

Wrap Capital Protection

Frequently Asked Questions



Product Information

How do clients apply for Capital Protection?

To apply clients must receive the BT Capital Protection Fund PDS along with the PDS for their chosen managed fund. Clients must also sign the Transactions Form from the DeskTop which is pre-completed and can be printed when placing transactions.

What is the minimum investment amount for Capital Protection?

Clients need to meet the minimum Wrap managed fund investment rules. There are no further minimum investment rules for Capital Protection.

Can a client partially protect a managed fund?

Managed fund holdings cannot be partially protected. When elected, Capital Protection will apply to the client's entire holding in that fund.

How do I know when Capital Protection is in force?

Capital Protection will become effective when a client's application is accepted by Deutsche Bank, which is no sooner than the following business day. When in force, a shield icon (🛡️) will be displayed alongside the client's chosen Investment Fund on various DeskTop reports.

What is the Minimum Outcome?

The Minimum Outcome is the minimum dollar amount that Capital Protection is designed to ensure a client's Protection Portfolio is worth at the end of the Protection Term. When Capital Protection is initially set up, the Minimum Outcome is equal to the amount of the investment (e.g. if a client invests \$10,000, their Minimum Outcome is set at \$10,000).

How do distributions affect the Minimum Outcome?

Distributions that are reinvested will not affect the Minimum Outcome.

Distributions that are received as cash will be treated as a partial withdrawal and reduce the Minimum Outcome. This is because when an investor elects to receive distributions as cash, that money moves outside of the Protection Portfolio.

How are the Capital Protection fees and costs charged?	The Protection Issuer Fee and Protection Acquisition Cost are deducted directly from the client's Cash Account on a monthly basis. The Protection Issuer Fee is paid to BT Funds Management Ltd (as Responsible Entity of the BT Capital Protection Fund) for the administration of the Fund. The Protection Acquisition Cost is paid as consideration for the issue of an interest in the Protection Class within the BT Capital Protection Fund.
Are there any entry/exit fees for Capital Protection?	There are no entry/exit fees for Capital Protection ¹ . However, normal Wrap transaction fees (if applicable) may apply to deposit and withdrawal transactions on a Protection Portfolio.
What is Rebalancing?	From time to time during a client's Protection Term, some of their holdings in the Investment Fund will be redeemed and invested into the Capital Protection Fund, and vice versa. The purpose of the Rebalancing is to manage the risk of the client's investments in their Protection Portfolio.
What triggers a Rebalance?	Rebalancing is determined according to a set formula. The two main factors likely to lead to a rebalance are: (a) a significant change in the Investment Fund's performance/value; and (b) the length of time remaining until maturity.
Does rebalancing incur Wrap transaction fees and buy/sell spreads?	There will be no Wrap transaction fees charged for rebalancing trades. However, any applicable buy/sell spreads will apply.
How are Rebalancing transactions treated for tax purposes?	Rebalancing transactions will be treated in the same way as other transactions triggered when a client redeems units from one managed fund and invests into another managed fund.
How does Capital Protection work in conjunction with Wrap Model Portfolios and Preferred Portfolios?	Capital Protection cannot be applied to a fund that is included in a model or Preferred Portfolio. If clients want to apply protection to such a fund, the model or Preferred Portfolio will need to be amended or unlinked from the client.
How does Capital Protection work with the Drawdown Strategy on Wrap?	Where Capital Protection is in place, the value of the Protection Portfolio will be considered as part of the calculations for the Drawdown Strategy. If a client does not want certain funds to be included in drawdowns, they need to exclude them from the drawdown strategy.
Does Capital Protection affect minimum/maximum Pension Plan calculations at 1 July each year?	Capital Protection does not affect minimum/maximum pension calculations. The value of the Protection Portfolio at 1 July will form part of the calculation as per other holdings in the client's account.
What happens to Capital Protection in the event of the death of a client?	For SuperWrap clients and Wrap individual clients once we are notified of the death, protection will be cancelled and the client's Protection Portfolio(s) will be redeemed and the proceeds deposited to the client's Cash Account. Protection is not able to be carried across to a beneficiary as the standing instruction required for rebalancing ceases when we are notified of a client's death. However, by redeeming the client's Protection Portfolio(s) into their Cash Account, their investments will no longer be subject to market risks. For other types of clients, protection may continue after the death of one of the clients.
What performance can I expect from Wrap Capital Protection?	Performance is entirely individualised for each Protection Portfolio for each client. Actual performance will reflect the units held in each Investment Fund and the Capital Protection Fund, as shown on the DeskTop. This may result in performance outcomes that are difficult to predict, particularly as a result of Rebalancing.

¹ There is a buy/sell spread in relation to the bond classes within BT Capital Protection Fund.

Product Features

What is the Automatic Growth Capture feature?	This feature is designed to ensure that a client's Minimum Outcome has an opportunity to grow during the Protection Term, if the value of their Protection Portfolio increases. Every 3 months, a client's Minimum Outcome may be automatically increased to capture 50% of growth in the value of their Protection Portfolio. Refer to Section 4.3 of the PDS for further details on this feature.
When does the Automatic Growth Capture occur?	The Automatic Growth Capture occurs every 3 months on the following dates: 20 February, 20 May, 20 August and 20 November. Clients can also request an ad-hoc increase in the Minimum Outcome. See question on 'What is the Increase Minimum Outcome feature?'
What is the Increase Minimum Outcome feature?	This feature allows a client to request, on an ad-hoc basis, to increase their Minimum Outcome to the value of their Protection Portfolio at the time. An example of when a client might consider using this feature is if the value of their Protection Portfolio has increased significantly in comparison to their Minimum Outcome, and they want to capture and protect this growth. When a client requests to increase their Minimum Outcome, they may trigger a rebalancing from their chosen managed fund to the Capital Protection Fund, depending on the size of the increase to their Minimum Outcome. Increase Minimum Outcome is done via the DeskTop at My Client > Capital Protection > Amend.
What happens at the Protection Maturity Date?	On the Protection Maturity Date a client's holdings in the Capital Protection Fund will be redeemed and paid to their Cash Account. Any holdings in their chosen Investment Fund will remain in the client's Wrap account, but will no longer be protected.
Can a client extend or shorten their Protection Term?	<p>A client can extend their Protection Term by choosing a new Protection Maturity Date that is later than their current maturity date. Generally, they will be able to select a new maturity date in a calendar year up to 10 years in the future. Term Extensions can be requested on the DeskTop via My Client>Capital Protection>Amend.</p> <p>It is not possible to shorten the Protection Term.</p>
What is the impact of extending the Protection Term?	An extension of the Protection Term will not affect a client's Minimum Outcome, however, their holding in the Capital Protection Fund cash or Bond Class (matching the current maturity date) will be redeemed and the proceeds will be invested into another Cash/Bond Class (matching the new maturity date). In addition, a Rebalancing may occur, transferring money out of the Capital Protection Fund into the Investment Fund.
What is a Protection Payment?	In the case of a severe and sudden fall in the unit price of a client's Investment Fund due to market movements, Deutsche Bank will provide a Protection Payment to the Capital Protection Fund, which will be paid as a distribution to the client. The payment will increase the holding in the Protection Portfolio so that it will be sufficient to provide the Minimum Outcome on the Protection Maturity Date, or paid out to client's Cash Account in the case of an early cancellation of the protection.
What is the tax treatment of Protection Payments?	Clients will be entitled to receive Protection Payments as distributions, which may include a non-assessable component (that will reduce the relevant cost base) and an assessable capital gain. Please see section 7.5 of the PDS for more details.

Creating Orders

Can multiple transactions be actioned at same time on a Protection Portfolio?

Generally only one transaction can occur at a time on a Protection Portfolio due to processing requirements of Capital Protection. If there are pending transactions within a Protection Portfolio, subsequent requests may be queued and executed after those pending transactions are settled or the new transaction may not be able to be entered onto the DeskTop until the pending transactions are completed.

Why are some applications and additional deposits processed over multiple transactions? How do I track this?

Initial cash applications and additional deposits into the client's chosen managed fund may occur as smaller transactions over 3-7 business days (depending on settlement times). This is to control the risk of a severe and sudden fall in the unit price of the managed fund during the settlement period. Importantly, any Wrap transaction fees (if applicable) will only be charged once.

These multiple transactions can be tracked on the DeskTop via the Order Status screen.

How much will be allocated to the Capital Protection Fund when Capital Protection is first commenced?

Wrap Capital Protection is designed so that, if a client chooses the default maturity date (approximately 7 years), their exposure to the Capital Protection Fund on day 1 will generally not exceed a significant portion of the available balance of their Protection Portfolio at the time of acceptance of application. However in some circumstances the exposure to the Capital Protection Fund may be greater, eg during a distribution period or where there are no unit prices available for the Investment Fund. Indicative ranges for the initial allocation are available via the Available Funds List Flyer.

Can I apply protection to an existing holding if there is an outstanding trade on that holding?

For managed funds already held by the client, applications for Capital Protection will not be accepted until all units are settled and there are no pending trades. This is to ensure the correct Minimum Outcome is applied.

How are additional deposits allocated between a client's chosen Investment Fund and the Capital Protection Fund?

Generally, additional deposits will be split between the Investment Fund and the Capital Protection Fund as per the proportion held in each at the time of the deposit, unless coinciding with Rebalancing.

How are partial withdrawals allocated between the client's chosen Investment Fund and the Capital Protection Fund?

Generally, partial withdrawals will be split between the Investment Fund and the Capital Protection Fund as per the proportion held in each at the time of the withdrawal, unless coinciding with Rebalancing.

How do additional deposits affect the Minimum Outcome?

Additional deposits will increase the Minimum Outcome on a dollar for dollar basis. For example, if the current value of the Protection Portfolio is \$110,000 with a Minimum Outcome of \$100,000 and an additional deposit of \$20,000 is made, the Minimum Outcome will increase by \$20,000 to \$120,000.

How do partial withdrawals affect the Minimum Outcome (including distributions received as cash)?

Partial withdrawals will reduce a client's Minimum Outcome on a proportional basis. For example, if the value of a client's Protection Portfolio is \$150,000, with \$120,000 as the Minimum Outcome, and a partial withdrawal of \$30,000 is made, the client's Minimum Outcome will decrease by 20% (i.e. $\$30,000/\$150,000$) to \$96,000.

How do clients access money in their Capital Protection Fund?

Clients cannot trade directly on the Capital Protection Fund. However, withdrawals can be made from a client's Protection Portfolio via the DeskTop and the withdrawals will be split between the Investment Fund and the Capital Protection Fund. When a client cancels their Capital Protection, the portion held in the Capital Protection Fund will be redeemed into the Cash Account.

Can a client cancel Capital Protection early and keep their Investment Fund holding?

Yes, when a client cancels the protection early they will maintain any holdings in the Investment Fund at the time of cancellation. Holdings in the Capital Protection Fund will be sold to the client's Cash Account.

Reporting & Data Downloads

What new reports are available for Capital Protection?

New reports for Capital Protection are Activity Summary, Summary View, Detailed View and My Business Protection View. The Order Status report has been updated to display Capital Protection trades. Additionally the Asset Allocation, Portfolio Valuation, Portfolio Position and Transaction History reports now display the Capital Protection icon for all funds which have protection in force.

How will the Capital Protection Fund be shown on Reports?

There are multiple Cash and Bond Classes within the Capital Protection Fund, with each class representing a year in which a Protection Term ends. Each Cash/Bond Class will have a unique APIR code and will be displayed on most reports in the same way as all other managed funds.

Where a client has protection over multiple managed funds with the same maturity date, the client will be invested in just one Cash/Bond Class and the individual allocations for each Investment Fund will be shown as an aggregated holding in the Cash/Bond Class on most reports.

Capital Protection Reports such as Summary View and Detailed View will display each Investment Fund as well as the corresponding individual allocation to the particular Cash/Bond Class.

If the client has Capital Protection for multiple managed funds with different dates, they will be invested in more than one Cash/Bond Class.

How are Capital Protection transactions shown on the Order Status report?

The Order Status Report will display all Capital Protection requests. Where a request results in multiple trades, the trades will be shown via an expand icon. When the report is first opened only the top level Request is shown. By clicking on the expand icon () the report will expand to show the underlying trades linked to this request.

What is the new status Complete* on the Order Status report?

A new status of Complete* has been introduced to the Order Status report. This will be displayed when one or more of the underlying trades for a Capital Protection request cannot be completed. (For example due to insufficient funds). In these situations the Capital Protection request has been completed, however the final value of the trades will not be equal to the initial request.

Which reports display the Capital Protection icon?

Funds which have Capital Protection in force will be displayed on all Capital Protection Reports, that is Activity Summary, Summary View, Detailed View and My Business Protection View. The Icon will also be displayed on the Asset Allocation report (My business and My Client), Portfolio Valuation, Portfolio Position and Transaction History reports.

Will Capital Protection be downloaded into all providers?

Yes. BT have advised all software providers of the changes. Individual providers are responsible for the changes to their systems.

What changes do I need to make to my download?

Data download users need to contact Customer Relations to add the new Capital Protection information to their existing files.

What information will be available?

The new data fields are: Protection start date, maturity date, Minimum Outcome, Protection Fund allocation.

BT Capital Protection Fund

What are the Classes of the Capital Protection Fund?

There are multiple Cash/Bond Classes within the Capital Protection Fund with each Cash/Bond Class representing a calendar year in which a Protection Term ends. Either at initial application or when the first Rebalancing occurs, clients will be issued with units in the Cash Class for the relevant calendar year in which their Protection Term ends. For example, a client selecting a maturity date of 20 August 2020 will be invested into the BT Capital Protection Fund – Cash Class 2020.

Each Cash Class invests in a cash deposit account with Westpac. Each Bond Class invests in Westpac fixed interest securities and derivatives which together are necessary for delivering the Minimum Outcome at the different maturity dates.

Can a client be invested into more than 1 Capital Protection Fund Class?

Yes, if a client has Capital Protection for multiple Investment Funds with different maturity dates, they will be invested in more than one Cash/Bond Class. If they select the same maturity date for multiple funds, they will be invested in just one Cash/Bond Class.

What is the Protection Contract?

This is a contract between BT Funds Management Ltd (as Responsible Entity of the BT Capital Protection Fund) and Deutsche Bank under which Deutsche Bank agrees to; (a) maintain the set formula for Rebalancing; and (b) make Protection Payments (when required, due to adverse market movements) to ensure that the Minimum Outcome is met for each Protection Portfolio.

Approved List

Which managed funds are eligible for Capital Protection?

Refer to the Capital Protection Available Funds List for a list of eligible managed funds for Capital Protection.

Can clients elect to switch their Investment Fund during the term?

Capital Protection is managed on a fund by fund basis. Generally, clients will not be able to switch between funds to which Capital Protection applies without cancelling and restarting Capital Protection.

What happens when an Investment Fund is removed from the available funds list or is terminated by the fund manager?

In these circumstances, clients will be offered an opportunity to select a new Investment Fund while continuing Capital Protection (without affecting their Minimum Outcome and Protection Term).



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