units will ordinarily equal the amount payable to the Investor on Maturity (subject to the addition to cost base of amounts representing incidental costs connected with the acquisition or disposal).

Where the Investor does have incidental costs referable to the Units, it is likely that the Investor will make a capital loss for tax purposes when it receives the redemption payment on Maturity, i.e. the capital loss will be equal to such incidental costs, which will generally be added to the acquisition price, so as to give the cost base of the relevant asset.

Any capital loss realised by an Investor may be applied to offset capital gains realised in the same year of income or may be carried forward to future years. Capital losses are not able to be applied against ordinary income.

As explained in section 3 above, the Final Income Distribution paid on Maturity will be assessable to Investors as a distribution of the Fund's income.

### **4.3 Early redemption, withdrawal, or sale of Units**

If Units are redeemed prior to Maturity (as the result of Early Maturity or the early withdrawal of funds by an Investor) the cost of the Units may no longer be the same as the amount received by the investor since the Investor will no longer be entitled to receive the benefit of the Fund's Principal Protection feature. Similarly, Investors who sell their Units prior to Maturity may realise a gain or loss where the proceeds of disposition differ from the Investor's cost base in the Units.

Certain withdrawal fees may be deducted from an Investor's withdrawal proceeds and paid to the Responsible Entity in the event of an early withdrawal. Such fees will constitute capital costs connected with the disposal of the Units and may be added to the cost base of the Units. Consequently, Investors who redeem their Units prior to Maturity may incur a capital loss where the proceeds of the early redemption differ from the Investor's cost base in the Units for CGT purposes.

As noted above, any capital loss realised by an Investor may be applied to offset capital gains realised in the same year of income or may be carried forward to future years. Capital losses are not able to be applied against ordinary income.

If an Investor makes a gain upon Early Maturity (or the early withdrawal of funds by an Investor) or upon a sale of the Units, the Investor should seek their own

advice, specific to their facts and circumstances, as to whether any such gain may be ordinary assessable income, rather than a capital gain.

An Investor who is a natural person, a trust, or a complying superannuation entity may be entitled to the CGT discount concession on any capital gain realised on the disposal or redemption of the Units. Individuals and trustees are entitled to a discount of 50%, while complying superannuation entities are entitled to a discount of 33.33% of the net gain.

Investors should note that the CGT discount concession only applies to reduce the net capital gain made in relation to CGT assets which are held for a continuous period of not less than 12 months. For this purpose, Units will be regarded as being held from the date of acquisition.

Investors should also note that the CGT discount concession will not apply to any gain which constitutes ordinary assessable income.

## **5 Deductibility of borrowing costs incurred by Investors**

Investors may borrow funds for the purpose of making an investment, and in so doing, may incur interest expenses and other costs. Interest costs are generally deductible where an investor has a purpose of deriving assessable income from an investment (subject to the application of the thin capitalisation rules).

An Investor who borrows to make an investment in Units should seek their own advice on this matter referable to their particular circumstances.

Recently enacted legislation addresses the deductibility of financing costs on *certain* “capital protected products”. The new measures should generally have no application to an investment in Units or in relation to any borrowing costs connected with such an investment. Although the Units have a capital protection feature, we note that this is a feature of the investment product (i.e. the Units) and not a feature of a borrowing (i.e. a loan). In this regard, we note that the new rules contemplate the presence of a “capital protected borrowing” where the capital protection is a feature of the borrowing as distinct from the investment acquired, as is the case in this instance.

## **6 Application of anti-deferral taxation rules**

Division 16E of Part III of the Act contains provisions that impose tax on an accruals basis on holders of certain debt-like securities in relation to income that is deferred under the security. For example, securities issued at a large discount to face value often bring those rules into operation, with the result that the discount is taxed to the holder over the term of the security so as to prevent the deferral of tax.

Division 16E applies only to a “security”, as that term is defined in the Act. In our opinion, an investment in Units should not be regarded as comprising a “security” for this purpose, and accordingly we believe the Division should not apply.

## **7 Foreign Investment Fund rules**

The Foreign Investment Fund (“FIF”) regime has potential application to all interests held by Australian taxpayers in foreign companies and foreign trusts. Broadly speaking, this regime operates to require Australian taxpayers to include in their assessable income an amount of attributed income which is a proxy for the

taxpayer's share of the undistributed profits of the foreign entity. There are a variety of exceptions which may apply to certain taxpayers meeting specifically articulated criteria.

Neither the Fund nor Investors should be subject to FIF attribution. This is because at no stage will the Fund or an Investor have any right, entitlement, or expectation in relation to any interests in a foreign company or foreign trust. The fact that the value amounts to be received by the Fund and distributed to Investors as income distributions will be calculated by reference to the movement in value of foreign assets, being the Underlying Pool of PIMCO Funds, is immaterial for these purposes.

## **8 The general anti-avoidance rule: Part IVA**

The general anti-avoidance rule, contained in Part IVA of the Act, gives the Commissioner of Taxation ("**Commissioner**") the power to issue a determination which, generally speaking, cancels a "tax benefit" obtained by a taxpayer in connection with a scheme entered into or carried out by a person where a party to the scheme has a sole or dominant purpose, objectively determined, of obtaining the tax benefit for the taxpayer.

Whether Part IVA is capable of applying to a given Investor in relation to their acquisition, ownership and disposal of an investment in Units will depend to a significant extent on the particular circumstances surrounding the Investor.

However, in our view it is unlikely that Part IVA would have any application to an Investor within the scope of this letter as set out earlier.

## **9 Taxation of Financial Arrangements ("TOFA")**

The Australian government has recently released an exposure draft of legislation regarding the "taxation of financial arrangements". If implemented as currently drafted, the new TOFA provisions should not apply to initial Investors in respect of their investment in the Units. However, Investors should monitor developments that occur after the date of this letter.

On the other hand, the TOFA provisions may affect the timing of the derivation of some of the Fund's income in the event that the Equity Trustees elects to bring the Total Return Swap into the regime. Subject to the making of such an election, if the draft was to be enacted in its current form, the new rules would only have mandatory application to financial arrangements acquired on or after 1 July 2008.

## **10 TFN and ABN withholding**

Investors may, if they choose, notify Equity Trustees of their tax file number ("**TFN**"), Australian Business Number ("**ABN**") or a relevant exemption.

In the event that Equity Trustees is not so notified, tax will be automatically deducted from distributions to such Investors, currently at the rate of 46.5% of the gross cash distribution.

The requirement to withhold tax will continue until such time as the relevant TFN, ABN or exemption notification is given to Equity Trustees. Investors will be entitled to claim an income tax credit/refund (as applicable) in respect of the tax withheld in their income tax returns.

**11 GST and stamp duty**

Investors should not be liable to GST or stamp duty in respect of the acquisition, holding or disposal of Units in the Fund.

Yours faithfully  
GREENWOODS & FREEHILLS PTY LIMITED

per: 

**TONY FROST**  
Director

## 9. Total Return Swap

In order to meet the Fund's objectives, and to potentially provide the benefits outlined above, the Fund will gain a Leveraged exposure to the Underlying Pool of PIMCO Funds via the Total Return Swap. The Total Return Swap will be an agreement between the Responsible Entity and CSi under which each party agrees to make certain payments to the other. It is anticipated that the Total Return Swap will be executed by both parties before the Issue Date.

Some terms and expressions used in this summary are explained at the end of this section. This section is only a summary of some of the key terms and conditions of the proposed Total Return Swap. By its nature, a summary cannot give a complete picture of the Total Return Swap. The full terms of the final draft of the Total Return Swap are available from CSi on request.

The Total Return Swap will be governed by an ISDA Master Agreement and is governed by English law.

The term of the Total Return Swap will be four years commencing on 11 July 2007 and terminating on Maturity (11 July 2011). The Total Return Swap may be terminated earlier than Maturity in accordance with the terms of the Total Return Swap (see below).

### Payments by the Responsible Entity to CSi

The Responsible Entity must pay CSi on the last Business Day of each month prior to Maturity and on Maturity, an amount equal to the interest payable on the Deposit. The interest rate payable on the Deposit is equal to the one month BBSW.

The Deposit can be used on Maturity by the Responsible Entity to make the return of principal to Investors. Under the terms of the Deposit, CS Sydney will pay 100% of the remaining principal amount invested back to the Fund at Maturity. The Deposit provides the Fund with 100% principal protection at Maturity, subject to the limits on Principal Protection set out in section 2. CS Sydney is rated AA- (stable outlook) by Standard & Poor's (further details on CS Sydney can be found in section 3).

### Payments by CSi to the Responsible Entity

CSi will make income payments every six months to the Responsible Entity under the Total Return Swap, under the following terms:

- The Responsible Entity will receive from CSi, on each 11 July and 11 January up to January 2011, an 'income amount' payable in AUD. The income amount is calculated and paid to the Responsible Entity every six months, as 50% of any positive performance of the Fund's Portfolio, as measured by the difference between the Fund Portfolio's value at the start of the Total Return Swap and its value as at the relevant six monthly income distribution calculation date. Income amounts paid by CSi are deducted from the value of the Fund's Portfolio.

- The Responsible Entity will also receive on Maturity a final 'income amount' calculated in AUD, being the full 100% of the difference between the Fund Portfolio's value at the start of the Total Return Swap and its value as at the final distribution calculation date.
- If there has been no positive performance, or performance has been negative, no payment is required to be made by CSi under the Total Return Swap. The Responsible Entity is not obliged to make up any shortfall in performance (except, as discussed below, potentially in relation to unwinds of the Total Return Swap).
- The underlying US dollar returns of the Fund's Portfolio are converted to Australian dollars on a one USD to one AUD basis, which means that when calculating the semi-annual and final income payments, Investors are not exposed to changes in USD/AUD exchange rates over the life of the Total Return Swap.
- CSi is likely to invest in the Underlying Pool of PIMCO Funds in order to hedge its exposure under the Total Return Swap.

### Early unwind by Responsible Entity

The Responsible Entity may terminate the Total Return Swap in whole or part by sending CSi an irrevocable early unwind notice no later than the 21st calendar day in any month specifying that the Responsible Entity wishes to unwind part, or all, of the outstanding Notional Amount (the 'notional amount reduction') with effect from the early unwind date (which is the last London business day of the relevant month).

Early unwinds will be triggered by any monthly withdrawals of Units. Additionally, early unwinds may be triggered in the unlikely event there are unanticipated Fund liabilities that cannot be satisfied out of semi-annual distributions. Early unwinds will require the Responsible Entity to withdraw an amount from the Deposit in order to fund the withdrawal of Units or the unanticipated Fund liability (as applicable).

Unwinds will require the calculation of a 'swap mid price', which is effectively a valuation of the Total Return Swap. The calculation will be based on prevailing market conditions and other factors determined by CSi to be relevant to the calculation. Relevant factors will include the estimated value of the Underlying Pool of PIMCO Funds and the Fund's Portfolio, the historical performance (including volatility) of the Underlying Pool of PIMCO Funds and the Fund's Portfolio, the remaining time to Maturity, prevailing USD and AUD interest rates and foreign exchange rates and income amounts already paid by CSi.

In the case of an early unwind caused by a withdrawal of Units, the Responsible Entity will withdraw an amount from the Deposit calculated by reference to the number of Units to be withdrawn. For example, if there are 100 Units on issue and 10 Units are to be withdrawn, the Responsible Entity will withdraw 10% of the Deposit. The Notional Amount under the Total Return Swap will also be reduced by 10% so that the amount of the Deposit and the Notional Amount are equal.

Under the Total Return Swap, an early unwind can lead to either an amount being payable by CSi to the Responsible Entity (because of positive performance of the Underlying Pool of PIMCO Funds) or an amount being payable by the Responsible Entity to CSi.

If money is to be paid by the Responsible Entity to CSi, the Responsible Entity will fund this payment from the 10% withdrawn from the Deposit (in the example above), with the balance remaining (after payment to CSi) used to fund the payment to the withdrawing Investor.

If money is to be paid by CSi to the Responsible Entity, the Responsible Entity will use this payment, together with the 10% withdrawn from the Deposit, to pay the Withdrawal Price to the withdrawing Investor.

The above payments do not impact the level of Principal Protection provided to remaining Investors at Maturity.

In the case of an early unwind caused by semi-annual distributions being insufficient to meet any unanticipated Fund liabilities, the amount to be withdrawn from the Deposit will depend on the amount of the relevant shortfall and the prevailing swap mid price for the Total Return Swap. The amount to be withdrawn from the Deposit will be the same amount as the amount by which the Notional Amount will be reduced. As a result, before and after the unwind, the amount of the Deposit and the Notional Amount will be equal.

For the first three years of the Total Return Swap, 'exit spreads' will apply to partial early unwinds of the Total Return Swap (whether triggered by a withdrawal of Units or an unanticipated Fund liability that cannot be satisfied out of semi-annual distributions). Upon an early unwind triggered by a withdrawal of Units, any relevant exit spread will have the effect of reducing the amount received by the withdrawing Investor. See the 'Fees and costs' section for further information in relation to how the exit spread is passed on to a withdrawing Investor. Upon an early unwind triggered by an unanticipated Fund liability that cannot be satisfied out of semi-annual distributions, any relevant exit spread will be borne by the Fund as a whole.

### Calculations and determinations under the Total Return Swap

All calculations and determinations under the terms of the Total Return Swap are to be made by CSi as calculation agent. All such calculations and determinations are made in accordance with the Total Return Swap. However CSi has certain discretions to adjust specified methodologies in order to cure ambiguities or make corrections if there are changes to the manner of calculating information necessary for the purposes of the Total Return Swap. CSi, in its role as calculation agent is required under the terms of the Total Return Swap to act in good faith and in a commercially reasonable manner.

### Characteristics of the Underlying Pool of PIMCO Funds

The Underlying Pool of PIMCO Funds is relevant to valuing the Fund's Portfolio which in turn determines the income amounts described above under 'Payments by CSi to the Responsible Entity'.

The allocation weights between the relevant funds in the Underlying Pool of PIMCO Funds will be set on 11 July 2007 and will not be subsequently rebalanced (unless a fund is substituted or an adjustment event occurs in the manner discussed below). The relevant bond funds and their allocation weight is set out in the table below.

50% PIMCO GIS Global Bond Fund USD class H retail
25% PIMCO GIS High Yield Bond Fund USD class H retail
25% PIMCO GIS Emerging Markets Bond Fund USD class H retail

Each of the above bond funds is, for the purposes of the Total Return Swap, valued on each London business day. However the timing of valuations can be postponed, or an estimate valuation be substituted, in the case of 'Asset Disruption Events', which are either 'Fund Disruption Events' or 'Market Disruption Events'. These terms are explained further at the end of this section.

A bond fund in the Underlying Pool of PIMCO Funds may be removed from the Pool by CSi and replaced with a similar fund or index in the case of an 'Asset Substitution Event' (this term is explained further at the end of this section). Any replacement fund will not necessarily be managed by PIMCO. Such replacement, or the occurrence of a Fund Adjustment Event, may also cause an adjustment to the terms of and calculations under the Total Return Swap.

### Valuing the Fund's Portfolio

Determining the value of the Fund's Portfolio involves a formula. The primary inputs to the formula are the unit prices of the three PIMCO bond funds in the Underlying Pool of PIMCO Funds and their respective allocation weights, the amount and cost of the Leverage, the Swap Fee and income payments calculated for payment, which are all either publicly available or determinable.

The amount of Leverage applied to the Underlying Pool of PIMCO Funds is also formula based and not at the discretion of CSi. This formula measures the performance of the Fund's Portfolio against a preset and fixed reference level to determine the 'target exposure' to the Underlying Pool of PIMCO funds, and therefore the amount of Leverage, within the constraints of a minimum target exposure of 100% (that is, no Leverage) and a maximum of 200% (that is, maximum permitted Leverage). Changes in the value of the Fund's Portfolio will cause a change in the amount of Leverage to be applied (hence the Leverage is 'dynamic').

The effect of the formula is that positive performance of the Fund's Portfolio leads to an increase in Leverage, capped at 200% exposure to the Underlying Pool of PIMCO Funds, whereas negative performance of the Fund's Portfolio results in decreased Leverage, subject to a minimum of 100% exposure to the Underlying Pool of PIMCO Funds (that is, no Leverage). Initial exposure is set at 150% exposure to the Underlying Pool of PIMCO Funds. This calculation is made daily, and Leverage is adjusted (with a two day lag) when the formula determines that the target exposure to the Underlying Pool of PIMCO Funds has moved 5% or more from the current exposure to the underlying Pool of PIMCO Funds.

The full terms of the Total Return Swap, including the formulae and worked examples of target exposure calculations are available upon request.

#### **Adjustment to terms of Total Return Swap**

If a Fund Adjustment Event occurs, CSi may, acting in good faith and in a commercially reasonable manner, make any adjustment it deems appropriate to amounts payable under the Total Return Swap, the valuation of the Underlying Pool of PIMCO Funds and any other terms of the Total Return Swap to reflect the Fund Adjustment Event.

#### **Early termination of the Total Return Swap (other than early unwinds)**

The Total Return Swap can be terminated for a number of reasons, which means that the Fund (and therefore Investors) will not receive the benefit of ongoing payments under the Total Return Swap nor the benefit of the Principal Protection. The Total Return Swap may be terminated by either party for the following reasons:

- a 'tax event' occurs: for example, either CSi or the Fund becomes subject to an additional obligation to pay additional amounts as a result of a change to any applicable laws and such obligation cannot be avoided by taking reasonable measures, or becomes liable to pay additional amounts due to changes in Australian laws relating to tax;
- an 'illegality event' occurs: the obligations of either CSi or the Responsible Entity under the Total Return Swap become unlawful.
- an 'event of default' occurs: insolvency or winding up of CSi or the Responsible Entity or an event of default committed by either CSi or the Responsible Entity under the Total Return Swap, such as a breach of their respective obligations (such as a payment obligation) or breach of certain representations made under the Total Return Swap.

#### **Explanation of terms (other relevant terms are defined above)**

**Asset Disruption Event** means a Funds Disruption Event or Market Disruption Event.

**Asset Substitution Event** means

- an Asset Disruption Event is continuing in respect of a bond fund in the Underlying Pool of PIMCO Funds;
- a bond fund in the Underlying Pool of PIMCO Funds does not comply with certain 'inclusion conditions' set out in the Total Return Swap with respect to liquidity, fee structure, minimum fund size and Net Asset Value publications; or
- a Fund Substitution Event has occurred.

**Fund Adjustment Event** means, if a bond fund

- subdivides, consolidates, or reclassifies its units;
- requires the mandatory redemption of units;
- takes any other similar action that may have a diluting or concentrative effect on the theoretical value of such bond fund units;
- breaches certain 'inclusion conditions' as outlined in Asset Substitution Event above; or
- suffers an adverse change in the accounting, regulatory or tax treatment which would or does adversely affect holders of the bond fund's units or CSi suffers, or would suffer adverse tax treatment in respect of a holding of such bond fund units.

**Fund Disruption Event** means

- a material failure of a bond fund in the Underlying Pool of PIMCO Funds to publish its fund value;
- a failure of a bond fund in the Underlying Pool of PIMCO Funds to make timely redemption payments; or
- CSi being unable to subscribe for or redeem interests in a bond fund in the Underlying Pool of PIMCO Funds on any business day for the bond fund.

**Fund Substitution Event** means a material event or change in

relation to a fund in the Underlying Pool of PIMCO Funds including in respect of the fund's benchmark, prospectus, objective, liquidity or denominated currency, termination of the fund, regulatory investigation, change in tax treatment, cancellation of registration, compulsory withdrawals of units, failure to calculate or report net asset value or replacement of fund manager or other service provider.

**Market Disruption Event** means

- CSi determines that closure or restricted trading in certain foreign exchange or interest rate markets materially impacts its ability to value transactions or hedge under the Total Return Swap;
- breakdowns in communications in relation to valuation of the Underlying Pool of PIMCO Funds or they cannot be relied on;
- an event occurs which adversely affects hedging transactions in relation to the Underlying Pool of PIMCO Funds; or
- any other event CSi considers would make valuing the Underlying Pool of PIMCO Funds impractical.

**Notional Amount** means the amount subscribed by Investors for Units under this PDS together with any interest earned on application monies as reduced from time as a result of any early unwinds of the Total Return Swap by the Responsible Entity.

## 10. Additional information

### The Responsible Entity's legal relationship with you

If your application to invest is accepted, you will receive Units in the Fund issued by the Responsible Entity. Subject to the rights, obligations and restrictions of each Unit, each Unit represents an equal undivided interest in the assets of the Fund as a whole subject to liabilities, but does not give you an interest in any particular asset of the Fund. The Corporations Act, the Constitution (see below) and the general law are the main components of the legal framework under which the Fund operates.

### Summary of material documents

The following is a summary of certain material legal documents relating to the Fund. These documents are:

- Constitution of the Fund;
- Investment Services Agreement;
- Total Return Swap;
- Registry Agreement; and
- Global Custody Agreement.

### Constitution

The Fund is established under a document called a constitution. The Constitution (including any amendments) has been lodged with ASIC. You can request a free copy of the Constitution by contacting the Registrar.

The Constitution contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both Investors and the Responsible Entity. A number of provisions in the Constitution are discussed elsewhere in this PDS. The Constitution covers, for example, the following:

- the nature of Units and the rights which may attach to those Units;
- how the Responsible Entity or a custodian must hold the assets of the Fund;
- how the Responsible Entity must calculate the Net Asset Value of the Fund;
- the Responsible Entity's ability to refuse transfers of Units in certain circumstances;
- the Responsible Entity's ability to extend the period for satisfying withdrawal requests or to reject a withdrawal request. The Responsible Entity may extend the period for satisfying a withdrawal request from 30 days to up to 60 days from the date of receipt of the request if it considers it in the interests of Investors to do so. If the Responsible Entity has taken all reasonable steps to realise sufficient assets to satisfy a withdrawal request and is unable to do so due to one or more circumstances outside its control, the period allowed for satisfaction of the request may be extended by the number of days during which such circumstances apply. Further, the Responsible Entity can reject a withdrawal request in the following circumstances:
  - notice has been given of termination of the Fund;
  - accepting the withdrawal request would result in a breach of the Constitution, compliance plan, Corporations Act, or this PDS;

- accepting the request would cause the Fund to cease to be 'liquid' (see below); or
- accepting the request would unfairly prejudice another Investor.
- how the Responsible Entity is not obliged to satisfy withdrawal requests out of its own funds, and how the Responsible Entity can redeem Units with a value less than the minimum holding amount without receiving a withdrawal request;
- provisions dealing with redemptions where the Fund is not a 'liquid' registered scheme for the purposes of the withdrawal provisions in Chapter 5C the Corporations Act;
- the Responsible Entity's ability to make deductions from payments to satisfy liabilities owing to the Responsible Entity;
- how the Application Price and Withdrawal Price are calculated, the maximum amount of fees that can be charged and expenses recovered;
- the Responsible Entity's ability to allocate income, deductions or credits of particular categories or sources to particular Investors;
- the Responsible Entity's very broad powers in relation to the management of the Fund and in relation to dealing with the assets of the Fund;
- the convening of, and attending and voting at, any Investor meetings and the binding nature of resolutions on all Investors;
- Investors' rights in relation to distributions (and how the Responsible Entity determines the distribution amount) and payment options;
- changing the Constitution (the Responsible Entity may alter the Constitution if the Responsible Entity reasonably considers the amendments will not adversely affect Investors' rights, otherwise the Responsible Entity must obtain Investors' approval at a meeting convened for that purpose and in accordance with the Corporations Act);
- when the Responsible Entity can retire or be removed. Chapter 5C of the Corporations Act regulates changing the responsible entity of a registered scheme (eg. if Investors vote at a meeting for removal);
- the termination of the Fund. Following termination, Investors share pro rata with other Investors in the net proceeds available from the realisation of investments. The Responsible Entity may distribute termination proceeds in installments and transfer assets (after deducting costs, taxes etc.) rather than pay cash;
- the Responsible Entity's ability to act despite the Responsible Entity having a conflict of interest;
- dealing with Investor complaints;
- the ability of compliance committee members to be indemnified out of the Fund's assets.

The Responsible Entity as responsible entity of the Fund is also subject to many duties under the Corporations Act – including duties to act honestly, exercise care and diligence, and treat Investors equally.

The Constitution also deals with the Responsible Entity's liabilities in relation to the Fund and when the Responsible Entity may be reimbursed out of the Fund's assets. The Constitution contains broad limitations on the scope of the Responsible Entity's liability, for example:

- the Responsible Entity is not liable in contract, tort or otherwise to Investors except to the extent the Corporations Act imposes a liability; and
- the Responsible Entity is not liable for acting in reliance in good faith on professional advice.

The Constitution excludes obligations that might otherwise be implied or imposed on the Responsible Entity by law or equity to the extent permitted by law.

The Responsible Entity can be reimbursed out of the assets of the Fund for expenses it incurs in the proper performance of its duties.

Subject to the Corporations Act, the Responsible Entity's liability is limited to its ability to be indemnified out of the assets of the Fund for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to the Fund. To the extent permitted by the Corporations Act, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity.

The Constitution contains provisions designed to limit the liability of an Investor to the amount if any which remains unpaid in relation to the Investor's subscription for Units (subject to any separate agreement or acknowledgment by the Investor). In certain circumstances, the Responsible Entity is entitled to be indemnified by an Investor or former Investor to the extent the Responsible Entity incurs a liability for taxation referable to the Investor or former Investor. Joint Investors are jointly and severally liable in respect of all payments.

### **Investment Services Agreement**

Under the Investment Services Agreement to be entered into between the Responsible Entity and CS Sydney, the Responsible Entity appoints CS Sydney to provide investment services in connection with the investments of the Fund and to arrange promotional services in relation to the Fund. CS Sydney is required to implement the investment strategy as set out in this PDS by arranging for the Responsible Entity and CSi to enter into the Total Return Swap.

The agreement will include provisions to the following effect:

- the Responsible Entity may only recover the Responsible Entity fee and anticipated reimbursable expenses (fees of the Custodian and Registrar, accounting and audit costs and any other anticipated out of pocket expenses incurred in the set up and ongoing management of the Fund) out of semi-annual distributions received pursuant to the Total Return Swap. To the extent semi-annual distributions are insufficient to meet the above fees and expenses, they will be paid by a member of the Credit Suisse group of companies. Any amount so paid will be repaid to the relevant member of the Credit Suisse group from amounts available for future semi-annual distributions. If there is a shortfall in respect of these amounts at Maturity, they will be ultimately borne by a member of the Credit Suisse group of companies and will not be borne by the Fund;
- if there are unanticipated Fund liabilities, these will be satisfied, to the extent possible, out of semi-annual distributions. If semi-annual distributions are insufficient to meet any unanticipated Fund expenses, the Deposit may be used by the Responsible Entity to meet these liabilities as they arise, at Maturity or at any other time determined by the Responsible Entity;
- the agreement remains in force until the Responsible Entity retires or is removed as responsible entity of the Fund (unless CS Sydney specifies otherwise). CS Sydney may however terminate the Agreement if the issue of Units under the Initial Offer does not proceed or provided it procures a replacement investment services provider who becomes bound by all material terms of the Investment Services Agreement, it has given at least three months notice. Further, the agreement may be terminated by either party if, among other things, either party:
  - goes into liquidation;
  - materially breaches the agreement and the breach is not remedied within a specified timeframe;
  - a relevant law requires the agreement to terminate; or
  - licence or exemptions change affecting their ability to perform the services under the agreement; and
- each party provides the other party and its supervised agents with certain indemnities.

### **Total Return Swap**

For a summary of this agreement, please refer to section 9.

### **Registry Agreement**

Under this agreement, the Registrar, Link Market Services Limited, will be appointed by the Responsible Entity to maintain the register of Investors and provide certain other incidental services.

### **Global Custody Agreement**

Under this agreement, the Custodian will be appointed to provide certain custody, settlement and related services. The Custodian will hold certain assets of the Fund on behalf of the Responsible Entity. The Responsible Entity may terminate the agreement in accordance with its terms and appoint another custodian.

## Compliance plan

The Responsible Entity has prepared and lodged a compliance plan for the Fund with ASIC. The compliance plan describes the procedures used by the Responsible Entity to comply with its obligations under the Corporations Act and the Constitution. Each year the compliance plan is audited and the audit report is lodged with ASIC.

## Complaints

The Responsible Entity seeks to resolve potential and actual complaints over the management of the Fund to the satisfaction of Investors. If you wish to discuss any aspect of the management of the Fund please write or email to:

Compliance Team  
Equity Trustees Limited  
GPO Box 2307  
Melbourne VIC 3001  
Phone 03 8623 5000  
Fax 03 8623 5399  
Email [compliance@eqt.com.au](mailto:compliance@eqt.com.au)

The Responsible Entity will seek to resolve any complaint and will respond within 14 days of receiving the letter. If the Responsible Entity is unable to resolve your complaint within 45 days, you may be able to seek assistance from:

Financial Industry Complaints Service Limited (FICS)  
PO Box 579  
Collins Street West  
Melbourne VIC 8007  
Phone 1300 78 08 08  
Fax 03 9621 2291  
Email [fics@fics.asn.au](mailto:fics@fics.asn.au)

Please include the Responsible Entity's FICS membership number with your enquiry: C-467.

Before you contact FICS, please first try to resolve your concern with the Responsible Entity.

## Reporting

### Investor communication

Regular reports will be provided to Investors. These will comprise:

- Annual Report, including financial statements and Auditor's report (you may elect not to receive this report in paper form by indicating so on the Application Form);
- Transaction Reports, confirming applications, redemptions and transfers;
- Distribution Statements, issued semi-annually notifying you of the value of your investment prior to distribution, income from your investments;
- Semi-annual Investment Reports, explaining recent performance and general portfolio characteristics will be forwarded to Investors with the semi-annual Distribution Statement; and
- Annual Tax Statements, providing a report of any distributions during the relevant financial year and other information for tax purposes.

Please note that Investors who access the Fund through a master trust or wrap account will receive reports directly from the Platform Operator and not from the Responsible Entity. However, the Responsible Entity will be providing the reports described above to relevant Platform Operators.

## Anti-money laundering

New anti-money laundering laws in Australia may require the Responsible Entity and the Registrar to obtain, in the future, additional information to verify the identity of an Investor and any underlying beneficial owner of Units in the Fund and the source of any payment. Where such information is requested from you, processing of applications or withdrawals may be delayed until the requested information is provided in a satisfactory form to the Responsible Entity and the Registrar.

## Privacy

When you complete the Application Form for Units in the Fund, the Responsible Entity, and the Custodian and the Registrar as agents of the Responsible Entity (in this section, **we** or **us**) will be collecting personal information from you. We may collect additional personal information from you in the future.

We need to collect personal information from Investors for the primary purpose of providing Investors with an investment in the Fund (including assessing your application and identifying you). There are also a number of related purposes for which your personal information will be collected and these are to process your application, administer and manage your investment in the Fund, and comply with Australian taxation laws, the Corporations Act, anti-money laundering laws, other laws and regulations.

If you do not provide us with your contact details and other information, we may not be able to process your application and we may not be able to administer or manage your investment or tell you about investment opportunities in which you may be interested.

The information that an Investor provides to us may be disclosed to certain organisations. The types of organisations or persons to whom we usually disclose such information provided by Investors include:

- the Australian Taxation Office and other government or regulatory bodies;
- your adviser or adviser dealer group, their service providers and any joint holder of your investment (if any);
- organisations involved in providing, administering or managing the Fund such as any third party service provider engaged by the Responsible Entity and persons engaged by those third party service providers to provide administration, custody, investment management, technology, auditing, registry, mailing or printing services; and
- those where you have consented to such disclosure, or as required or authorised by law.

Your information may also be used in connection with the purposes for which it is collected. You can gain access to the personal information we hold about you, subject to some exceptions allowed by law. The Responsible Entity will give you reasons if this access is denied. Please contact the Responsible Entity by calling the number, or by writing to the Responsible Entity at the address listed on the Directory, if you have any questions about how we handle your personal information, or if you wish to access the personal information that is held about you. If you have any queries in relation to this Privacy Statement please contact the Responsible Entity's Privacy Officer on 03 8623 5000.

### Related party information

The Responsible Entity or persons associated with them may invest in the Fund from time to time. The Responsible Entity and their associates are also entitled to enter into or be interested on their own account in any transactions entered into on behalf of the Fund or with any company or body in which the Fund is invested or who provides services to the Fund. Any such transactions will be on arm's length commercial terms.

### Indirect Investors

When you invest through a master trust or wrap platform, you will become an indirect investor, as the operator of your master trust or wrap platform (**Platform Operator**) is investing on your behalf. Consequently the Platform Operator (or the custodian of the platform), and not you as an indirect investor, holds the Units and therefore has the rights of an Investor in the Fund. For example, if you are an indirect investor you will not have rights to attend and vote at Investor meetings, to redeem Units or receive distributions. Instead the Platform Operator will exercise those rights in accordance with its arrangements with you. For information about your investment, you should contact your Platform Operator.

### Consents

Each of the parties (referred to as Consenting Parties), who are named in the table below:

- has not made any statement in this PDS or any statement on which a statement in this PDS is said to be based, other than as specified in this section below;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this PDS, other than the reference to its name and/or statement or report included in this PDS, with the consent of that Consenting Party; and
- has given and has not withdrawn its written consent to be named in this PDS in the form and context in which it is named and, in the case of CSi and CS Sydney, to any statements said in this PDS to be based on a statement made by the party.

Greenwoods & Freehills has given its consent to the inclusion in this PDS of its Taxation Letter in section 11 'Taxation' in the form and context in which it is included.

Standard & Poor's has given its consent to the inclusion of references in this PDS to the Credit Rating currently assigned to CSi and CS Sydney in the form and context in which they are included. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time. Standard & Poor's does not hold an Australian financial services licence under the Corporations Act. Standard & Poor's does not make any statements in or take responsibility for any parts of this PDS.

### Environmental, social and ethical considerations

Decisions about the selection, retention or realisation of investments in the Fund are primarily based on economic factors and we do not take into account labour standards, environmental, social or ethical considerations when making those decisions except to the extent that they impact on the financial value of the investment.

Role	Consenting Parties
Tax adviser	Greenwoods & Freehills
Registrar	Link Market Services Limited
Custodian	JPMorgan Chase Bank, N.A.
Credit rating – CSi and CS Sydney	Standard & Poor's (Australia) Pty Limited
Total Return Swap provider	Credit Suisse International
Investment services provider	Credit Suisse, Sydney Branch
Investment adviser of the Underlying Pool of PIMCO Funds	Pacific Investment Management Company LLC

## 11. Important information for New Zealand investors

The information in this section is required under the New Zealand Securities Act (Australian Registered Managed Investment Schemes) Exemption Notice 2003 (**Exemption Notice**).

The document containing this statement is not an investment statement under New Zealand law. It is a Product Disclosure Statement (**PDS**) prepared under Australian law. There are likely to be differences between the information provided and the way that information is presented in this PDS as compared to an investment statement under New Zealand law.

Investment decisions are very important. They often have long term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

### Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions:

- What sort of investment is this?
- Who is involved in providing it for me?
- How much do I pay?
- What are the charges?
- What returns will I get?
- What are my risks?
- Can the investment be altered?
- How do I cash in my investment?
- Who do I contact with enquiries about my investment?
- Is there anyone to whom I can complain if I have problems with the investment?
- What other information can I obtain about this investment?

### Choosing an investment adviser

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- whether the adviser gives advice only about particular types of investments;
- whether the advice is limited to the investments offered by one or more particular financial organisations; and
- whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within five working days of your request. You must make the request at the time the advice is given or within one month of receiving the advice.

In addition:

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

### Implications of investment in an Australian unit trust

- The Allotment of Units in the Fund will be made in the manner specified in this PDS and in the manner prescribed by the laws of Australia.
- The responsible entity of the Fund is Equity Trustees Limited ABN 46 004 031 298 (Responsible Entity) and its address is GPO Box 2307, Melbourne, VIC 3001, Australia.
- The Responsible Entity (which is also the issuer of the Units) may not be subject in all respects to New Zealand law.
- An outline of the tax implications for New Zealand Investors investing in the Fund is set out below under the heading 'Tax implications for New Zealand Investors.'
- Investing in the Units of the Fund may carry with it a currency exchange risk.
- The financial reporting requirements applying in New Zealand and those applying in respect of the Fund may be different, and the financial statements of the Fund may not be compatible in all respects with financial statements prepared in accordance with New Zealand law.
- Although a copy of this PDS and other documents have been received by the Registrar of Companies in New Zealand, this PDS has not been registered in New Zealand under New Zealand law and may not contain all the information that a New Zealand registered prospectus is required to contain.
- Unlike the position in New Zealand for unit trusts or contributory schemes involving participatory securities, Australian law does not require a trustee, or statutory supervisor, that is separate from, and independent of, the Responsible Entity.

### Documents deposited with the Registrar of Companies

A copy of each of the following documents relating to the Fund has been received by, and can be inspected at the offices of, the Registrar of Companies, and can be obtained from the Responsible Entity:

- this PDS;
- any document, or part of a document, lodged or registered with Australian Securities and Investment Commission (ASIC) that is referred to in this PDS and is taken to be included in the PDS under the Corporations Act 2001;
- any exemption, order, or declaration that has been granted by ASIC in respect of the Fund (other than any exemption, order, or declaration that applies to Australian registered schemes generally or to a class of persons);
- the Australian Financial Services Licence granted under the Corporations Act 2001 to the Responsible Entity;
- the Constitution of the Fund;
- evidence of registration of the Fund with ASIC;
- the compliance plan(s) required under the Corporations Act 2001 relating to the Fund; and

- any documents that amend or supplement any of the above documents in existence at the time that the first offer of any Units in the Fund is made or open for acceptance in New Zealand in reliance on the Exemption Notice.

The inspection of documents at the offices of the Registrar of Companies can be arranged by calling 0508 266 726 or they may be viewed online at their website ([www.companies.govt.nz](http://www.companies.govt.nz)), alternatively the Responsible Entity will make these documents available on request.

#### **Additional term relating to offer in New Zealand**

It is a term of the offer of Units in the Fund in New Zealand that the Responsible Entity will, within five working days of receiving an offeree's request for a copy of this PDS, without fee, send, or cause to be sent, to that offeree:

- a copy of this PDS;
- copies of any documents that, under the laws of Australia, must accompany the PDS sent to any person to whom an offer of the Units is made in Australia;
- a copy of any document, or part of a document, lodged or registered with ASIC that is referred to in this PDS and is taken to be included in the PDS under the Corporations Act 2001; and
- a copy of any supplementary PDS in use at the time that the request is received.

#### **Agreement as to jurisdiction**

In respect of a dispute concerning this offer of Units in the Fund in reliance upon the Exemption Notice or the contract for the Units in the Fund, the Responsible Entity:

- agrees to submit to the non exclusive jurisdiction of the New Zealand courts;
- has instructed the New Zealand agent for service referred to below to accept service on the Responsible Entity's behalf; and
- agrees that this statement is an agreement with each Investor for the purposes of section 389(1)(e) of the Companies Act 1993.

Despite the statements above, the contract in respect of the Units in Fund may not always be enforceable in New Zealand courts.

The following person in New Zealand has been appointed by the Responsible Entity to accept service in New Zealand of any document on its behalf:

Quigg Partners  
Level 7  
28 Brandon Street  
PO Box 3035  
Wellington  
New Zealand

#### **Tax implications for New Zealand Investors**

The comments below are of a general nature only. They do not constitute legal or taxation advice. Despite the information provided below, you should satisfy yourself as to the tax implications of investing in the Fund.

- New Zealand taxes may affect returns to Investors. Returns may be subject to New Zealand withholding and final taxes. The New Zealand and Australian taxation consequences of any investment in Units of the Fund will depend upon an Investor's particular circumstance. If you are considering subscribing for Units, or having subscribed for them, subsequently disposing of Units you should consult your own tax advisers concerning taxation consequences in your particular circumstances.
- Investors should note that as a result of the difference in the taxation position in Australia and New Zealand, returns for New Zealand residents may differ from the returns for Australian Investors. Discussion on Australian taxation in this PDS may still be relevant to New Zealand Applicants (for example the taxation position of the Fund).
- The summary below is based on current taxation laws and their interpretation in Australia and New Zealand. It is neither an exhaustive nor definitive summary. The Responsible Entity cannot take responsibility for an Investor's tax treatment.
- **Taxation of Responsible Entity in Australia:** Where, as is expected, Investors are presently entitled each year to all of the net income of the Fund, and Equity Trustees distributes all such income to Investors, neither the Fund nor Equity Trustees in its capacity as Responsible Entity should be subject to tax.
- **Australian tax consequences on disposal of Units:** When New Zealand Investors make a profit on disposals of Units it may be taxed as a capital gain or ordinary income, depending on their circumstances. The profit will not be subject to Australian tax as a capital gain to the extent that the Units do not constitute taxable Australian property. A New Zealand Investor's Units will constitute taxable Australian property if the Units are held through a permanent establishment in Australia, the assets of the Fund are predominantly real estate (or shares or units in entities whose assets are wholly or predominantly real estate) and the Investor has a non portfolio interest in the Fund (which is generally an interest of 10% or greater, taking into account interests in associates). However, when a profit or disposal of Units is taxed as ordinary income, the whole amount may be taxable (subject to any treaty relief) regardless of how many Units are held. New Zealand residents may be entitled to a tax credit for any Australian tax suffered. New Zealand Investors should take their own independent tax advice to determine if they are eligible to claim a credit.
- **Foreign Investment Fund (FIF) Taxation in New Zealand:** The Units are interests in a FIF. There is no applicable exemption for the Units. The tax effects for a New Zealand Investor depend on their status.
  - If that New Zealand resident is a natural person and holds interests in FIFs otherwise than as a trustee, no FIF income needs to be calculated where the total of the following amounts is less than \$50,000:

- i) if an election is made in relation to FIFs owned before 1 January 2000, half of the market value of all interests in FIFs on 1 April 2007; and
  - ii) the cost price of all other interests in FIFs.
- Other New Zealand residents will need to calculate income in accordance with the FIF calculation methods (which may have slightly different effects for particular Investors). (The principal method of calculation is the fair dividend method, although a modified fair dividend method may be used by an Investor that is an individual or family trust, and if the actual return on all FIF interests is less than 5%, tax can be paid on this lower amount. The New Zealand Inland Revenue has power to determine that the fair dividend method does not apply to specific FIF interests, but has stated that determinations will be issued only where Investors are provided with a return that is similar to a New Zealand Dollar denominated debt instrument. Accordingly, there is a remote risk of a determination being issued that the fair dividend rate does not apply to the Units.)

■ **Taxation in New Zealand on distributions:** Distributions of income received by New Zealand resident holders of Units will not be subject to income tax where the holder calculates FIF income in respect of the Units using the fair dividend rate method, the comparative value method, the deemed rate of return method or the cost method. Other New Zealand resident holders of Units (including those persons who satisfy the \$50,000 threshold for not making FIF calculations) will be subject to income tax on those distributions. If any Australian withholding tax is deducted from those distributions, a foreign tax credit may be claimed in a New Zealand income tax return (up to an amount equal to the New Zealand income tax payable on those dividends). Income tax will be payable on these distributions by Investors at their applicable income tax rate. Investors may be entitled to a credit in New Zealand for tax withheld in Australia.

■ **Taxation of gains on withdrawal:** Any gains derived by a New Zealand Investor on withdrawal from the Australian registered scheme will be taxable in New Zealand where the Units were acquired with the purpose of resale or as part of a business or profit making scheme. As the taxation treatment of gains on the withdrawal of Units from the Fund will depend on the circumstances of each individual Investor, Investors should seek advice from an advisor in respect of their individual circumstances.

### Applying for and duration of Offer in New Zealand

An application by New Zealand residents for Units in the Fund must be made on the Application Form attached to or accompanying this PDS. Please note that all amounts expressed in this PDS are in Australian dollars, unless otherwise specifically stated.

In this section, the term 'the public' is to be construed in accordance with the provisions of section 3 of the Securities Act 1978. The Responsible Entity may, at its discretion, discontinue any offer to the public in New Zealand for Units in the Fund and may change the manner in which any such offer is made, for example, if the Exemption Notice is amended or revoked.

## 12. Glossary

In this PDS, the following terms have the meaning set out next to them below.

**Application** means an application for Units in the Fund, comprised of a correctly completed Application Form and payment for Units.

**Application Form** means the form attached to this PDS by which one may apply for Units.

**Application Price** means \$1.00 per Unit.

**ASIC** means Australian Securities and Investments Commission.

**AUD** means Australian dollars.

**BBSW** means the average mid rate, for Australian Dollar bills of exchange, accepted by an approved bank, having a tenor with a designated maturity (one month in the case of the Fund), that appears on an approved information vendors service (eg. Reuters Screen BBSW page) at approximately 10.10am Sydney time on the last Business Day of the relevant month.

**Business Day** or **Business Days** means a day (other than a Saturday, Sunday or public holiday) on which banks are open for business in Sydney.

**Capital Structure** means a company's financial framework, including long-term debt, preferred stock, and net worth. It is distinguished from financial structure, which includes additional sources of capital such as short term debt, accounts payable, and other liabilities. Analysts look at capital structure in terms of its overall adequacy and its composition as well as in terms of its 'leverage', or debt-to-equity ratio.

**Constitution** means the constitution of the Fund.

**Corporations Act** means Corporations Act 2001(Cth) as modified or replaced from time to time.

**Credit Analysis** means the analysis of the standing or credit worthiness of a company, government or financial institution relative to others.

**Credit Rating** means the financial standing of a company, government or financial institution relative to others. The credit rating primarily determines what the institution will be charged to borrow funds, in relation both to the amount it is able to borrow and the interest it will be charged. Rating agencies use a rating scale to determine relative degrees of credit risk that a government, company or financial institution may have. The rating scale is divided into Investment grade and Sub investment grade. Investment grade securities are bonds rated AAA, AA+, AA-, A, BBB+, BBB and BBB-. Sub investment grade are BB+, BB, BB-, B+, B, B-, CCC, CC, C and D (D = default).

**CS Sydney** means Credit Suisse Sydney Branch (ABN 17 061 700 712, AFSL 226896).

**CSi** means Credit Suisse International ABN 40 062 787 106.

**Custodian** means JPMorgan Chase Bank, N.A.

**Deposit** means the deposit made by the Responsible Entity with CS Sydney of the Total Funds Raised, as reduced from time to time for the purposes of funding any monthly redemptions of Units (which may involve payment to CSi under the Total Return Swap) or to meet any unanticipated costs and liabilities of the Fund.

**Duration** means the measure of the sensitivity of fixed interest investments to changing interest rates. Duration takes into account the withdrawal date, the dates when interest is paid, and the amount of that interest.

**Fund** means Credit Suisse Principal Protected Yield Fund ARSN 124 906 814.

**Fund's Portfolio** means the Leveraged exposure to the Underlying Pool of PIMCO Funds provided under the Total Return Swap net of swap fees and the cost of Leverage. Where exposure is 100%, there will be no Leverage.

**GST** means Goods and Services Tax.

**Hedging** means the practice of undertaking one investment activity in order to protect against loss in another. While hedges can reduce potential losses, they can also reduce potential profits.

**Internal Rate of Return** means the true annual rate of earnings on an investment. It equates the value of cash returns with cash invested. Internal Rate of Return takes into account compound interest factors and equals the rate that yields a net present value of zero for an investment.

**Investment Services Agreement** means the agreement to be entered into between CS Sydney and the Responsible Entity in respect of the Fund.

**Investment Timeframe** means the period of approximately four years from the Issue Date and ending on 11 July 2011.

**Investor** means the holder of a Unit in the Fund.

**Issue Date** means in relation to the Units, the date on which Units are issued, expected to be on or about 11 July 2007.

**Leverage** is the effect of borrowing money to increase the amount available for investment. It increases the potential for returns as well as losses. Leverage under the Total Return Swap is 'notional' because it does not involve a physical borrowing of money. Instead increased exposure to an underlying asset is obtained through the terms of the Total Return Swap itself.

**Liquidity** means the ability of an investment to be easily and quickly converted into cash with little loss of capital.

**Maturity** means the last day of the term of the Total Return Swap which is expected to occur on 11 July 2011.

**Net Asset Value (NAV)** means, for a fund, the value of assets of the fund less the liabilities of the fund.

**Offer** means the invitation to apply for Units pursuant to this PDS.

**Offer Closing Date** means in relation to the Units, the date on which the Offer closes, expected to be on or about 29 June 2007.

**PDS** means this document as supplemented or replaced and updated from time to time.

**PIMCO** means Pacific Investment Management Company LLC, the investment adviser of the bond funds in the Underlying Pool of PIMCO Funds.

**PIMCO GIS** means PIMCO Funds: Global Investors Series plc, an umbrella type open ended investment company with variable capital and segregated liability between sub funds incorporated with limited liability under the laws of Ireland on 10th December 1997 with registration number 276928.

**Platform** means a master trust, wrap account, or investor directed portfolio service.

**Principal Protection** means the repayment to Investors of the Application Price of Units held by them until Maturity. See section 2 for more information.

**Relative Value Analysis** means an assessment of the intrinsic value of a company, government or financial institution relative to others.

**Registrar** means Link Market Services Limited.

**Responsible Entity** means Equity Trustees Limited ABN 46 004 031 298 (AFSL 240975).

**RITC** means reduced input tax credit.

**Sector rotation** refers to the process where PIMCO actively allocates the risk budget between the different sectors of the bond market. There are several sectors to global bond markets, namely government bonds, corporate bonds, high yield debt, mortgages, inflation linked bonds and emerging market debt.

**Security Selection** means the election of particular securities to comprise a particular portfolio or part of a portfolio.

**Swap Fee** means the swap fee deducted by CSi under the Total Return Swap. See section 6 for more information.

**Synthetic Exposure** means investment exposure gained through a derivative such as the Total Return Swap, rather than from investing in physical investments (such as the Underlying Pool of PIMCO Funds).

**Total Funds Raised** means 100% of funds subscribed by Investors under the Offer, together with any interest accruing on application moneys before Units are issued.

**Total Return Swap** means the agreement to be entered into between the Responsible Entity and CSi as summarised in section 9 of this PDS.

**Underlying Pool of PIMCO Funds** or **Pool** means the bond funds of PIMCO GIS to which the Fund gains Synthetic Exposure.

**Unit** means an ordinary fully paid Unit in the Fund.

**Unit Price** means the Net Asset Value of the Fund divided by the number of Units on issue.

**USD** means United States dollars.

**Volatility** means the extent of fluctuation in share prices, exchange rates, interest rates, etc. The greater the volatility, the less certain an investor is of return, and hence volatility is one measure of risk.

**Withdrawal** means a redemption of Units.

**Withdrawal Price** means the price at which the Unit is withdrawn and is described in section 5 of this PDS.

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## **Application form**

## Credit Suisse Principal Protected Yield Fund Application form instructions

Dated 3 May 2007

### How to invest

To invest in the Credit Suisse Principal Protected Yield Fund please complete this Application Form and forward your payment in accordance with the instructions set out in the Application Form.

#### Mail

Credit Suisse – Principal Protection Yield Fund  
C/- Link Market Services Limited  
PO Box 20043  
World Square NSW 2002

#### Delivery address

Credit Suisse – C/- Link Market Services Limited  
Level 12  
680 George Street  
Sydney NSW 2000

Please call the Registrar if you have any questions about this Application Form  
1800 992 481 (within Australia)  
+61 2 8280 7740 (outside Australia)

# Credit Suisse Principal Protected Yield Fund (ARSN 124 906 814)

## Application form

This is an Application Form for Units in the Credit Suisse Principal Protected Yield Fund – (Fund) under the Offer on the terms set out in the Product Disclosure Statement dated 3 May 2007 (PDS). The minimum application is \$20,000. The Offer closes at 5.00pm (Sydney time) on 29 June 2007 (unless varied by the Responsible Entity).

If you are in doubt as to how to deal with this Application Form, please contact your financial adviser. The PDS contains information relevant to a decision to invest in Units and you should read the entire PDS carefully before applying for Units.

### 1A Applicant details: Company or other incorporated entity

Company name

Tax File Number or Exemption

ABN

OR

### 1B Applicant details: Individual or joint applicants

#### Applicant 1

Surname

Title

First name

Middle name

Tax File Number or Exemption

if a foreign resident for tax purposes, specify your country of residence

OR

#### Applicant 2

Surname

Title

First name

Middle name

Tax File Number or Exemption

if a foreign resident for tax purposes, specify your country of residence

OR

#### Applicant 3

Surname

Title

First name

Middle name

Tax File Number or Exemption

if a foreign resident for tax purposes, specify your country of residence

OR

### 2 Applicant details: Trust, superannuation fund or other unincorporated entity

**Note:** If you are applying on behalf of a superannuation, trust or other unincorporated entity, the trustee(s) must also complete section 1A or 1B.

Name of trust or other entity

Tax File Number or Exemption

ABN

OR

### 3 Applicant's address and contact details

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit number/level

Street number

Street name

Suburb/city or town

State

Postcode

Telephone number (business hours)

(   )

Email address

### 4 Distributions and redemption payments

Name(s) in which your account is held

BSB number (Bank/State/Branch)

Account number

Name of Australian Financial Institution

Branch suburb/town

### 5 Annual report election (tick one box only)

Please do not send me the Fund's Annual Report, either electronically or by post;

**OR**

Please advise me by email when the Fund's Annual Report is available online. I do not want to be sent the Annual Report by post;

**OR**

I wish to receive the Annual Report by post.

### Lodgment instructions

The Offer closes at 5.00pm (Sydney time) on 29 June 2007 (unless varied by the Responsible Entity) and your Application Form and cleared funds must be received by this time.

Please lodge this Application Form (and your cheque(s), if paying by cheque) to

#### Mailing address

Credit Suisse Principal Protected Yield Fund Offer  
C/- Link Market Services Limited  
PO Box 20043  
World Square NSW 2002

#### Delivery address

Credit Suisse Principal Protected Yield Fund Offer  
C/- Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000  
(please do not use this address for mailing purposes)

## 6 Investment amount

Insert the amount you wish to invest.  
Minimum application for investors is A\$20,000.

A\$

### Application monies – payment details

(A) Payment by cheque/bank draft – I have attached a cheque with this Application Form

Please attach a cheque/bank draft in Australian currency, drawn on an Australian bank and insert details of your cheque below. Make your cheque/bank draft payable to 'JPMC ACF EQT ARE Credit Suisse: Principal Protected Yield Fund – Applications' and crossed 'Not Negotiable'.

Cheque number

BSB

 - 

Account number

OR

(B) Payment by electronic funds transfer (EFT) – I have paid by EFT

Please insert the date of your payment transfer

 /  / 

To make payment by EFT, you must complete all of the following steps:

1. Credit/transfer your funds in Australian currency for the full value of your application amount to the following account. Part instalments will not be accepted.

- BSB: 212-200
- Account no: 0010046141
- Account name: JPMC ACF EQT ARE Credit Suisse: Principal Protected Yield Fund – Applications
- Financial institution: JPMorgan Chase Bank N.A. Sydney Branch

You must also include the following payment description reference in the transfer:

'PPYF – <insert the name in which you are making this investment>'

Example: If you're investing in the name of John Smith, your payment reference would be 'PPYF – John Smith'.

It is important that you include this payment reference. If you are unsure of how to do so, please speak directly with your financial adviser.

2. On the same day that you make the transfer, send the following information to the Registrar by email to [ppyf@linkmarketservices.com.au](mailto:ppyf@linkmarketservices.com.au) or fax to 02 9287 0310:

- Attn: Principal Protected Yield Fund
- Full application name
- Application amount
- Date of transfer
- Payment reference included with the transfer
- Daytime contact telephone number and contact name

3. Post your original completed Application Form to the Registrar as soon as possible. Please note your Application Form and payment must reach the Registrar before the close of the Offer.

## 7A Adviser details (adviser use only)

By completing this section of the Application Form you are confirming that you hold a current AFS licence and are authorised to advise on managed investments.

### Licensee details

Licensee name

AFS Licence number

### Licensee address

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit number/level

Street number

Street name

Suburb/city or town

State

Postcode

Telephone number (business hours)

Email address

### Adviser details

Adviser name

Adviser company name

### Adviser address

Unit number/level

Street number

Street name

Suburb/city or town

State

Postcode

Telephone number (business hours)

Email address

## 7B Adviser commission (adviser use only)

**Note:** An upfront commission of 1.5% (GST inclusive) is payable to financial advisers. Advisers may elect to rebate some or all of this commission as additional units to the investor.

Please nominate the commission you would like to receive. The difference between 1.5% and the amount you nominate will be rebated to the investor as additional units.

0%  0.5%  1%  1.5%  .    Other % (must be less than 1.5%)

**Adviser commission will be paid by Credit Suisse and is not an extra charge to investors.**

Adviser signature

Date

Adviser stamp

Authorised representative number

## 8 Investor signatures – this form must be signed

Unitholder 1 (Individual)

Unitholder 2 (Individual)

Unitholder 3 (Individual)

Director/sole director and sole company secretary

Director 2/company secretary

Company seal (if used)

Date

## How to complete the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross referenced to each section of the form.

The Units to which this Application Form relates are issued by Equity Trustees Limited as Responsible Entity for the Credit Suisse Principal Protected Yield Fund ('Fund') Further details about the Units are contained in the PDS dated 3 May 2007 issued by the Responsible Entity. While the PDS is current, the Responsible Entity will send paper copies of the PDS, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic Application Form must provide access, by the same means and at the same time, to the relevant Product Disclosure Statement. This Application Form is included in the PDS. The PDS contains important information about investing in the Units. You should read the PDS in its entirety before applying for Units.

### 1. Applicant details

- Please complete section 1A or 1B but not both.
- Complete section 1A if you are applying on behalf of a company or other incorporated entity OR
- Complete section 1B if you are applying as an individual, whether singularly or jointly. Up to 3 joint applicants may apply.
- Enter your TFN, exemption category or ABN if applicable. Provision of TFN(s) and ABN(s) is not compulsory and will not affect your application, however, if these are not provided the Responsible Entity will be required to deduct tax at the highest marginal rate (including Medicare levy) from your distributions. Collection of TFNs is authorised by tax laws.

### 2. Trust, superannuation or other entity

- Complete this section if you are applying on behalf of a trust, superannuation fund or other unincorporated body. The trustee(s) must also complete section 1A or 1B as appropriate.
- Enter the TFN, exemption category or ABN of the trust if applicable.

### 3. Contact details

- Please enter your contact details and postal address for all communications from the Fund and the Registrar. For joint applicants, only one address can be entered.
- If you are applying as an existing investor and the address on this application differs to your current address, the address on this application will be used for any future correspondence.

### 4. Distributions and redemption payments

- If you do not complete this section, distributions and redemption payments will be paid to you by cheque.

### 5. Annual report election

- Please indicate how you would like to receive the Annual Report by ticking only one of the boxes.

### 6. Investment amount

- Insert the amount you wish to invest in section 6. Applications must be for a minimum of \$20,000.
- Make your cheque or bank draft payable to 'JPMorgan Chase Bank N.A. ACF Credit Suisse Principal Protected Yield Fund' in Australian currency and cross it 'Not Negotiable'. Your cheque or bank draft must be drawn on an Australian bank of an account held by the investor(s). Sufficient cleared funds should be held in your account as cheques returned unpaid are likely to result in your application being rejected. Pin (do not staple) your cheque or bank draft to the Application Form where indicated.
- Third party cheques will not be accepted without prior consent. Cheques must be in the same name as the applicant.
- If you are paying by electronic funds transfer, complete all steps set out in section 6(B) of the form. Please note your Application Form and payment must reach the Registrar before the close of the Offer. Your application may be rejected in the event that your Application Form and accompanying payment are not both received by the Closing Date.

### 7A. Adviser details (adviser use only)

- This section should be completed by licensed advisers who are authorised to advise on managed investments.

### 7B. Adviser commission (adviser use only)

- Please indicate the amount of commission you wish to receive, being not more than 1.5% (GST inclusive). If you nominate an amount less than 1.5%, the difference between this amount and 1.5% will be rebated to the investor as additional units.

### 8. Investor signatures – this form must be signed

- Joint holders – all holders must sign.
- Signature under Power of Attorney – if not already noted by the Registry, a certified copy of the Power of Attorney must accompany this form. Where this form is signed under Power of Attorney, the Attorney declares that the Attorney has no notice of revocation of the power or death of the Attorney.
- Deceased estate – all executors must sign and, if not already noted by the Registry, a certified copy of Probate or Letter of Administration must accompany this form.
- Company – this form must be signed by 2 directors or a director and company secretary, or in the case of companies with a sole director who is also sole company secretary, the sole director. Titles of all signatories should be indicated and inapplicable titles be deleted.

## Privacy statement

Link Market Services Limited advises that Chapter 2C of the Corporations Act 2001 requires information about you as a Unitholder (including your name, address and details of the Units you hold) to be included in the public register of the entity in which you hold Units. Information is collected to administer your Unitholding and if some or all of the information is not collected then it might not be possible to administer your Unitholding.

Your personal information may be disclosed to the Responsible Entity or entities in the Credit Suisse group. You can obtain access to your personal information by contacting us at the address or telephone number set out in the important information located on the inside front cover of the PDS. Our privacy policy is available on the Registrar's website [www.linkmarketservices.com.au/trust](http://www.linkmarketservices.com.au/trust).

## Acknowledgements

### By returning this Application Form and attaching your payment you agree to the following statements. I/We:

- confirm all details in this Application Form are true and correct;
- have personally received a paper or electronic copy of the PDS in which this Application Form is included;
- am/are at least 18 years of age if I/we am/are an individual(s);
- have completed this Application Form correctly and completely;
- acknowledge that once the Registrar receives this Form, I/we may not withdraw it;
- apply for the number of Units with an aggregate Application Price equal to the amount shown in section 6 of this Application Form;
- agree to being allotted the number of Units that I/we apply for or a lower number allotted by the Responsible Entity or no Units at all;
- authorise the Responsible Entity and their respective officers or agents, to do anything on my/our behalf necessary for Units to be allotted to me/us, including without limitation to sign any documents necessary for Units to be allotted to me/us;
- acknowledge that the information contained in the PDS is not investment advice or a recommendation that Units are suitable to me/us, given my/our investment objectives, financial situation or particular needs;
- represent and warrant that I/we have received the PDS in Australia or New Zealand;
- represent and warrant that I am/we are not in the United States and I am/we are not a United States person (and not acting for the account or benefit of a United States person), and I/we will not offer, sell or resell Units in the United States to, or for the account or benefit of, any United States person;
- acknowledge that the Responsible Entity or Custodian will hold any Application monies, payable on trust prior to the issue of any Units to me/us and any interest earned on such money will be dealt with in the manner described in the PDS;
- agree to indemnify the Responsible Entity and any other entity involved in this offering against any loss, liability, damage, claim cost or expense incurred as a result of any declaration in this Application Form being untrue or incorrect;
- have read and understood the PDS dated 3 May 2007 in full to which this application relates and agree to the terms of the offer contained in it;
- agree to be bound by the terms of the constitution for the Fund, as amended from time to time;
- if investing as a trustee, on behalf of a superannuation fund or trust I/we confirm that I/we am/are acting in accordance with my/our designated powers and authority under the trust deed;
- declare that if my/our application is made in the capacity of trustee, it is not as trustee of any estate other than a complying superannuation fund or other excluded trust as defined in section 102UC of the Income Tax Assessment Act;
- acknowledge that I/we have read the pages of the PDS containing the information under the heading 'Privacy'. I am/we are aware that until I/we inform the Responsible Entity otherwise, I/we will be taken to have consented to all the uses of my/our personal information (including marketing) contained under that heading;
- an investment in the Fund is not a deposit or other liability of Credit Suisse, any other member of the Credit Suisse group or the Responsible Entity;
- an investment in the Fund is subject to investment risk, including possible delays in repayment and loss of income and capital invested; and
- none of Credit Suisse, any other member of the Credit Suisse group, or the Responsible Entity guarantees the performance of the Fund or its assets, or the repayment of capital invested in the Fund.

# Directory

## Responsible Entity

Equity Trustees Limited  
Level 2  
575 Bourke Street  
Melbourne VIC 3000  
Phone 03 8623 5000  
Fax 03 8623 5395  
Email [equity@eqt.com.au](mailto:equity@eqt.com.au)  
Internet [www.eqt.com.au](http://www.eqt.com.au)

## Investment services provider for the Fund

Credit Suisse Sydney Branch  
Level 31 Gateway  
1 Macquarie Place  
Sydney NSW 2000

## Counterparty to the Total Return Swap

Credit Suisse International  
Level 31 Gateway  
1 Macquarie Place  
Sydney NSW 2000

## Custodian

JPMorgan Chase Bank, N.A.  
Level 35  
259 George Street  
Sydney NSW 2000

## Registrar

Link Market Services Limited  
Level 12  
680 George Street  
Sydney NSW 2000  
Phone 1800 992 481 (within Australia)  
+61 2 8280 7740 (outside Australia)  
Fax 02 9287 0303

For more information please contact

**Link Market Services Limited**

Phone 1800 992 481 (within Australia)  
+61 2 8280 7740 (outside Australia)  
8.30am to 5.30pm Monday to Friday (EST)

Fax 02 9287 0303

