



Please note that Macquarie Allocated Annuity closed to new policies in 1999.

Macquarie **Allocated** Annuity

A flexible, tax-effective income stream for investors
with rollover money.



This customer information brochure issue no. 4 is dated 22 September 1998 and expires on 21 September 1999. You should read this brochure carefully, especially the key features section beginning on page 2. It summarises some of the important information you must know about the Macquarie Allocated Annuity which is offered by Macquarie Life Limited ACN 003 963 773.

Investments in the funds are not deposits with or other liabilities of Macquarie Bank Limited ACN 008 583 542 or of any Macquarie Bank Group company, and are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Neither Macquarie Bank Limited, Macquarie Life Limited, nor any other member company of the Macquarie Bank Group guarantees the performance of the funds or the repayment of capital from the funds.

Contents

The information presented in this document is a guide only. It does not replace the terms and conditions of the policy document. This brochure is dated 22 September 1998 and remains in force and may be relied upon until 21 September 1999, although Macquarie Life Limited may withdraw this brochure from circulation prior to this date.

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About Macquarie

The Macquarie Allocated Annuity is offered by Macquarie Life Limited, part of the Investment Services Group of Macquarie Bank Limited.

Currently, the Investment Services Group manages and administers more than \$17 billion in funds. It has over 300 staff who provide service to more than 260,000 individual investors as well as a wide range of institutional clients. These include financial organisations, large corporations, government statutory authorities and their related superannuation funds.

Key features statement

This key features statement follows requirements set down by the Australian Securities and Investments Commission. It will help you to:

- decide whether this product will meet your needs; and
- compare this product with others you may be considering.

Important notice

The amount you can draw from your annuity in a year is subject to minimum and maximum limits prescribed by the Government. This product may not provide an income stream for the rest of your life. Payments will continue to be paid until the balance in your annuity (account) has run out.

The amount of the balance in your annuity is determined by the amount of your investment, the investment return earned by the annuity, the annuity's charges and how much income has already been paid to you.

If you leave the annuity within a few years of joining, you may get back less than you paid in. Please note that the Deposit Fund is managed in such a way that the likelihood of getting back less than you paid in is very low.

About the Macquarie Allocated Annuity

An allocated annuity is an account established with unrestricted non-preserved rollover money. It is held in your name with Macquarie Life Limited and you draw regular annuity payments from it (which must be within minimum and maximum limits set by the Government).

It provides a flexible and in most cases tax-effective income stream, whether you are retired or still working.

Once you have purchased an allocated annuity you become a policyholder. Your investments may be called deposits, rollovers or premiums.

Your entitlement at any point in time is often referred to as your benefit or benefits.

Premiums

(i) Making your first investment in the Macquarie Allocated Annuity

You can only invest by lodging a completed and signed application form from the back of a current brochure, together with any other relevant documentation (if required).

You can mail or deliver your application to any of our offices indicated on the inside back cover or you can send it via your financial adviser.

Refer to page 20 for further details.

(ii) Minimum deposit: \$25,000

(iii) Additional deposits: Optional. Can be made at any time if entry requirements are met. A new application form from a current brochure will be required and a new account (policy) will be opened for you for additional investments, if your annuity has already commenced.

Benefits

Benefits are payable as regular income (annuity) payments, within the minimum and maximum limits set by the Government, or as a lump sum payment on request.

Investment options

There are seven investment options available, grouped into two broad categories:

- Diversified funds comprising:
 - Capital Stable fund
 - Balanced fund
- Sector specific funds comprising:
 - Deposit fund
 - Fixed Interest fund
 - Property Securities fund
 - Australian Equities fund
 - World Equities fund

The investment objective and strategy for each of the investment funds is outlined on pages 10-14. We will not change the investment objective or strategy for any of the investment funds unless we have given you reasonable notice.

The Diversified and Sector specific funds are maintained under Macquarie Life Statutory Fund No. 1.

Switching: You may switch between the funds at any time. You simply need to advise us in writing.

The minimum partial switch amount is \$1,000.

What is the risk profile of the investment options?

Generally, the higher an investment's potential return, the higher the risk of volatile returns and loss of capital associated with that investment.

Historically, sharemarket investments have generated the highest average returns over the long term, but have been the most volatile. 'Volatile' means the value of your investment will go up and down over time. Fixed interest and property investments have produced lower average returns than sharemarket investments but with lower volatility.

The **Diversified funds** carry less risk overall as their portfolios are invested in a number of different asset classes.

The **Sector specific funds** (with the exception of the Deposit fund) carry the highest risk as they are invested in only one asset class.

The **Deposit fund** is a low-risk investment due to the nature of the underlying assets (money market securities).

For more details on investment risk please refer to page 15.

Please note:

- your investment is not guaranteed; and
- the value of your investment can rise or fall.

Past investment performance of the funds

The returns quoted below do not include the entry fee (if any) or the account keeping fee.

Diversified funds

Fund	Annual returns to 30 June				Since inception % pa	Incept. date
	Fin. yr 97-98	Fin. yr 96-97	Fin. yr 95-96	Fin. yr 94-95 ⁽¹⁾		
	% pa	% pa	% pa	% pa		
Capital Stable	6.54	14.24	8.63	9.59	7.17	28/2/94
Balanced	3.09	20.24	10.56	7.33	7.86	28/2/94

Sector specific funds

Fund	Annual returns to 30 June				Since inception % pa	Incept. date
	Fin. yr 97-98	Fin. yr 96-97	Fin. yr 95-96	Fin. yr 94-95 ⁽¹⁾		
	% pa	% pa	% pa	% pa		
Deposit	3.36	6.23	6.09	5.65	5.12	3/3/94
Fixed Interest	9.06	15.75	8.01	11.18	8.77	28/3/94
Prop. Securities	7.20	26.71	2.60	6.07	8.68	7/3/94
Aust. Equities	-14.25	24.48	14.36	5.20	4.85	7/3/94
World Equities	30.79	23.67	15.28	3.21	15.74	28/3/94

(1) The Macquarie Allocated Annuity was first offered in February 1994. The returns shown in this column are for the first full financial year (ended 30 June 1995) the Macquarie Allocated Annuity funds were in operation.

Note: Past performance should not be taken as an indication of future performance.

Key features statement (cont.)

What are the charges?

All the charges of the annuity are fully described in this section. Macquarie Life undertakes not to apply any other charges without your specific written consent.

Entry charges

Entry fees for initial and subsequent investments (these are subtracted from your premium(s) and therefore reflected in the application unit price):

- **Deposit fund:** Nil
- **All other funds:** offer a choice of how to pay the entry fee, either as:
 - a) **Single charge option:** 3.5% of the amount invested on day one – reflected in the unit price.
 - b) **Pay-as-you-go option:** Pay no entry fee on the day you invest. You will be charged 1% pa on your average account balance for a maximum of four years. We will charge this pro rata to your account every six months.

Please choose how you would prefer to pay your entry fee carefully as it cannot be altered once you have invested.

Transaction costs

You only pay these if you transact – on application, switching or withdrawing. At the time of writing this brochure however transaction expenses were charged on application and switching only. They are currently not applicable at all to the Deposit and Fixed Interest funds. They cover such expenses as stamp duty and sharebrokers' charges and are as follows:

Capital Stable fund	0.17%
Balanced fund	0.40%
Deposit fund	Nil
Fixed Interest fund	Nil
Property Securities fund	0.45%
Australian Equities fund	0.45%
World Equities fund	1.0%

These rates will change from time to time based on factors such as the asset allocation and net inflows of each fund. You could also pay transaction expenses upon withdrawal in the future.

Ongoing management charges

1. Management Expense Ratio (MER):

The MER is the sum of the management fee and the expense recovery expressed as a percentage of the net asset value of the funds.

- **Management fee:** An ongoing management fee is charged based on the net asset value of each fund. This is built into the unit price.
- **Expense recovery:** We can recover from the funds certain expenses incurred in their operation. These include costs in managing the assets of the funds (such as trading and valuation costs) and costs and expenses related to the administration and maintenance of the Macquarie Allocated Annuity funds (such as preparation, printing and postage of statements, making payments, maintaining financial and other records) and professional costs. These costs will include some of our overheads such as staff, equipment and premises costs.

(i) Diversified and Sector specific funds (except Deposit fund)

	Management fee	1.60% pa
+	Expense recovery	0.28% pa
=	TOTAL MER	1.88% pa

(ii) Deposit fund

	Management fee	1.60% pa
+	Expense recovery	0.20% pa
=	TOTAL MER	1.80% pa

2. Account keeping fee:

\$60.00 per annum paid annually in arrears, or upon full withdrawal.

The account keeping fee applies to investments in all seven funds. However, each member only pays the fee once each year, regardless of the number of investment options selected.

The fee can be indexed to inflation (CPI) at 1 July each year, with prior notice to members. The fee will increase in amounts of whole dollars, taking into account any CPI increases since the last fee change.

Exit fees

There are no exit charges for any of the funds.

Switching charges

Where applicable, transaction expenses, as previously outlined, will be charged on switching.

If you switch investment funds more than four times in a financial year, you will be charged a switching fee of 1% of the amount switched with a minimum fee of \$20.

If you switch from the Deposit fund to the Diversified or other Sector specific funds, you will have to pay the entry fee applicable to those funds. However, any entry fees previously paid will be credited to you.

Increases or alterations to the charges

Macquarie Life has the right to increase the management fee for each of the funds to a maximum of 2.5%. We do not envisage increasing this fee in the foreseeable future. We will provide at least three months notice in writing of any increase and you will be advised in your half-yearly statement.

Expense recoveries are limited under the terms of the policy to 1% pa. However it is our intention to limit these to 0.28% pa for the life of this brochure.

What is paid to your adviser?

The adviser who is recommending this product to you may receive payment for the sale (commission). Your adviser must meet expenses from this payment as well as use it for income. This remuneration is *included* in the charges shown on the previous page (except any remuneration that the adviser charges directly to you as a fee for service). Initial remuneration is negotiable. If your adviser chooses not to take any or all of the remuneration by rebating the entry fee, then the overall charges may be reduced.

The maximum rates are:

- **Initial remuneration:** *Please note your adviser will either receive initial commission upfront or spread over a maximum of four years, depending on the fee option you choose.*

- **Diversified and Sector specific funds (except Deposit fund):**

- Up to 3.5% of the amount invested if single charge method is chosen for the entry fee; or
- Up to 1% pa for the first four years of investment calculated on the average account balance if the 'pay-as-you-go' method is chosen for the entry fee.

- **Deposit fund: nil.**

- **Ongoing remuneration:**

- **Diversified and Sector specific funds:** 0.4% pa of the average balance of your account, payable monthly.

We may also provide financial assistance from our own funds to financial advisers. This is limited to 0.02% pa of the total personal investment funds managed by the Investment Services Group of Macquarie Bank.

In order to recommend this investment to you and receive commission your financial adviser must either have a current agency agreement with Macquarie Life or be registered as a life broker with the Australian Securities and Investments Commission.

The amount to be paid to your adviser forms part of the total charges on your investment. Similar investments sold by other sales methods will not necessarily have lower total charges.

Taxation

The following rules apply to allocated annuities:

- **Rollovers to purchase your annuity**

No tax applies on rolling over unless your rollover contains an 'untaxed element' in the post-June 1983 component. We are required to deduct tax of 15% on that amount. The Government surcharge (an additional tax of up to 15% for higher income earners) may also apply in these circumstances.

Key features statement (cont.)

■ Investment earnings

- zero tax on earnings;
- investors in the Capital Stable, Balanced and Australian Equities funds currently receive 100% of the value of franking credits in the form of increased returns. We expect to be able to provide you with the benefit of the full use of franking credits (although this will depend on tax law at the time and the tax position of Macquarie Life).

■ Annuity payments

We deduct PAYE tax instalments from your annuity payments. The tax is based on the components of the purchase money and your age. It is also dependent upon you providing your tax file number.

Annuity payments are generally assessable income and are taxed at your marginal tax rate, except that part or all of them may:

- be tax free (known as the 'deductible amount');
- attract a 15% 'annuity rebate'; and/or
- attract a 7.5% 'savings rebate' on up to \$3,000 of assessable annuity payments in the 1998/99 year.

You will receive a group certificate at the end of each financial year to include in your tax return.

Please note: If you are less than age 55 when you commence an allocated annuity the 15% annuity rebate will not apply until you reach age 55. Also, the rebate percentage may be reduced if your rollover includes an "excessive component".

■ Withdrawal Lump Sum Tax rates

Broadly, the amount (if any) of tax payable on a lump sum withdrawal is based on the components of your benefits, your age on the date of payment and whether you are within your RBL. We deduct tax from the lump sum prior to payment. If any additional tax is payable it will be assessed in your tax return. Lump sum tax rates are generally concessional where your benefit is within your 'Reasonable Benefit Limits' or RBL. (The Government

sets these limits). Different rules apply for the tax treatment of lump sums payable in the event of death (see page 18).

Tax advice

The laws relating to annuity investments including taxation laws are complex and are subject to change. You should seek personal advice which will take into account your particular circumstances. Please consult your financial and/or tax adviser for assistance in calculating your tax liability on any benefits received under the Macquarie Allocated Annuity.

This tax information is based on the tax laws that were current on 1/9/98. At that time the Government had announced a proposal to change taxation rules generally, but full details of the proposals were not available.

Cooling-off period

If you decide that your investment in the Macquarie Allocated Annuity does not suit your needs, you can request to have it cancelled within 14 days from the date you receive your policy document. You may withdraw your funds or transfer to another fund. Any transaction costs, tax payable and change in the value of your investment, will be taken into account when calculating the redemption value.

If you have paid an entry fee, this will be refunded.

Your request to cancel your investment must be in writing.

Information on your investment

Policy document and policy schedule

After we process your initial deposit we will mail you a policy document and a policy schedule confirming your policy number and account details, the number of units you purchased, the date of issue and the amount of your investment. You should read this carefully.

The policy document contains details of valuation methods and unit price calculations.

Regular reports on your investment

We will provide you with the following information, at least annually in the form of a member statement:

Member information: This will show the current balance of your account and any transactions that have taken place over the period.

Fund information: This will provide you with information on the asset management and performance of the Macquarie Allocated Annuity investment funds.

The rules governing superannuation change over time due to changes in Government policy and the introduction of new legislation. We periodically provide investors with information about some of these changes via letters and investor reports. If you wish to receive a copy of the current letter or report, just ask Macquarie, and we will provide you with the information free of charge.

Complaints resolution

Under current legislation, life companies must have reasonable arrangements in place to properly consider and deal with investors' enquiries and complaints within 45 days after they are made.

We have procedures in place to satisfy these requirements.

In most situations, we will generally deal directly with problems, enquiries or complaints investors may have about their investment. If you have a complaint you may write to the Complaints Officer of Macquarie Life Limited at any of the addresses listed on the inside back cover of this brochure. If you have any enquiries you can call us on **1800 806 310**.

If you are not satisfied with the outcome of a complaint after a 90 day period expires, the complaint can then be referred to the Life Insurance Complaints Service, an independent industry-sponsored body which provides free advice and assistance, and which has been set up to assist in resolving investor complaints, at the following address:

The Manager
Life Insurance Complaints Service
PO Box 579, Market Street Post Office
Melbourne VIC 3000
Telephone (03) 9629 7050 or 1800 335 405.

How does an allocated annuity work?

Who can invest?

You can invest if you have rollover money which consists of unrestricted non-preserved benefits and you wish to receive a regular income.

How flexible is the allocated annuity?

A major feature of the allocated annuity is its flexibility. It lets you:

- decide the level of income you require (within minimum and maximum limits set by the Government);
- receive your annuity monthly, quarterly or annually;
- vary the amount of your annuity twice each year to meet your needs;
- switch between the seven investment options to meet your changing needs;
- access your account balance by making lump sum withdrawals;
- specify how your remaining account balance can be paid on your death (refer to page 18);
- transfer annuity payments electronically to the bank, building society or credit union account you nominate on your application. If you invest before the 8th day in any calendar month, your first annuity payment can be made on the 15th day of that month (if required).

How are benefits calculated and paid?

Your benefit can be paid as regular annuity payments within the minimum and maximum limits until your account balance is exhausted.

The minimum and maximum amounts are calculated when you invest and are recalculated each financial year. The calculation is based on Government guidelines, your age and account balance – refer to “Using pension valuation factors (PVFs)” on this page.

In addition you can request to withdraw lump sums (referred to as commutations) of a minimum of \$5,000 from your account balance as required. Your request must be in writing.

The value of your account balance will depend on the value of the units you hold which may rise or fall, in line with the underlying investments of the funds, and:

- any annuity payments that have been paid to you; and
- any withdrawals made.

Are there any restrictions on the amount of the annuity?

The only restriction is the size of the annuity we can pay you each year, as outlined below in “Using pension valuation factors (PVFs)”.

Please contact Macquarie or your financial adviser if you would like to know the minimum and maximum that will apply to you.

If you commence your allocated annuity on or after 1 April in any financial year, then you will not need to draw an annuity until the next financial year. No minimum applies for the period 1 April to 30 June.

Allocated annuity payments will cease when your account balance falls to zero.

Using pension valuation factors (PVFs)

The minimum and maximum annuity levels per year are calculated by dividing your allocated annuity account balance by the appropriate pension factor for your age (these are set by the Australian Prudential Regulation Authority). For example, for an individual who has an account balance of \$260,000 on 1 July and is aged 70, the minimum and maximum annuity levels are calculated as follows:

Minimum level:

PVF	= 13.5
Minimum annuity	= \$260,000 ÷ 13.5
	= \$19,260 pa

Maximum level:

PVF	= 6.6
Maximum annuity	= \$260,000 ÷ 6.6
	= \$39,390 pa

Note: Rounded to nearest \$10.

Do you have access to your money?

Yes, you can currently commute (make lump sum withdrawals), in whole or in part, your current allocated annuity entitlement. Please note the minimum amount for each commutation is \$5,000.

Currently, commutation payments are generally treated as eligible termination payments (ETPs). The lump sum ETP is divided into different components which are taxed at different rates. Lump sum tax depends on factors such as:

- your age when you take the lump sum;
- the date you commenced service or started paying into superannuation or, in some cases, the date you commenced service with an employer; and
- whether the benefit is above your reasonable benefit limit.

Please consult your tax adviser for tax advice on commutations.

The rules relating to commutations from allocated annuities and allocated pensions may change as the Government may be reviewing them in the near future. We will inform you if these rules change.

Reporting to the Australian Taxation Office

We are required to report lump sum withdrawals to the Australian Taxation Office on a monthly basis.

Lump sum payments

We will provide you with a "ETP group certificate" showing full details of tax instalments deducted, in sufficient time to allow you to prepare your annual tax return.

Annuity payments

Income tax is deducted by Macquarie from each annuity payment on a PAYE basis if applicable. We will issue you with a group certificate for lodgement with your annual tax return.

How does Social Security assess an allocated annuity?

Currently, in our view investments in an allocated annuity are taken into account in assessing your entitlement to Social Security or Veterans' Affairs benefits as follows:

Amount Assessed	
Income Test	Annuity payment less deductible amount ⁽¹⁾
Assets Test	Account balance

(1) Deductible amount as calculated for Social Security and Veterans' Affairs benefit purposes only = whole purchase price ÷ life expectancy.

This is different to the 'deductible amount' referred to for tax purposes.

Investors should satisfy themselves with the Social Security or Veterans' Affairs implications before investing in an allocated annuity.

Upon purchase of your Macquarie Allocated Annuity we will send you a schedule outlining the nature of your plan. This schedule is required by Centrelink if you seek Social Security or Veterans' Affairs benefits and will assist them to assess your eligibility for benefits.

Diversified funds

Objectives



Capital Stable fund **Objective**

The **Capital Stable fund** invests mainly in money market and fixed interest securities, with some exposure to Australian and international equities and property with the aim of providing consistent returns for investors.



Balanced fund **Objective**

The **Balanced fund** aims to maximise wealth creation by investing broadly in Australian and international equities, money market and fixed interest, property and development capital, with larger holdings in equities than the Capital Stable fund.

Strategy for both funds

In order to achieve each of these objectives we set a benchmark asset allocation for the funds which is shown in the bar charts opposite. This is the asset allocation we would expect for each of the funds, on average, over the long term. Each fund has a specific minimum and maximum level of investment in each asset class (as shown in the column opposite titled 'Investment range'). Our investment approach aims to maximise returns within specified risk parameters and this involves a combination of:

1. altering the funds' allocation to each asset class within the specified ranges; and
2. managing the individual asset class in accordance with their particular style. We have strategies for managing each of the asset classes. These are outlined in the Fixed Interest, Australian Equities, World Equities and Property Securities Sector specific funds.

In addition to the above asset classes, the diversified funds also invest in development capital and infrastructure (Balanced only), international fixed interest and index-linked Australian fixed interest assets (CPI bonds). The fixed interest investments are managed in a similar way to Australian fixed interest assets (see page 13), concentrating on international and inflation-linked markets respectively.

The development and infrastructure investments involve monitoring exposure guidelines to constrain the liquidity risks which are usually associated with these long-term investments.

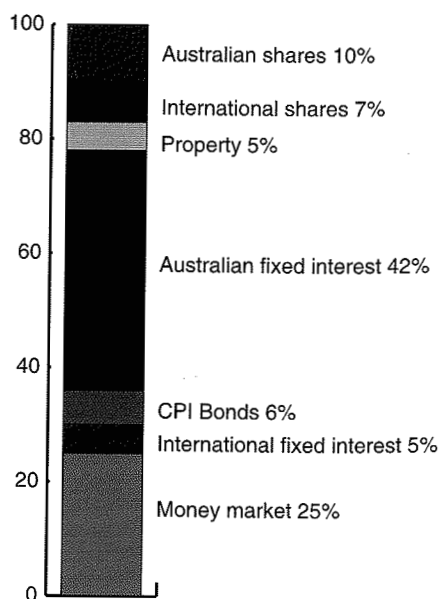
We will not change our investment objective or strategy unless we have first given you reasonable notice.

What are the risks of investing in the Diversified funds?

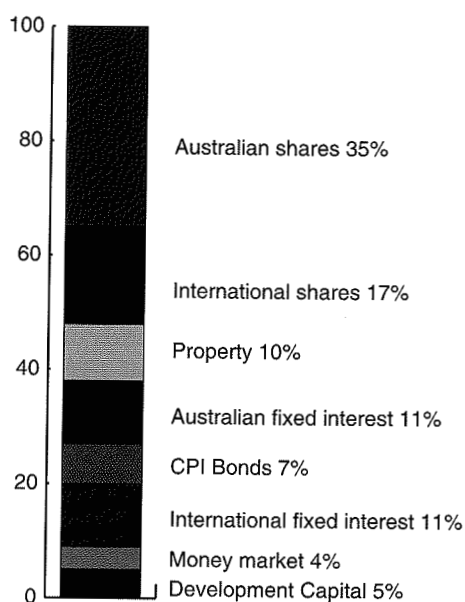
These funds capture the risk-reducing benefits of diversification by investing in a number of different asset classes. However, due to the nature of the asset classes in which the Capital Stable and Balanced funds invest, returns can be volatile and capital losses may be incurred in the short term. See page 15.

Portfolio composition as at 30 June 1998

Capital Stable fund



Balanced fund



Investment range **Min** **Benchmark** **Max**
 This is the specific minimum and maximum level of investment in each asset class

Australian shares	0%	10%	20%
International shares	0%	10%	20%
Property	0%	5%	10%
Australian fixed interest	0%	35%	70%
CPI bonds	0%	5%	10%
International fixed interest	0%	5%	10%
Money market	0%	30%	100%

Please note that the combined total of investments in Australian and international shares and property cannot exceed 35% of the Capital Stable fund portfolio.

Investment range **Min** **Benchmark** **Max**
 This is the specific minimum and maximum level of investment in each asset class

Australian shares	25%	35%	45%
International shares	10%	20%	30%
Property	0%	10%	20%
Australian fixed interest	0%	15%	65%
CPI Bonds	0%	5%	10%
International fixed interest	0%	10%	20%
Money market	0%	0%	65%
Development capital*	0%	5%	10%

*includes infrastructure bonds, venture capital and private equity.

Sector specific funds

The Macquarie Allocated Annuity offers five Sector specific options: the Deposit, Fixed Interest, Property Securities, Australian Equities and World Equities funds.

The Sector specific funds are particularly suitable if you are seeking to construct your own specific mix of assets.

This may be the case if you also hold investments outside the Macquarie Allocated Annuity and wish to manage the overall diversification of your entire investment portfolio.

You can construct your portfolio by selecting a mix of Diversified funds and/or Sector specific funds to diversify your portfolio or slant it towards one or more asset classes, depending on your investment strategy.

In contrast, the asset selection for the Diversified funds is carried out by Macquarie Life, within certain limits (referred to as 'investment range', refer to page 11).

You can switch amongst any of these funds as your needs change or whenever you wish to change your strategy. For conditions which may apply, please refer to page 5.

What are the risks of investing in the Sector specific funds?

Due to the nature of the underlying assets of the Sector specific funds, returns can be volatile and capital losses may be incurred.

Historically, sharemarket investments have provided the highest average returns over the long term, but have been the most volatile. Fixed interest and property investments have produced lower average returns than sharemarket investments but with lower volatility. However, both fixed interest and property investments may experience large price fluctuations from time to time.

You can reduce this risk through diversification, that is, by spreading your investment over more than one type of asset/fund.

Similarly, you can reduce the risk of your current portfolio of assets through diversification by adding one or more Sector specific funds to your portfolio.



Deposit fund Objective

The **Deposit fund** invests in short-term money market and fixed interest securities (terms of less than one year) with the aim of producing consistent returns in a low-risk way.

This fund is conservatively managed. It is suitable for security-conscious investors for both the short and the long term.

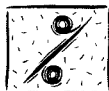
Strategy

The fund will invest a minimum of 70% of the portfolio in money market and fixed interest securities of less than one year's maturity. We also invest in longer dated investments to take advantage of higher yields or the capital gains potential of the bond market.

The performance of the "short-end" money market portfolio may be enhanced with the use of structured securities (e.g. Floating rate notes). The fund can also enter into futures and options which may be used for hedging or as an investment opportunity.

What are the risks of investing in the Deposit fund?

This fund is a low-risk investment. We actively trade the fund's securities and this may result in both capital gains and losses which are reflected in the unit price. The unit price, therefore, may fluctuate. Please note however that the way the Deposit fund is managed means the likelihood of getting back less than you paid in is very low. This fund is suitable for short-term and long-term investors.



Fixed Interest fund

Objective

The **Fixed Interest fund** invests in longer-dated fixed interest securities (terms of more than one year) than the Deposit fund and aims to generate competitive returns - better than cash and money-market.

We measure the performance of the fund against the SBC Composite All Maturities Accumulation Index. This index measures the performance of the Australian Fixed Interest market.

Strategy

This fund will typically have a greater proportion of holdings in longer term securities (which are more volatile) than the Deposit fund.

The fund invests predominantly in prime quality fixed interest securities issued by the Commonwealth and/or State governments, as well as Australian banks.

We actively manage the underlying fixed interest and money market assets which may include international and CPI bonds. The key variable when assessing our fixed interest strategy is "duration". Duration measures the fund's performance sensitivity to a one percentage point change in interest rates. Based on our economic and interest rate forecasts, we determine the expected future direction of market interest rates and then position the duration and composition of the portfolio accordingly.

Risk

See 'What are the risks of investing in the Sector specific funds?' on page 12.



Property Securities fund

Objective

The **Property Securities fund** invests in listed property securities with the aim of providing consistent returns above inflation.

We measure the performance of the fund against the ASX Listed Property Trust Accumulation Index. This index measures the performance of property trusts listed on the Australian Stock Exchange.

Strategy

Investment in this fund is concentrated on listed property securities. In the long term the fund may also invest in direct property investments and unlisted property trusts.

We undertake extensive analysis of the property markets and economic factors that drive property earnings to determine which sectors of the property trust market will perform strongly. This information, in conjunction with valuation measures, is used to position the portfolio within prudent risk limits.

Risk

See 'What are the risks of investing in the Sector specific funds?' on page 12.

Sector specific funds (cont.)



Australian Equities fund

Objective

The **Australian Equities fund** invests in companies listed on the Australian stock-market with the aim of producing long-term wealth and obtaining some protection from the long-term effects of inflation.

We measure the performance of the fund against the Australian All Ordinaries Accumulation Index. This index measures the performance of approximately 300 shares listed on the Australian Stock Exchange.

Strategy

We identify shares that are likely to produce higher returns than the sharemarket as a whole.

Our 'Price for earnings growth' approach, introduced in November 1997, is designed to reflect this goal. Price for earnings growth means that we believe shares that have strong growth prospects, or are underpriced compared to their growth prospects, will eventually go up in price.

Price for earnings growth gives you exposure to a broadly diversified portfolio of up to 100 shares, all of which Macquarie considers are underpriced relative to their future growth potential.

Risk

See 'What are the risks of investing in the Sector specific funds?' on page 12.

Futures and options

Futures and options can be used for the Diversified and Sector specific funds:

- as a hedge, i.e. to offset the risk of price variations of securities;
- as an alternative to purchasing the physical security;
- to seek to take advantage of any opportunities for profit which may exist in the market from time to time; or

- in the management of currency risk. The investment ranges and portfolio charts shown in this brochure include effective exposures to the relevant asset class provided by futures and options.



World Equities fund

Objective

The **World Equities fund** invests in the major equity markets around the world with the aim of producing long-term wealth.

We measure the performance of the fund against an MSCI World Index – a composite index which measures the overall performance of international sharemarkets.

Strategy

Our strategy focuses on three components:

- active allocation of funds across the major sharemarket regions (i.e. USA, Europe, Japan, Asia (excluding Japan), and emerging markets);
- individual stock selection (outsourced to specialist regional managers); and
- active management of currency risk.

We are assisted in the management of each regional portfolio by specialist international fund managers who each have a history of strong performance. Although we have appointed one manager in each region we may engage other fund managers in the future.

Risk

See 'What are the risks of investing in the Sector specific funds?' on page 12.

Security



How secure is your investment?

By diversifying across a broad range of asset classes, the Diversified funds can offer smoother returns while still providing the opportunity for capital growth. For example, annual returns from an investment in a balanced-type (diversified) portfolio over the last 25 years range from -22% to 50%. (See Table 2.) This means that if you invested \$10,000 at various times over the last 25 years, 12 months later your investment could have been worth anything between \$7,800 and \$15,000.

If, however, you invested your \$10,000 for the entire 25 year period it would be worth \$277,000. This is one of the reasons why diversified funds are considered to have capital growth potential over the long-term, but are not recommended as short-term investments.

Table 1 compares the value of a \$10,000 investment in various asset classes from June 1973 to June 1998.

Table 1: Value of \$10,000 invested for 25 years*

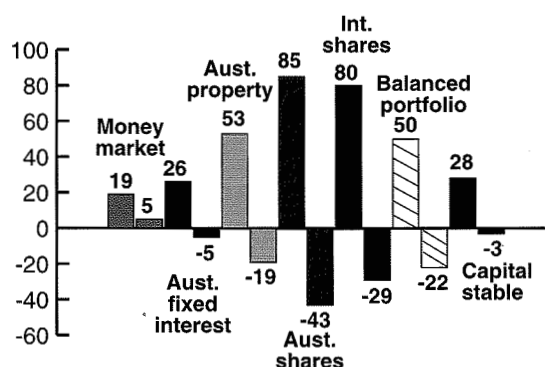
Money market	\$123,000
Australian fixed interest	\$162,000
Australian property	\$241,000
Australian shares	\$227,000
International shares	\$460,000
Balanced portfolio	\$277,000
Capital stable	\$189,000

*All returns in the charts on this page are market returns represented by the following indices: Money market - SBCWA Australian Bank Bill Accumulation Index, Australian fixed interest - SBCWA Composite Bond Accumulation Index (all maturities), Australian Property - Australian Listed Property Trust Accumulation Index (Industrials), Australian shares - All Ordinaries Accumulation Index, international shares - Morgan Stanley Capital International World Index (excluding Australia) unhedged in A\$. Balanced portfolio and Capital Stable portfolio returns were estimated using an *approximation* of the Macquarie Balanced Fund benchmark (40% Australian shares, 20% international shares, 10% Australian property, 30% Australian fixed interest, reweighted each month) and an approximation of the Macquarie Capital Stable Fund benchmark (10% Australian shares, 10% international shares, 5% Australian property, 45% Australian fixed interest, 30% money market). In some cases the above indices are not available for the whole period and it is necessary to use similar indices constructed by CBA and Macquarie. All indices assume re-investment of interest/dividends.

Past performance is not necessarily an indication of future performance.

Table 2 shows the highest and lowest annual returns (taken at the end of each quarter) for each investment over the same period. The number of negative periods experienced over this time is also shown.

Table 2: Highest and lowest annual returns



The annual performances consist of rolling one-year periods (measured at the end of each quarter) from 30 June 1973 to 30 June 1998. A total of 97 periods were used. The 'balanced type portfolio' and 'Capital Stable type portfolio' returns referred to in these examples are not returns from the Macquarie Balanced Fund or the Macquarie Capital Stable fund.

No. of negative periods

Money market	0/97
Australian fixed interest	4/97
Australian property	6/97
Australian shares	23/97
International shares	15/97
Balanced portfolio	11/97
Capital stable	4/97

Other important information

What if you transfer to another Macquarie investment?

As a client of the Macquarie Investment Services Group we offer an additional benefit. If you would like to transfer your funds from another Macquarie Investment Services Group investment to the Macquarie Allocated Annuity, or vice versa, we will take into account any entry fee which you have already paid.

Diversified and Sector specific funds

Unit prices

The value of your account is expressed in terms of units. The number of units allocated to you depends on the unit price at the time and the amount you invest.

Transactions on your account such as annuity payments and account keeping fees will change the number of units you hold. These will be detailed in your half-yearly statement.

Application and withdrawals

Applications: cheques and application forms will be processed within three Sydney business days.

Withdrawals: withdrawal requests will also generally be processed within three Sydney business days. We can however delay processing withdrawals in special circumstances.

Switches: switching from one investment fund to another is both a withdrawal (from the current investment) and an application (to the new one). The same conditions apply as for applications and withdrawals.

For the Diversified and Sector specific funds (with the exception of the Deposit fund), the price at which you buy units (application price) will be different to the price at which you sell units (withdrawal price) on any given day. The difference reflects the entry fee and any transaction costs involved in buying and selling the underlying assets of the funds, as outlined on page four.

Valuation of investment funds

Each investment option will have a different unit price. The unit price will reflect the underlying value of each fund's assets after allowing for taxation and expenses, including transaction and valuation costs.

The asset value of the Diversified and the Sector specific funds (excluding the Deposit fund), will be the market value of the funds' assets at the time of valuation. The asset value of the Deposit fund will be the lower of market value or amortised cost value of the fund's assets. When using the amortised cost value, interest is spread over the life of the relevant security.

The performance of some of the funds may be enhanced through the transfer of franking credits within Macquarie Life.



How do you keep track of your investment?

Unit price information is available by calling **1800 023 074** toll free from anywhere in Australia.

If you need specific information about your own account you should contact our Client Services staff on **(02) 9237 3737** for Sydney callers or **1800 806 310** (toll free).

Macquarie will keep you informed. We will inform you of any major changes announced by the Government in your half-yearly statements. You may need to discuss with your financial adviser these changes and how they may affect you.

Your statements will also inform you if there has been any change to the fees and charges and will include details of your current unit holdings the value of your investment and any transactions during the period. Statements will be sent for the six month periods ending 31 December and 30 June each year.

Application money held "on trust"

We can only issue units in the Macquarie Allocated Annuity for your first investment if we receive a complete and current application form.

In some cases where the application is incomplete or out of date we can only transfer your money into the selected investment funds after we have received all required information.

Additional deposits/switches

We will send you half-yearly statements with investor reports to keep you up to date. However, if a material event occurs which has not been communicated to you in the above reports and it is important for decision-making relating to making additional investments or switching investments, we may not be able to comply with your instructions immediately.

Unit prices and fund values

Name of fund	Redemption price (\$) at							Fund value (\$ mil) at			
	31/12/94	30/6/95	31/12/95	30/6/96	31/12/96	30/6/97	30/6/98	30/6/95	30/6/96	30/6/97	30/6/98
Capital Stable	1.1508	1.2550	1.3416	1.3633	1.4699	1.5575	1.6593	20.48	21.78	28.52	32.85
Balanced	1.2237	1.3236	1.4287	1.4634	1.5880	1.7596	1.8139	31.51	34.41	50.69	56.14
Deposit	1.1358	1.1774	1.2160	1.2491	1.2920	1.3269	1.3715	4.10	5.71	9.23	12.67
Fixed Interest	0.9570	1.0463	1.1261	1.1301	1.2479	1.3081	1.4266	0.75	1.11	1.87	2.06
Property Securities	0.9428	1.0279	1.0503	1.0546	1.1802	1.3363	1.4325	1.71	1.60	2.05	2.58
Australian Equities	0.9345	1.0052	1.1153	1.1496	1.2606	1.4310	1.2271	2.51	2.88	3.25	2.64
World Equities	0.9351	1.0052	1.0983	1.1588	1.1857	1.4331	1.8744	1.56	1.46	1.61	2.17

Other important information (cont.)

What happens on death?

A minimum death benefit of 1% of a member's account balance is paid on death if the member has invested in the Macquarie Allocated Annuity for more than five years and the account balance is less than the member's total investments reduced by fees, expenses, taxes and withdrawals (including annuity payments).

When you join the Macquarie Allocated Annuity you can nominate a beneficiary on your application form to receive a lump sum payment or to be your reversionary annuitant in the event of your death. If you do not make a nomination, your account balance will be paid as a lump sum to your estate.

Please nominate only your spouse, child or a person who is financially dependent on you as a beneficiary. Macquarie Life is bound to follow your nomination.

Please consider any nomination carefully. Legal restrictions apply should you wish to change a nomination. Nominations will still be binding irrespective of what you have written in your will. The three benefit payment options available are outlined in the table below.

Tax treatment

Special tax treatment applies to lump sum payments made from Macquarie Life on death if they are:

- within the relevant "reasonable benefit limit" under tax law; and
- within certain time limits after death.

Generally these payments will be tax-free if paid to dependants, as defined in tax law - that is, your spouse or de-facto spouse, children under 18 years or a person financially dependent on you. This is so whether the lump sum is paid to the dependant directly or via your estate. Certain lump sum benefits paid to non-dependants will be taxed at special rates.

The tax treatment of reversionary annuities payable on death is based on similar rules to those applying to annuity payments made to you.

However, the tax rules are complex and vary depending on individual circumstances. Please therefore consult your tax adviser.

Benefit payment options on death

Option	Lump sum	Reversionary annuity	No nomination
How is benefit paid on death?	As a lump sum	As an allocated annuity	As a lump sum
Who is the benefit paid to on death?	The nominated beneficiary	The nominated beneficiary	The estate
How is initial tax-free component (deductible amount) calculated?	Based on member's life expectancy	Based on greater of member's or nominated beneficiary's life expectancy	Based on member's life expectancy
Is tax-free component recalculated on death?	Not applicable	No	Not applicable

Related party transactions

Macquarie Life receives investment advice from Macquarie Investment Management Limited ACN 002 867 003.

Macquarie Life and Macquarie Investment Management Limited are wholly owned subsidiaries of Macquarie Bank Limited.

Macquarie Life undertakes that all dealings with service providers who are associates will be conducted on terms that are no more favourable to the service provider than those which it is reasonable to expect would apply if Macquarie Life were dealing with the service provider at arm's length in the same circumstances.

Investing for the funds

Macquarie Life (we, us) currently invests in a number of unit trusts. The amount invested this way is determined by us. Where Macquarie Investment Management Limited manages the trusts you will be charged management fees only once, however where another Macquarie group company manages the trust(s) you may also be charged their management fee. It will be reflected in your overall return.

When we invest for the funds we deal with professional organisations which may include Macquarie Bank Limited or its associated companies. We can trade the funds' investments with the bank or its associated companies.

These professional organisations may receive commissions at prevailing market rates for the execution of transactions. Please note that in addition to executing transactions for the funds the bank may also be dealing as principal or dealing on behalf of other portfolios which are under the group management of the Macquarie Bank Group.

Facsimile instruction service

Macquarie offers a service which allows you to give faxed instructions about your account. This can save you time and allows you to use your account more effectively. It can be used for all written instructions, for example:

- updating your account details;
- changing your address;
- carrying out switching requests;
- changing your annuity requirements;
- withdrawing funds from your account.

Macquarie will act on your faxed instructions if your facsimile:

- is legible and validly received by us (evidenced by the answerback message generated by your facsimile machine);
- shows your account number;
- is properly signed and dated by you (or the signature of an authorised signatory on the account); and
- contains all the information we would require to carry out your instructions if sent to us by mail.

To be eligible to use the facsimile instruction service, indicate in question 3 of the application form on page 21. Please indicate so in the relevant section of your application form.

Terms and conditions

1. There is a risk that fraudulent facsimile withdrawal requests in respect of your account can be made by someone who has access to your account number and a copy of your signature;
2. You accept full responsibility for any loss arising as a result of us acting upon instructions given in a facsimile which bears the account number of the account and a signature which is or appears to be your signature or the signature of an authorised signatory on the account.

You release and indemnify us against all claims and demands in respect of any liabilities arising as a result of us acting upon instructions given in a facsimile which bears the account number of your account and a signature which is or appears to be your signature;

3. You agree that neither you nor any person claiming through you has any claim against us or the fund in relation to a payment made or action taken by us under the facsimile instruction service if the payment is made in accordance with these conditions;

4. These terms and conditions are in addition to any requirements for giving instructions to us.

How to complete the application form

Please complete all 11 sections of the application form. You may need to consult your financial adviser.

The following points should be of assistance:

General guidelines

- Please use a black pen;
- Please use block letters;
- You can only invest by cheque. We cannot accept cash. Please make all cheques payable to *Macquarie Life Limited*;
- If you need any help in completing this form contact Macquarie or your financial adviser;
- The only means of investing in the Macquarie Allocated Annuity is by completion of the application form attached to a current brochure;
- Upon receipt of your application (and any other required documentation), Macquarie will send you an advice confirming the details of your investment and a policy document.

Checklist

- ✓ Completed application form on pages 21;
- ✓ Cheque made payable to *Macquarie Life Limited*;
- ✓ Completed *Rollover Advice Statement* from the paying institution;
- ✓ Completed *Annuity and Superannuation Pension Declaration form* (on page 23 of this brochure).

Your annuity payments will be pro-rated this financial year, based on the number of days left from the date of your investment to 30 June. Please note that no minimum payment will be made if you invest between 1 April and 30 June. However, if you request your annuity payments to commence this financial year in Section 7, a pro-rated payment will be made.

Commission

- Authorised agents of Macquarie Life and life insurance brokers are entitled to receive commission, although they may choose to rebate part or all of their up-front entitlement to you. Any commission rebated to you will be used to purchase additional units in the same investment funds as your initial investment.
- Please note: if a financial adviser's stamp appears on your application form we will provide the adviser with relevant account information unless you instruct us otherwise.
- No rebate applies if your application form does not have an adviser's stamp and signature.

InvestmentLink (if you have a financial adviser)

We are a member of InvestmentLink, an information delivery system which provides participating financial advisers with electronic access to their clients' investment records. This access is subject to strict security arrangements to maintain appropriate levels of confidentiality. We will supply your account information through InvestmentLink if your consent, InvestmentLink client number, and InvestmentLink adviser code are provided on the application form. You can withdraw your consent (in writing) at any time.

If you do not wish your account information to be provided via InvestmentLink, please strike out the boxes marked ILGN/ILAN/ILCN which appear at the top of the application form.

This is not an application form. Please do not send it to Macquarie. It should go to your current investment manager.

Head Office

Level 12, 20 Bond Street, Sydney NSW 2000
Tel: (02) 9237 3737 Fax: (02) 9237 3729
Office hours: 8am - 6pm

Reply Paid 192

Macquarie Investment Management Limited
PO Box H192, Australia Square
Sydney NSW 1215

Victoria

Level 22, 101 Collins Street
Melbourne VIC 3000
Tel: (03) 9655 8050 Fax: (03) 9655 8011
Office hours: 8am - 6pm

Reply Paid 1380

Macquarie Investment Management Limited
GPO Box 5435CC, Melbourne VIC 3001

Queensland

Level 2, 300 Queen Street
Brisbane QLD 4000
Tel: (07) 3233 5222 Fax: (07) 3233 5399
Office hours: 8am - 5.30pm

Reply Paid 869

Macquarie Investment Management Limited
GPO Box 1459, Brisbane QLD 4001

South Australia

Level 4, 45 Grenfell Street
Adelaide SA 5000
Tel: (08) 8231 6113 Fax: (08) 8231 6107
Office hours: 8.30am - 5pm

Reply Paid 5064

Macquarie Investment Management Limited
GPO Box 2632, Adelaide SA 5001

Western Australia

Level 27, Allendale Square
77 St Georges Terrace, Perth WA 6000
Tel: (08) 9224 0622 Fax: (08) 9224 0633
Office hours: 8.30am - 5pm

Reply Paid 1009

Macquarie Investment Management Limited
PO Box 7306 Cloisters Square
Perth WA 6850

Tasmania

Hobart

Level 3, 111 Macquarie Street
Hobart TAS 7000
Tel: (03) 6223 6644 Fax: (03) 6224 1067
Office hours: 8.30am - 5pm

Reply Paid 508

Macquarie Investment Management Limited
GPO Box 513, Hobart TAS 7001

Australian Capital Territory

Level 4, 10 Rudd Street, Canberra ACT 2600
Tel: (02) 6247 0677 Fax: (02) 6247 2858
Office hours: 8.30am - 5pm

Reply Paid 179

Macquarie Investment Management Limited
GPO Box 730, Canberra ACT 2601

Northern Territory

Contact Brisbane Office
Free Call: 1800 806 310



**For all enquiries about
our range of investments
call 1800 808 001.**

For all enquiries about existing accounts:

- in capital cities call the telephone number listed in this directory
- free call number for use outside capital cities 1800 806 310

Macquarie Life Limited directory

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Reply Paid 179

Macquarie Investment Management Limited
GPO Box 730, Canberra ACT 2601

Northern Territory

Contact Brisbane Office
Free Call: 1800 806 310

The directors of Macquarie Life Limited are:

David Adams
Bruce Terry
Dr. A. John Green
Barrie Martin
John Allpass

For all enquiries about our range of investments call 1800 808 001.

For all enquiries about existing accounts:

- in capital cities call the telephone number listed in this directory
- free call number for use outside capital cities 1800 806 310.

For more information about any
of our products please call
1800 808 001

Existing investors please call
1800 806 310

ACT residents 1800 046 204

Financial advisers please call
1800 808 508

Email/Internet address:
invest@macquarie.com.au

Macquarie Online can be accessed at:
<http://www.macquarie.com.au>

ASK MACQUARIE

