

TRADED ENDOWMENT POLICIES

Premier Pricing Option

LIFE INSURANCE
**POLICY
EXCHANGE**

INTRODUCTION

Traded Endowment Policies, are a unique fixed term investment offering investors security of capital, and competitive tax paid returns.

Traded Endowment Policies ("TEPs") have been available in NZ since 1994, with over \$60 million invested to date.

WHAT ARE TRADED ENDOWMENT POLICIES?

Traded Endowment Policies are investment based insurance policies that Life Insurance Policy Exchange Limited ("Policy Exchange") has acquired from the original policyholder. The reason the original policyholder has decided to sell their policy is typically due to a cash requirement.

"Traded Endowment Policies are a unique fixed term investment offering excellent security of capital and competitive tax paid returns."

WHY INVEST IN A TRADED ENDOWMENT POLICY?

It is generally recognised that by cashing a policy in early, the original policyholder is foregoing much of the value that accrues only at maturity.

By holding it over the remaining term to maturity, an investor is able to unlock the full policy value.

HOW SECURE IS MY CAPITAL – PREMIER OPTION?

Under the Premier Option, each TEP has a 'Locked In' Maturity Value that will vary between 85% – 100% of the acquisition price.

The 'Locked In' Maturity Value is an amount that the insurance company is obligated to pay under the policy.

For this reason, Policy Exchange only deals in policies taken out with reputable and well-established insurance companies such as AXA and Sovereign. These two companies, for example, hold a "A+" (Standard & Poors) and "A+" (AM Best) "Insurer Financial Strength Rating" respectively.

To the extent of the "Locked In Maturity Value" the investors capital can be considered low risk in our view.

WHAT RETURNS WILL I GET?

TEPs do not produce a regular income stream. Instead, all returns are compounded annually and paid out in one lump sum at maturity.

The lump sum payout is based around the Estimated Maturity Value ("EMV"), an amount the insurance company will pay, assuming current earnings (or bonus) rates are maintained over the remaining term to maturity.

These earnings rates may fluctuate over time, meaning the investors return may also fluctuate.

HOW CERTAIN IS MY RETURN – PREMIER OPTION?

Under the Premier Option, Policy Exchange assumes the top-end risk associated with bonus rate movements. Should bonus rates fall, the primary impact will be a reduction in the performance based redemption fee payable to Policy Exchange at maturity, and the investors' return is relatively insulated. Should bonus rates increase, however, the investor will achieve a higher return.

The performance based redemption fee is priced into each policy at the outset, and will be reflected on the Investment Summary provided to the investor by Policy Exchange. It will be disbursed at the end of the investment term by the custodian only if the investor has achieved the quoted return.

INVESTMENT TERMS

Minimum Investment	\$10,000
Capital Position	85% – 100% Secure
Available Durations: [Investors must select the range they want, and we will match a policy to suit]	3 – 3.99 years 4 – 5.99 years 6+ years
Indicative Tax Paid Projected Return [Please refer to Rate Chart for latest rates on offer]	5.86% p.a.
Pre-tax equivalent [33% taxpayer]	8.75% p.a.
Pre-tax equivalent [38% taxpayer]	9.45% p.a.

"The return generated by a TEP is achieved by unlocking the benefits at maturity foregone by the previous owner."

HOW TO INVEST

Simply complete a Traded Endowment Policy Order Form, and we will send you details of a policy/s that fit your requirements, plus the documentation required to complete settlement.

Cheques are payable to an independent custodian who acts as paying agent and custodian over the full term of the investment.

FURTHER INFORMATION

For further information, including a copy of the TEP Investment Guide and Standard & Poors or AM Best ratings scale, please contact Policy Exchange on freephone 0800 476 542.

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This summary is effective from 15 Feb 2010.