

**MACQUARIE FUNDS MANAGEMENT**  
MACQUARIE MASTER CAPITAL STABLE FUND



**PRODUCT DISCLOSURE STATEMENT**

**Dated 6 November 2006**


Issuer: Macquarie Investment Management Limited

ABN 66 002 867 003

AFS Licence Number 237492

ARSN 090 078 792

APIR code: MAQ0059AU



**Investments in the Macquarie Master Capital Stable Fund (the Fund) are not deposits with or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 or any Macquarie Bank Group company and are subject to investment risk, including possible delays in repayment and loss of income and principal invested. Neither Macquarie Bank Limited nor any other member company of the Macquarie Bank Group guarantee the performance of the Fund or the repayment of capital from the Fund or any particular rate of return.**

Macquarie Investment Management Limited (Macquarie, we, us, our), as the issuer of this Product Disclosure Statement (PDS), invites you to invest in the Fund. This offer is only open to persons receiving this PDS as a hard copy or electronically within Australia.

This PDS contains general advice only and has been prepared without taking into account any investor's objectives, financial situation or needs. Investors should read the PDS carefully and assess whether the information is appropriate for them in respect of their objectives, financial situation and needs. We encourage investors to talk to a financial adviser before making an investment decision.

In this PDS, an administration service or an investor directed portfolio service such as a master trust, wrap account or nominee service is referred to as an 'IDPS'. The trustee or operator of the IDPS is referred to as an 'IDPS operator'.

We consent to the use of this PDS by IDPS operators that include the Fund on their investment menus.

If you are printing an electronic copy of this PDS, you must print all pages including the application form. If you make this PDS available to another person, you must provide them with the entire electronic file or print out, including the application form. A paper copy of this PDS (and any supplementary documents) can also be obtained free of charge on request by calling 1800 814 523 or contacting your IDPS operator or financial adviser.

# Contents

Fund features at a glance	02
About the Fund	04
About Macquarie	04
Investment strategy	04
What the Fund invests in	06
Fund performance	06
The benefits	07
The risks	07
Fees and other costs	09
Additional explanation of fees and costs	11
Tax	13
How to invest	14
Accessing your money	15
Distributions	15
Unit pricing	16
Keeping in touch with you	16
Our legal relationship with you	17
Enquiries and complaints	18
We respect your personal details	19
About this PDS	19
Contact	

## Fund features at a glance

The table below is a summary of the key features of the Macquarie Master Capital Stable Fund and a guide to where more detailed information can be found in this PDS.

About the Fund		Page
What type of investment is this?	A registered managed investment scheme.	04
Who is the responsible entity of the Fund?	Macquarie Investment Management Limited.	04
Who manages the Fund?	Macquarie Investment Management Limited.	04
What is the Fund's objective?	The Fund aims to provide investors with exposure to a diversified portfolio of cash, alternative assets, fixed interest securities, shares and listed property securities, both in Australia and internationally.	04
Commencement date of the Fund	4 April 1995.	
What is the suggested minimum investment timeframe?	Five years.	04
What does the Fund invest in?	The Fund invests in the Macquarie Capital Stable Fund whose underlying investments include cash, fixed interest, shares, listed property trusts and alternative assets.	06
Minimum transaction and balance requirements		
<b>Direct investors</b>		14
Minimum initial investment	\$100,000	
Minimum additional investment	\$10,000	
Minimum balance	\$10,000	
<b>Indirect investors</b>	We suggest you contact your IDPS operator for minimum transaction and balance requirements.	
Fees		
Entry fee (referred to as a 'contribution fee')	No entry fee is payable.	09
Management fee	0.820% pa <sup>1</sup> of net asset value (inclusive of the net impact of Goods and Services Tax (GST)). A performance fee may also be payable.	09
Exit fee (redemptions fee)	No exit fee is payable.	09
Switching fee	No switching fee is payable.	09
Normal expense recovery	Normal expense recovery will not exceed 0.02% pa of net asset value (inclusive of the net impact of GST).	12
Buy/sell spread	+0.10% of unit price for applications and -0.10% of unit price for redemptions.	11

<sup>1</sup> This figure has been quoted to three decimal places.

<b>Distributions</b>		<b>Page</b>
Frequency	Quarterly.	15
<b>Unit pricing</b>		
Frequency	Daily.	16
<b>Cooling off period</b>		
<b>Direct Investors</b>	<p>If you are a Retail Client (as defined in the Corporations Act) and invest directly into the Fund but decide the Fund is not suitable, you may request a redemption of your units during the 14 day cooling off period.</p> <p>The cooling off period commences when you receive your transaction confirmation or five business days after your units are issued, whichever is earlier.</p>	14
<b>Indirect Investors</b>	You should consult your IDPS operator about any cooling off rights you may have.	
<b>Contact details</b>		
Mail	PO Box R1723 Royal Exchange NSW 1225	
Telephone	Client Service 1800 814 523	
Fax	61 2 8232 4730	
Email	mfm.clientservice@macquarie.com	
Website	www.macquarie.com.au/mfm	

## About the Fund

The Macquarie Master Capital Stable Fund provides access to a diversified portfolio of cash and fixed interest investments and a limited exposure to growth assets by investing in the Macquarie Capital Stable Fund. The Fund is designed to provide a consistent level of income and some capital growth. It is not a suitable short term investment.

The Fund is managed by Macquarie Investment Management Limited (Macquarie), which is part of Macquarie Funds Management, a division of the Macquarie Bank Group.

## About Macquarie

We are a full service fund manager, with expertise in all major asset sectors and 25 years funds management experience. Our strong client focus, disciplined investment processes and dedication to innovation have established our reputation as one of Australia's leading fund managers.

## Investment strategy

We actively manage investments within each asset class. We can invest both directly in the market and in other unit trusts that have exposure to a certain market. Our investment management team is responsible for identifying and pursuing investment opportunities within set limits through a combination of:

- > active management within each asset class;
- > tactical asset allocation to meet the risk/return and income/growth objectives of the Fund.

## Asset allocation process

We begin by identifying the key economic and market specific factors that are likely to drive market returns over specific time periods. We then assess the risks in each asset class with the aim of improving the risk-adjusted returns of the Fund by altering its asset allocation within specified ranges.

## How each asset sector is managed

### 1. Australian shares

Macquarie's Style Neutral investment approach aims to deliver investment returns that are higher than the performance of the broader Australian share market. We aim to achieve this by taking active company selection decisions based on objective assessments of likely share price movements. The stock selection process includes quantitative analysis of earnings indicators and valuation signals, and is supplemented by a qualitative review overlay by our team of experienced portfolio managers. We also aim to take advantage of market events such as floats, placements and buybacks. The portfolio is constructed with the aim of ensuring it does not demonstrate any particular bias to 'growth' or 'value' style companies, relative to the composition of the broader Australian share market.

## 2. International shares

Macquarie manages the Fund's international share exposure (excluding emerging markets which is externally managed). Macquarie's Style Neutral approach to international shares aims to deliver low risk performance enhancements to an indexed international equity portfolio. The investment strategy uses a similar process to our Australian share portfolio, but imposes stricter limits on individual share positions with the aim of reducing the volatility of returns. We hedge a varying portion of the foreign currency exposure through our Dynamic Currency Hedging process with the aim of reducing the effect of currency volatility on returns over time.

## 3. Property securities

The foundation of our investment process is our comprehensive and ongoing analysis of property markets, using the specialist research and knowledge of our property investment team, our in-house economics team and specialist external fund managers. Our investment philosophy is to add value through active investment management by focusing on the key sources of uncertainty in each of the major property securities markets, such as cashflows and distributions, future distribution growth and quality of management.

## 4. Private equity

We access private equity investments primarily through funds managed by a number of specialist private equity managers who provide access to a wide range of investments. Our investments are spread across a range of industries and specialist private equity managers to ensure appropriate diversification.

## 5. Infrastructure assets

We utilise a systematic fundamentals-based approach to identifying long-term potential value in infrastructure companies. Our specialist infrastructure securities investment team analyse infrastructure companies to determine the quality of the infrastructure assets that are owned, operated or managed by these companies and that therefore underpin these companies' cash flow and growth.

## 6. Cash and fixed interest

Macquarie uses an active investment approach in managing cash and domestic, inflation linked and global fixed interest. In each of these asset classes we use a disciplined investment process that takes full advantage of all sources of value-add, including duration, yield curve, stock selection and sector rotation. We also provide investors with opportunistic exposure to global investment grade securities, emerging markets debt and global high yield debt. These sectors are managed by specialist external managers. All global sectors are hedged back to Australian dollars.

## External investment managers

We may from time to time use external fund managers in specialist areas to complement our expertise.

## Ethical investments

Our investment decisions are primarily based on economic factors and we do not specifically take into account labour standards or environmental, social or ethical considerations. However, these considerations may be taken into account if they have the potential to materially affect the value of the investment, but no specific methodology is applied.

## What the Fund invests in

The Fund invests in the Macquarie Capital Stable Fund which in turn invests in each asset sector through one or more funds managed by Macquarie. The underlying investments include cash, fixed interest, shares, listed property trusts and alternative assets. The following table gives the benchmark and ranges for asset allocation in the underlying fund, the Macquarie Capital Stable Fund.

Asset Sector	Minimum %	Maximum %	Neutral %
Cash	0	70	35
Australian fixed interest*	0	60	25
Inflation linked bonds	0	10	5
Global fixed interest	0	20	8
Australian equities	0	20	9
Global equities^	0	20	9
Property securities	0	10	5
- Australian			2.5
- Global			2.5
Alternative assets	0	8	4
- private equity			
- infrastructure securities			

\* Australian fixed interest may include an exposure to global investment grade credit, emerging markets debt and global high yield debt.

^ Global equities may include an exposure to emerging markets.

## Fund performance

Performance history and Fund size information can be obtained from:

- > [www.macquarie.com.au/performance](http://www.macquarie.com.au/performance)
- > Client Service on 1800 814 523, 9.00am to 5.00pm, Sydney time, Monday to Friday; or
- > your IDPS operator and financial adviser.

To calculate the performance of the Fund, we comply with the standards set by the Investment and Financial Services Association (IFSA). Performance figures are calculated before tax and after deducting ongoing fees and expenses, using redemption prices, assuming that income is reinvested and that the investment is held for the full period. The performance figures are historical and past performance is not necessarily an indication of future performance. Returns can be volatile, reflecting rises and falls in the value of the underlying investments.

If you are investing through an IDPS, the net performance of your investment in the Fund may be different from the information we publish, due to cash flows specific to your portfolio and any fees charged by the IDPS operator.

## The benefits

This Fund offers investors:

- > access to a diversified portfolio of cash and fixed interest investments and a limited exposure to growth assets;
- > tactical asset allocation to meet the risk/return objectives of the Fund.

In general, managed funds (including this Fund) have certain advantages. They can:

- > allow access to investment opportunities, markets and investment expertise that may usually not be accessible to all investors;
- > usually invest for less cost;
- > have access to investment techniques that may not be available to all investors;
- > reduce investment risk through diversification of investments.

## The risks

There are risks associated with any investment. Generally, the higher the expected return of an investment, the higher the risk and the greater the variability of returns. Macquarie's risk management objective is to deliver risk/return outcomes in line with our clients' expectations. However, we cannot provide assurances or guarantees on future profitability and Fund returns, distributions and return of capital.

The most common risks are described below, but there could be other risks that affect the performance of the Fund. You should seek your own professional advice on the appropriateness of this investment to your circumstances. A financial adviser can explain these risks and provide advice based on your financial objectives, time frame for investing and attitude to risk.

### General risks

The risks explained below are general risks that apply to most investments.

**Investment objective risk** is the risk that an investor's objectives will not be met by their choice of investments. One measure of risk in an investment is the volatility of returns; the greater the volatility, the more likely that returns will differ from those expected over a given time period. This volatility can result in fluctuations in the unit price and/or amounts distributed to unitholders. The main drivers of the volatility of this Fund are the risks disclosed below.

**Liquidity risk** exists when particular investments are difficult to purchase or sell, preventing a fund from closing out its position or rebalancing within a timely period and at a fair price. While every effort is made for the Fund to be able to meet all redemptions, the nature of the underlying securities means that in certain circumstances, we may not be able to meet all redemption requests when they are received.

**Inflation risk** is the risk that the prices of goods and services will rise faster than the value of the investments.

**Manager risk** refers to the risk that the manager will not achieve its performance objectives or not produce returns that compare favourably against its peers.

### Specific risks

The main investment risks that apply to this Fund are explained below.

**Alternative asset risk.** Alternative assets include investments such as private equity and infrastructure securities. These securities can be illiquid and / or subject to large price movements due to the nature of the respective markets.

**Country risk** refers to potential adverse political, economic or social developments affecting the return on an investment in a country which may reduce the value of assets in that country. Examples are political instability, recession and war.

**Currency risk** is the risk that fluctuations in exchange rates between the Australian dollar and foreign currencies may cause the value of a fund's investments to decline.

**Default risk** is the risk of loss due to the default of a counterparty or issuer. Counterparties include lenders of stock, option writers, brokers and clearing brokers of exchange traded futures and options, foreign exchange counterparties, and swap and structured deal counterparties. Issuers include deposit takers and issuers of debt and hybrid securities. Issuer default risk concerns the failure to pay the interest and/or repay the principal of a security or deposit. This risk is generally greater for issuers with lower credit ratings, such as those found in the emerging market and high yield sectors.

**Emerging market sector risk** refers to fluctuations affecting emerging market countries, which consequently affect the prices of individual emerging market assets held by the Fund. The Fund looks to gain some exposure to this risk in order to meet its objective, however this exposure can lead to underperformance relative to other sectors, or relative to the market.

**Interest rate risk** arises with changes in market yields that change the value of interest rate investments. An increase in interest rates leads to a reduction in the value of a fixed interest investment, and vice versa. This risk is usually greater for fixed interest investments that have longer maturities.

**Share market risk** refers to changes in share prices that may result in loss of principal. Factors that drive changes in share prices include changing profitability of companies and industries, economic cycles, volume of share issuance, investor demand levels, business confidence and government and central bank policies.

**Short-side exposure risk** arises through the potential use of short position based strategies in the underlying Australian fixed interest investments. A short position allows a fund to profit when the value of the underlying security declines, however can also lead to losses should the underlying security rise in value.

**Spread risk** arises with declines in perceptions of the credit worthiness of particular borrowers or within the corporate sector as a whole, leading to a fall in the value of corporate securities.

**Derivatives risk.** Derivatives are financial instruments that are used to obtain or reduce market exposures. They can potentially be used to create leveraged positions, where exposures are obtained that are greater than the value of assets required to support them. As the market value of derivatives positions are variable, gains or losses can be incurred, and can be greater than unleveraged positions. The Fund may use derivatives:

- > as a hedge;
- > as an alternative to buying and selling the physical security;
- > to manage currency risk;
- > to take advantage of opportunities for profit.

Each derivative position is assessed on an effective exposure basis for risk management. This treatment is employed to:

- > determine effective asset allocations and equivalent physical positions;
- > test adherence to trading limits;
- > test that overall fund risk parameters are complied with.

Further information on the risks in derivatives is available in our Derivatives Risk Management Statement. This can be obtained by:

- > calling Client Service on 1800 814 523, 9.00am to 5.00pm Sydney time, Monday to Friday; or
- > emailing [mfm.clientservice@macquarie.com](mailto:mfm.clientservice@macquarie.com)

## Fees and other costs

The information in the tables below is required by law and is designed to help you better understand the fees and costs associated with the Fund.

### Did you know?

Small differences in both investment performance and fees and costs can have 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 Macquarie 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.

This table shows fees and other costs that you may be charged. These fees and costs may be deducted from the returns on your investment or from the Fund's assets as a whole. Taxes are set out in the Tax section of this PDS. You should read all of the information about fees and other costs, as it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
You may also incur a buy/sell spread <sup>1</sup> when your money moves in or out of the Fund.		
<b>Establishment fee</b> The fee to open your investment.	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment.	Nil	Not applicable
<b>Redemption fee</b> The fee on each amount you take out of your investment.	Nil	Not applicable
<b>Termination fee</b> The fee to close your investment.	Nil	Not applicable
<b>Management costs</b>		
<b>The fees and costs for managing your investment<sup>2</sup></b>	The management costs consist of: <b>Management Fee<sup>3</sup></b> 0.820% pa <sup>4</sup> of net asset value (inclusive of the net impact of GST). <sup>5</sup> <b>Plus</b> <b>Normal expense recovery</b> Normal expense recovery will not exceed 0.02% pa of net asset value (inclusive of the net impact of GST).	The management fee accrues daily and is payable quarterly in arrears. It is deducted from the Fund's assets and is reflected in the Fund's unit price.  Normal expenses include items such as custody fees, audit costs, ASIC fees and pricing service provider costs. These expenses are payable when incurred and are reflected in the Fund's unit price.
<b>Service fees<sup>6</sup></b>		
<b>Switching fee</b> This is the fee for when you switch between investment options. You may also incur a buy/sell spread when switching between investment options.	Nil	Not applicable

<sup>1</sup> See 'Buy/sell spread' under Additional Explanation of Fees and Costs.

<sup>2</sup> Additional fees may apply, as well as the abnormal expense recovery – see Additional explanation of fees and costs.

<sup>3</sup> A performance fee may also be payable see page 11.

<sup>4</sup> This figure has been quoted to three decimal places.

<sup>5</sup> For sophisticated and professional investors these fees may be negotiated. See 'Differential fees' under section Additional explanation of fees and costs.

<sup>6</sup> See 'Adviser service fee' under section Additional explanation of fees and costs.

All fees in the table above are shown inclusive of GST, net of Reduced Input Tax Credits (RITCs).

### Example of annual fees and costs of the Fund

This table provides an example of how the fees and costs in the Fund can affect your investment over a one year period. You should use this table to compare the Fund with other managed investment products. The example assumes an account balance of \$150,000 invested in the Fund, assuming no variation in the value of your investment over this period. In practice:

- > the actual fee we charge is based on the value of your investment;
- > your investment balance and the value of the Fund will vary daily;
- > the management fee is included in the Fund's return and is not an additional charge to you.

Example		Balance of \$150,000 with total contributions of \$5,000 during year
Contribution fees	Nil	For every additional \$5,000 you put in, you will not be charged a contribution fee.
<b>PLUS</b> management costs (management fee plus maximum normal expense recoveries but not including the performance fee described on the following page) <sup>1</sup>	0.820% <sup>2</sup> + 0.02% = 0.840% pa <sup>2</sup>	<b>And</b> , for every \$150,000 you have in the Fund, you will be charged \$1,260.00 each year.
<b>EQUALS</b> cost of Fund		If you had an investment of \$150,000 at the beginning of the year and you put in an additional \$5,000 during that year, you will be charged fees of \$1,260.00. <sup>1</sup>  <b>What it costs you will depend on the fees you may be able to negotiate with us.</b>

<sup>1</sup> Additional fees may apply, as well as the abnormal expense recovery.

<sup>2</sup> These figures have been quoted to three decimal places.

Establishment fee — \$0

If you leave the Fund early, you will not be charged redemption fees.

## Additional explanation of fees and costs

### Performance fee in emerging markets debt sector

If the Fund has exposure to the emerging markets debt sector, a performance fee may be payable. The Fund obtains exposure to emerging markets debt indirectly, via a Macquarie fund, which invests wholly into an externally managed emerging markets fund.

If payable, the performance fee will be 20% of total outperformance of the emerging markets fund over a designated benchmark. It is reflected in the price of the emerging markets fund and is payable to the manager of the emerging markets fund. The Fund's exposure to the performance fee will be reflected in its unit price.

It is not possible for us to provide an estimate of the actual performance fee that will be payable as we cannot forecast what the performance of the emerging markets fund will be in any given period

The performance fee does not appear in the table on page 9 as the amount of any performance fee borne by the Fund is not considered material, as the Fund's exposure to emerging markets debt is likely to be small and the Fund will only allocate opportunistically to this sector.

### Buy/sell spread

There is a difference between the entry and exit unit price quoted on any business day. This difference relates to the Fund's transaction costs on acquiring the underlying investments (when purchasing units), and disposing of the underlying investments (when making a redemption). It is referred to as the 'buy/sell spread' and is an additional cost to you.

To ensure that existing investors do not continually bear the transaction costs resulting from the applications or redemptions made by other investors, we charge investors the buy/sell spread when they transact, except in certain circumstances (see below). Transaction costs are not a payment to us and may be substantially lower than an individual investor would incur if constructing a similar portfolio.

The buy/sell spread represents our estimate of the transaction expenses in acquiring or disposing of the underlying assets of the Fund. These transaction costs may comprise brokerage, stamp duty and the buy/sell spreads (being the difference between the bid and offer prices) on exchange traded and non-exchange traded transactions. Reinvested distributions do not incur the buy spread.

The example below is based on an application or redemption of \$150,000.

	Buy /sell Spread	Cost
Application	+ 0.10%	\$150.00
Redemption	- 0.10%	\$150.00

In calculating these spreads, we take into account the brokerage paid on buying and selling the securities and the average buy/sell spreads in normal conditions. We may vary the adjustment to unit prices from the buy/sell spread from time to time. For example, a different amount or estimate may apply when brokerage costs change. Further, we may at our discretion reduce the buy/sell spread where:

- > there is a simultaneous purchase and redemption of units of equivalent value by different investors; or
- > an investor subscribes assets (rather than cash) on an application or receives assets (rather than cash) on a redemption.

### Indirect Cost Ratio (ICR)

The ICR illustrates the costs of investing through a managed fund, compared with investing directly in the underlying assets of the Fund.

The ICR is calculated by dividing:

- > the total ongoing fees and expenses of the Fund plus the costs (if any) of the underlying funds borne indirectly by the Fund, by:
- > the Fund size over a financial year.

We then express the figure as a percentage of the average net asset value of the Fund.

A Fund's ICR includes:

- > the management fee;
- > any maximum normal expense recovery plus any abnormal expenses;
- > any performance fee paid by the Fund in respect of its investment in the externally managed emerging markets debt fund.

The Fund's ICRs to 30 June are shown in the table below.

### Historical ICRs to 30 June (%)

2006	2005
0.82	0.82

## Maximum fees we are allowed to charge

The constitution of the Fund provides for the following maximum fees (exclusive of the net effect of GST):

- > a maximum entry fee (referred to in this PDS as a 'contribution fee') of 5.0% of the application amount;
- > a maximum exit fee (referred to in this PDS as a 'redemption fee') of 5.0% of the amount withdrawn;
- > a maximum management fee of 5.0% of the amount invested;
- > a maximum switching fee of 5.0% of the value of the investment switched.

## Expense recoveries

The constitution of the Fund allows certain properly incurred expenses to be recovered directly from the Fund.

However, we have limited the amount of normal expense recoveries to 0.02% pa of net asset value (inclusive of the net impact of GST). Normal expenses include items such as custody fees, audit costs, ASIC fees and pricing service provider costs.

The expenses referred to above do not include abnormal expense recoveries, such as the cost of unitholder meetings, defending legal proceedings, special valuation of assets and the costs of terminating the Fund. These abnormal operating expenses are not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any year. However, if they arise, we reserve our right to deduct these expenses from the Fund, as permitted in the constitution.

## Additional services and charges

We can recover from you certain 'user pays' costs for additional services provided at your request or incurred in connection with your particular investment, such as paying redemption proceeds by bank cheque, telegraphic transfer or real time gross settlement (RTGS), and dealing with overseas bank drafts. You agree that we can redeem your units as required to recover the costs we incur on your behalf. These costs represent the standard bank charges we incur and are not a fee paid to us. Currently, these costs are as follows. They may change without notice to you.

Service	Charge (includes GST if applicable)
Bank cheque	\$7.50
Telegraphic transfer	\$35.00 if the account transfer is domiciled in Australia and \$31.82 if domiciled overseas
RTGS	\$5.00 for transactions up to \$500,000 and free for transactions of \$500,000 and above
Overseas bank draft	\$15.00
Dishonoured cheques	\$12.00 (for applications)

### Adviser service fee

You may agree to pay your adviser a fee for any financial advice that they provide to you. However, these are separate to any fees we charge in respect of your investment in the Fund, as set out in the table on page 9.

### Commissions and soft dollar payments

We do not pay any commissions to your financial adviser. However, the dealer group to which your adviser belongs and your IDPS operator may receive certain payments or other non-monetary benefits from us, such as business and technical support, professional development and entertainment. The provision of such benefits is governed by our Soft Dollar Policy.

These payments and benefits are not an additional cost to you.

We also maintain a register in compliance with the Industry Code of Practice on Alternative Forms of Remuneration summarising alternative forms of remuneration that are paid or provided to advisers. If you would like to review this register, please contact Client Service on 1800 814 523, 9.00am to 5.00pm Sydney time, Monday to Friday.

### Differential fees

We may negotiate reduced management fees and performance fees as permitted by the Corporations Act and ASIC relief, for example, we negotiate reduced fees with sophisticated and professional investors, as defined in the Corporations Act, including IDPS operators. There is no set manner or method of negotiating fees. For further information please contact Client Service.

### Related party transactions

In the execution of transactions, we deal with professional organisations that may include Macquarie Bank Limited or its associated companies. All transactions are conducted on arm's length terms. We can also trade the Fund's investments with Macquarie Bank Limited or associated companies where we believe the investments are in the best interest of investors. These organisations may receive commissions at prevailing market rates for the execution of transactions. Any conflict of interest or potential conflict of interest is managed in accordance with our Conflict of Interest Policy.

The Fund may invest in a number of other funds of which we act as responsible entity. In these circumstances you will only be charged management fees and performance fees (if any) once.

### Change to fees and expenses

We may increase the fees and expenses referred to above or introduce new fees, for example, if economic conditions or the law changes.

We will provide at least 30 days' notice to you of any proposed increase in fees or expenses or introduction of new fees. This notice period should give you sufficient time to withdraw from the Fund if so desired. We cannot charge more than the constitution allows, unless we obtain investors' approval to do so.

## Tax

There are tax implications that apply when investing in the Fund. We recommend that you consult your tax adviser about your tax position. At the Fund's tax year-end we will send to you details of any assessable income, capital gains and any other relevant tax and accounting information to assist you in preparing your tax return.

Under normal circumstances, the Fund does not pay income tax because the net taxable income is distributed to investors. Income earned in this Fund, whether distributed or reinvested, forms part of your assessable income in the year of entitlement.

### Capital gains tax

Your assessable income for each year includes net capital gains (ie - after offsetting capital losses). The two sources of capital gains tax on your investment that may arise are:

- > part of the distribution made to you from the Fund;
- > when you withdraw or switch units from the Fund.

### Tax deferred income/ return of capital

Some of the income distributed to investors is treated as tax deferred income or return of capital, and is not taxable to investors upon distribution. Tax deferred and return of capital income is not taxed as income but may increase the capital gain or reduce the capital loss upon disposal of your units.

### Franked dividends

The Fund may generate franking credits through dividend imputation. You will be advised of franking credits attached to the distribution along with all relevant tax and accounting information after the Fund's tax year-end.

### Foreign investment fund tax regime

The underlying funds through which the Fund invests may be subject to the foreign investment fund (FIF) tax regime and distributions from the underlying funds to the Fund and investors that invest into it may include amounts attributable to unrealised gains. We will monitor this position and any such distributions will be included in investors' annual tax statement.

### Non-resident taxation

Deductions of Australian withholding tax and non-resident income tax will be made from distributions of Australian sourced taxable income for investors with an overseas address, or for non-resident investors temporarily residing in Australia.

### Foreign tax credits

Australian residents are required to include in their assessable income their share of any foreign taxes paid by the Fund. Investors will normally be entitled to a tax credit in respect of the foreign taxes paid by the Fund.

### Tax File Number and Australian Business Number

On your application form, you may provide us with your Tax File Number (TFN), or advise us of your TFN exemption.

Alternatively, if you are investing in the Fund on behalf of an enterprise, you may quote an Australian Business Number (ABN). It is not compulsory for you to quote a TFN, exemption or ABN. However, if you do not, we are required to deduct tax from any income distribution payable to you at the maximum personal tax rate plus Medicare levy and any other applicable Government charges. We are authorised to collect TFNs under tax law. For more information about TFNs, please contact your nearest Australian Taxation Office.

## GST

The Fund has registered for GST. The issue and redemption of units in the Fund and receipt of distributions will not be subject to GST. However, GST is payable on our fees and reimbursement of expenses. The Fund will generally be able to claim input tax credits and/or reduced input tax credits of at least 75%.

## How to invest

Investing in this Fund can be done in one of two ways, depending on whether you are an indirect or direct investor. We reserve the right to establish higher minimum investment amounts or to decline part or all of any application. You should retain a copy of this PDS and any supplementary documents for future reference and if you wish to make additional investments in the Fund. PDSs are available from any of our offices free of charge.

### Direct investors

To invest directly, please complete the application form that accompanies this PDS and return it to us with your initial payment. Initial investments made directly must be for a minimum of \$100,000.

Payments can be made by real time gross settlement (RTGS), Austraclear, bank transfer or cheque. Cheque payments should be made out to MIML – Macquarie Master Capital Stable Fund for (applicant's name).

Additional investments of at least \$10,000 can be made at any time by:

- > via RTGS, please contact Client Service for instructions before depositing via RTGS;
- > Austraclear;
- > bank transfer; or
- > sending a cheque with your account details to us.

### Indirect investors

You may invest indirectly in the Fund as an 'indirect investor' through an IDPS by directing the IDPS operator to acquire units in the Fund on your behalf.

An indirect investor does not become a unitholder in the Fund. Accordingly, an indirect investor does not acquire the rights of a unitholder of the Fund or acquire any direct interest in the Fund. The IDPS operator acquires these rights and can exercise, or decline to exercise, them on your behalf according to the arrangements governing the IDPS.

If you invest in the Fund through an IDPS, you should ignore information in this PDS that is relevant only to direct investors. This includes information relating to:

- > minimum initial investment and additional investment;
- > applications and application forms;

- > redemptions and switches;
- > transferring units.

Fees and expenses applicable to the IDPS (and set out in the IDPS offer document or client agreement) are payable in addition to the fees and expenses stated in this PDS.

## Cut-off times for applications

### Investments made via Austraclear, RTGS and cheque

Where we receive investments via these methods, and we receive the application form and investment funds before 2.00pm Sydney time on a business day in our Sydney office, investors receive the application unit price based on the valuation of assets at the close of business on the day the application is accepted. Investment amounts and application forms received after 2.00pm Sydney time will be deemed to be received on the following business day.

### Investments made via bank transfer

Where we receive investments via this method on any business day in our Sydney office, the application will be deemed to be received on the following business day, and only after we have received notification of the investment. Units will be issued at the application unit price based on the valuation of assets at the close of business on the day the funds are accepted.

## Cooling off period

### Direct investors

If you qualify as a Retail Client under the Corporations Act, the 14 day cooling off period applies to your investment in the Fund. If, during the cooling-off period, you decide that the investment does not meet your needs, then simply advise us in writing or electronically.

The 14 day period starts when you receive your transaction confirmation or five business days after units are issued to you, whichever is earlier.

Your refund will be processed as a redemption and the redemption value will be reduced or increased for market movements. We will also deduct any tax or duty incurred as well as the sell spread. As a result, the amount returned to you may be less than your original investment.

### Indirect investors

You should consult your IDPS operator about any cooling off rights you may have.

## Accessing your money

In normal circumstances we will process and pay redemptions within five business days where the request is received before 12.00pm Sydney time on any business day in Sydney. If we receive a redemption request after this, or on a non-business day for us, we treat it as having been received before 12.00pm Sydney time on the next business day in Sydney. Units will be redeemed at the redemption unit price based on the valuation of assets at the close of business on the day the request is treated as being received. The Fund's constitution allows us 30 days to pay redemptions.

### Direct investors

We are allowed to deduct from the redemption amount any monies due to us from you and any applicable amount of tax.

Direct investors can make a redemption request by:

- > sending a facsimile to 61 2 8232 4730; or
- > writing to the address shown at the back of this document.

### Confirmation of instructions

We have a procedure to confirm the following instructions with you:

- > a redemption greater than or equal to \$1,000,000;
- > a redemption to a third party account;
- > a redemption to an account which is not the pre-nominated bank account, even if it has the same account name as the redeeming account;
- > change of bank account details;
- > change of distribution method from reinvestment to direct credit to a new bank account.

Macquarie Funds Management Client Service staff will call an authorised signatory on the contact phone number provided on the application form. The purpose of the call is to confirm that the instruction that has been received by Macquarie is valid. The aim is to protect Macquarie's clients from unauthorised transactions and unauthorised changes to their account details. Please note that if Macquarie is unable to contact an authorised signatory, they may postpone the processing of the instruction until they have been able to make contact. Your instruction will not be treated as having been received until Macquarie is able to contact the authorised signatory and confirm the instruction, unless Macquarie otherwise determines.

You can appoint an agent to transact on your behalf using Macquarie's 'Appointment of Agent form' in the application form attached to this PDS. By completing the form you and your agent will indemnify Macquarie

against any liability Macquarie incurs in respect of that appointment.

### Indirect investors

You can only withdraw through your IDPS operator in accordance with their terms and conditions.

## Suspension of redemptions

We can suspend the processing of all redemptions for the Fund, for example, in the following circumstances:

- > in certain emergency situations which impact on the effective and efficient operation of a market for an asset in the Fund;
- > if the Fund is no longer 'liquid', as defined in the Corporations Act, we can make money available only on a periodic basis and allocate it on a pro rata basis amongst those investors wishing to withdraw.

If this occurs, in determining the unit price, we will use the asset values determined **after** the suspension is lifted.

## Distributions

### Income distributions and reinvestment

From the underlying investments, the Fund is expected to receive or generate distributions consisting of dividends, interest, gains or losses from futures trading, franking credits, tax deferred income and return of capital and realised capital gains. Income is generally paid quarterly after the end of March, June, September and December. Net capital gains will be distributed at least once a year.

You may elect to have your distributions paid directly into a nominated Australian bank account or have them reinvested in the Fund by completing the relevant section of the application form.

If you do not nominate how you wish to receive your income distributions, your distributions will be automatically reinvested as additional units in the Fund. Such units will be issued at the net asset value at the close of business at the end of the distribution period to which the entitlement relates. However we may, at any time, notify unitholders that subsequent distributions will be paid in cash and not be reinvested and subsequently withdraw any such notification.

Unit prices fall at the end of the distribution period to reflect the distributions. If you invest towards the end of a distribution period, you may find that you receive some of your capital as income. However, if your application price is calculated as at the last business day of the period, your application price will not include an income component for that period. Similarly, if you withdraw

your investment towards the end of the distribution period, you will receive your share of any accrued income as capital. However, if your redemption price is calculated as at the last business day of the period, your redemption price will not include an income component for that period but you will also receive the income as part of your distribution.

## Unit pricing

We calculate application prices and redemption prices daily. The unit price is equal to the value of the Fund's assets, less liabilities, divided by the number of units on issue. Application and redemption unit prices take into account transaction costs (the buy/sell spread) as applicable. Assets are normally valued at their most recent market value, using independent pricing sources where available for the particular asset type. Any units held in unlisted funds are valued at their most recent mid unit prices (the net asset value per unit) as supplied by the fund operator. Overseas assets are valued as at the close of business in each of the relevant overseas markets. We may use model values or fair values if market quotations are not available or are deemed unreliable.

The valuation methods and policies applied by Macquarie, to value the Fund's assets and liabilities, are consistent with applicable industry standards and result in unit price calculations that are independently verifiable. Under the constitution for the Fund, Macquarie has certain discretions in determining application and redemption prices. We have documented their policy regarding the exercise of these discretions. A copy of the policy, together with the related documents, is available free of charge from Client Service.

As discussed above, unit prices fall at the end of each distribution period because the allocation of the distributions reduces the Fund's assets. On any day, the application price is different from the redemption price of units as a result of the buy/sell spread.

### Direct investors

You can contact Client Service directly. The unit prices are also published on our website at: [www.macquarie.com.au/unit\\_prices](http://www.macquarie.com.au/unit_prices)

### Indirect investors

Your IDPS operator can provide you with the unit prices for your investment.

## Timing changes

You will be notified if we change the frequency of distributions or valuing the Fund, or the frequency or timing of unit pricing.

## Transferring units

You may transfer units in the Fund to another person by providing us with a signed and completed standard transfer form and a completed application form from the current PDS for the Fund at that time. We reserve the right to decline transfer requests at our discretion.

A transfer of units involves a disposal of units, which may have tax implications. Stamp duty may also be payable on the transfer unless an exemption applies. You should obtain tax and stamp duty advice before requesting a transfer.

## Keeping in touch with you

### Direct investors

We provide:

- > confirmation of your transactions;
- > transaction statements at least annually;
- > quarterly reports on the performance of the Fund, an economic and market overview, and Fund highlights;
- > a tax report to help with your tax return at financial year-end;
- > the annual financial statements of the Fund by end of September each year.

### Indirect investors

Your IDPS operator can provide you with reports on the progress of the Fund.

## MFM Online – Macquarie Managed Investments

Investors are able to access some account information online by visiting Macquarie's website - [www.macquarie.com.au/mfm](http://www.macquarie.com.au/mfm). Investors will need an access code and this can be requested on the application form.

## Continuous disclosure documents

The Fund may be subject to certain regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office. As an investor in the Fund, you have the right to obtain the following documents from us:

- > the annual financial report (including financial statements) most recently lodged with ASIC by us in respect of the Fund;
- > any half-year financial report (including financial statements) lodged with ASIC in respect of the Fund after the lodgement of the annual financial report and before the date of this PDS;
- > any continuous disclosure notices provided by us in respect of the Fund after the lodgment of the annual financial report and before the date of this PDS.

If requested, we will send you a printed or electronic copy of any of the above documents, free of charge, as soon as possible or within five days of receiving your request.

## Our legal relationship with you

### Macquarie as the responsible entity

As the responsible entity of the Fund, we are solely responsible for the management and administration of the Fund. We hold an Australian Financial Services Licence (AFSL), authorising us to act as the responsible entity of the Fund. Details of our AFSL can be found on ASIC's website at [www.asic.gov.au](http://www.asic.gov.au).

Our powers and duties are set out in the constitution relating to the Fund, the Corporations Act and general trust law.

### Corporations Act

Our duties under the Corporations Act include:

- > acting in the best interest of investors and, if there is a conflict between investors' interests and our own interests, giving priority to investors' interests;
- > ensuring that Fund property is clearly identified as Fund property, is valued at regular intervals and is held separately from our property and the property of any other fund;
- > reporting to ASIC any breach of the Corporations Act in relation to the Fund, which has had, or is likely to have, a materially adverse effect on the interests of investors.

We are liable for our agents engaged in connection with the Fund.

## Constitution

The Fund is established by a constitution, as amended from time to time. The terms and conditions of the constitution are binding on each investor and person claiming through them, as if the investor or person were a party to the constitution.

This PDS summarises some key features of the constitution, such as issue and redemption of units, calculation of unit prices and fees. However, the constitution covers a number of additional matters, including:

- > the nature of units (subject to any special terms of issue, identical rights attach to all units);
- > how and when redemptions are paid;
- > unitholder meetings (a resolution may bind you, regardless of how or whether you voted);
- > the circumstances in which we are and are not liable to you;
- > our indemnification out of assets of the Fund for all costs incurred by us in relation to the administration or management of the Fund (subject to the proper performance of our duties);
- > your rights to share any Fund income, and how we calculate it;
- > when we can retire as responsible entity of the Fund.

We can amend the constitution from time to time, subject to the provisions of the constitution and the Corporations Act, including if we reasonably consider that the amendments will not adversely affect investors' rights. Otherwise, we must obtain investors' approval at a meeting of unitholders.

### The compliance plan

We have prepared and lodged a compliance plan for the Fund with ASIC. The compliance plan sets out the key criteria that we will follow to ensure that we are complying with the Corporations Act and the Fund constitution. Each year the compliance plan is independently audited, as required by the Corporations Act and the auditor's report is lodged with ASIC.

## The compliance committee

As required, we have established a compliance committee with a majority of independent members. The compliance committee's functions include:

- > monitoring our compliance with the compliance plan and reporting its findings to us;
- > reporting breaches of the Corporations Act or the constitution to us;
- > assessing the adequacy of the compliance plan and recommending any changes.

## Rights and liabilities of an investor

A unit confers a beneficial interest on an investor in the assets of the Fund but not an entitlement or interest in any particular part of the Fund or any asset.

The constitution also provides that the liability of unitholders is limited to their investment in the Fund. Therefore, a unitholder is not required to indemnify us or our creditors against our liabilities in respect of the Fund. However, no complete assurance can be given in this regard as the ultimate liability of unitholders has not been finally determined by the courts.

## The custodian

We have appointed Bond Street Custodians Limited (BSCL) to hold the assets of the Fund. BSCL is part of the Macquarie Bank Group. However, the arrangements between us are on arm's length terms. We will monitor and review BSCL's procedures and systems to ensure that custodial functions are carried out efficiently and properly.

## Proxy voting and corporate governance

The exercise of voting rights is an important aspect of the investment management process and our ability to influence corporate management and manage the performance of portfolios, where applicable. We will vote on all company resolutions where we have the authority to do so. We will report to members on the outcome of our Australian proxy voting record on an annual basis.

## Enquiries and complaints

### Direct investors

We have arrangements in place for handling enquiries or complaints. For enquiries, you may contact your financial adviser or Macquarie Funds Management Client Service on 1800 814 523, 9.00am to 5.00pm Sydney time, Monday to Friday.

Complaints can be sent to:

### The Complaints Officer

**Macquarie Investment Management Limited**  
**PO Box R1723**  
**Royal Exchange NSW 1225**

Our procedures ensure that we deal with complaints within 45 days of receipt.

If we are unable to resolve the complaint or you are dissatisfied with the outcome, then you have the right to refer the complaint to the Financial Industry Complaints Service Limited (FICS), of which we are a member. FICS is an external dispute resolution body that has been approved by ASIC. FICS is an independent body that assists customers in the resolution of complaints relating to members of the financial services industry. The contact details are:

The Financial Industry Complaints Service Limited  
PO Box 579  
Collins Street West  
Melbourne VIC 8007  
Toll Free: 1300 780 808  
Email: fics@fics.asn.au  
Fax: 61 3 9621 2291

### Indirect investors

Please contact your IDPS operator.

## We respect your personal details

### Direct investors

We collect certain personal information from you, in order to administer your investment in the Fund. As required by law, we have adopted a Privacy Policy that governs the collection, storage, use and disclosure of personal information. A copy of our Privacy Policy is available from our website at [www.macquarie.com.au/au/privacy\\_policy.htm](http://www.macquarie.com.au/au/privacy_policy.htm).

By signing the application form, you agree to us collecting, storing, using and disclosing your personal information in accordance with our Privacy Policy. This includes using your personal information for:

- > providing or marketing products and services to you;
- > administration purposes, including monitoring, auditing and evaluating the products and services;
- > determining future product and business strategies and to develop services, including the modelling of data and data testing;
- > ensuring compliance with all applicable regulatory or legal requirements. This includes the requirements of ASIC, ATO, AUSTRAC and other regulatory bodies or relevant exchanges including the requirements of the superannuation law;
- > communicating with you in relation to your holding and all transactions relating to the holding;
- > providing products and services to you through other entities in the Macquarie Bank Group, our agents, contractors or third parties whether or not located in Australia.

We aim to ensure that our record of your personal information is accurate, complete and up to date. If your personal information changes, please inform us as soon as possible. You may correct or update this information by notifying us in writing.

We will provide you with access to your personal information at no charge.

### For more information

If you have any questions in regard to your privacy, please contact the Privacy Officer by:

- > phone on 61 2 8232 8757; or
- > email to [privacy@macquarie.com.au](mailto:privacy@macquarie.com.au)

## Access to your information

We may provide access to your information to:

- > our agents, contractors or third party service providers who provide services in connection with our product and services;
- > licensed financial advisers if their stamp appears on the application form, unless you instruct us not to do so.

If you do not provide the information we ask you to supply on the application form we may not be able to process or accept your application.

**Note:** By signing an Application Form to invest in the Fund, you consent to the use and disclosure of your personal information in the manner set out above.

### Indirect investors

We do not collect or hold any personal information about you, in connection with your investment in the Fund. You should contact your adviser or IDPS operator for details on the collection, storage, use and disclosure of personal information.

## About this PDS

The terms and features of the Fund were current at the date of this PDS. However, we reserve the right to change the terms and features of the Fund in accordance with the Fund's constitution and other relevant legislation.

You should keep a copy of the current PDS and any other supplementary material updating the PDS for future reference. You can obtain a copy of the current PDS, free of charge, by contacting Client Service on 1800 814 523, 9.00am to 5.00pm Sydney time, Monday to Friday.

This page is left blank intentionally.

# Contact

## **Macquarie Funds Management**

Level 22  
20 Bond Street  
SYDNEY NSW 2000

PO Box R1723  
Royal Exchange  
New South Wales 1225

## **Client Service**

### **Telephone**

1800 814 523 or  
61 2 8232 6491  
9.00am to 5.00pm (Sydney time)  
Monday to Friday

### **Facsimile**

61 2 8232 4730

### **Email**

[mfm.clientservice@macquarie.com](mailto:mfm.clientservice@macquarie.com)

### **Website**

[www.macquarie.com.au/mfm](http://www.macquarie.com.au/mfm)





Macquarie Funds Management  
PO Box R1723  
Royal Exchange NSW 1225



Client Service 1800 814 523  
9.00am to 5.00pm (Sydney time)  
Monday to Friday



[mfm.clientservice@macquarie.com](mailto:mfm.clientservice@macquarie.com)



[www.macquarie.com.au/mfm](http://www.macquarie.com.au/mfm)