MPC MARKETS

FIXED COUPON NOTE ASX BASKET

Delivering steady income
with a safety barrier

FMG / HVN / NST

AUGUST 2026

DISCLAIMER: WHOLESALE, PROFESSIONAL OR SOPHISTICATED INVESTORS ONLY

FIXED COUPON NOTE - ASX

DIVERSIFIED

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STRATEGY FEATURES

Term
2 Years
Autocall from 6M

Coupon Rate
*14.5%pa**
Pricing range

Downside Barrier
40%
Pheonix Memory

Coupon Freq.
Quarterly

Strategy Profile

Fixed Coupon Note linked to a diversified basket of Australian bluechips from the Precious Metals, Mining & Consumer Discretionary. The note will consist of Fortescue, Harvey Norman & Northern Star Resources, providing exposure to high quality, blue chip ASX companies. **You receive a fixed annual Coupon rate of 14.50%pa*. These are paid in cash Quarterly to your nominated bank account, ensuring regular cash flow throughout the investment term (if all stocks are above the barrier)**

- **Term:** The investment has a duration of 2 years
  - The duration is set to 2 years to give a stock time to recover in the event of a company specific or broader market fall. **This does not mean the investors capital is tied up for 2 years.** Investors may exit after the autocall period for a penalty fee if the reference assets are below the entry or "breakeven" price. If the reference assets are above the breakeven price, the strategy will be "Autocalled"
- **Auto-call:** If all reference assets are above the entry price after 6 months, the counterparty will exit the note automatically, returning your capital in addition to the coupons
- **Downside Barrier:** Set at 40% of the initial strike price. Stocks chosen in the basket are specifically selected based on extensive back-testing and financial modelling for each company to ensure the reference assets are a low probability of ever being delivered. This feature offers partial protection against significant declines in the underlying assets' value.
- **Phoenix Memory:** if the price of any stock drops below the 60% barrier and remains there when the quarterly coupon payment is due, the coupon is not paid until the stock returns above the 60% barrier, at which time you will be paid your quarterly coupon plus the owing coupons in arrears. Adding this option generally gives the FCN 1%-2%pa higher coupon

Reference Asset	Piotroski Score	Financial Health Score	Comments
Fortescue (FMG)	5	84.6	Fortress BS. Path risk is iron ore, not credit.
Northern Star (NST)	6	81.5	Near-zero net leverage. FCF thin through KCGM. Gold beta is the
Harvey Norman (HVN)	6	70.4	Property book is the floor. Already −41% from the 52-week high.

FORTESCUE FMG:ASX

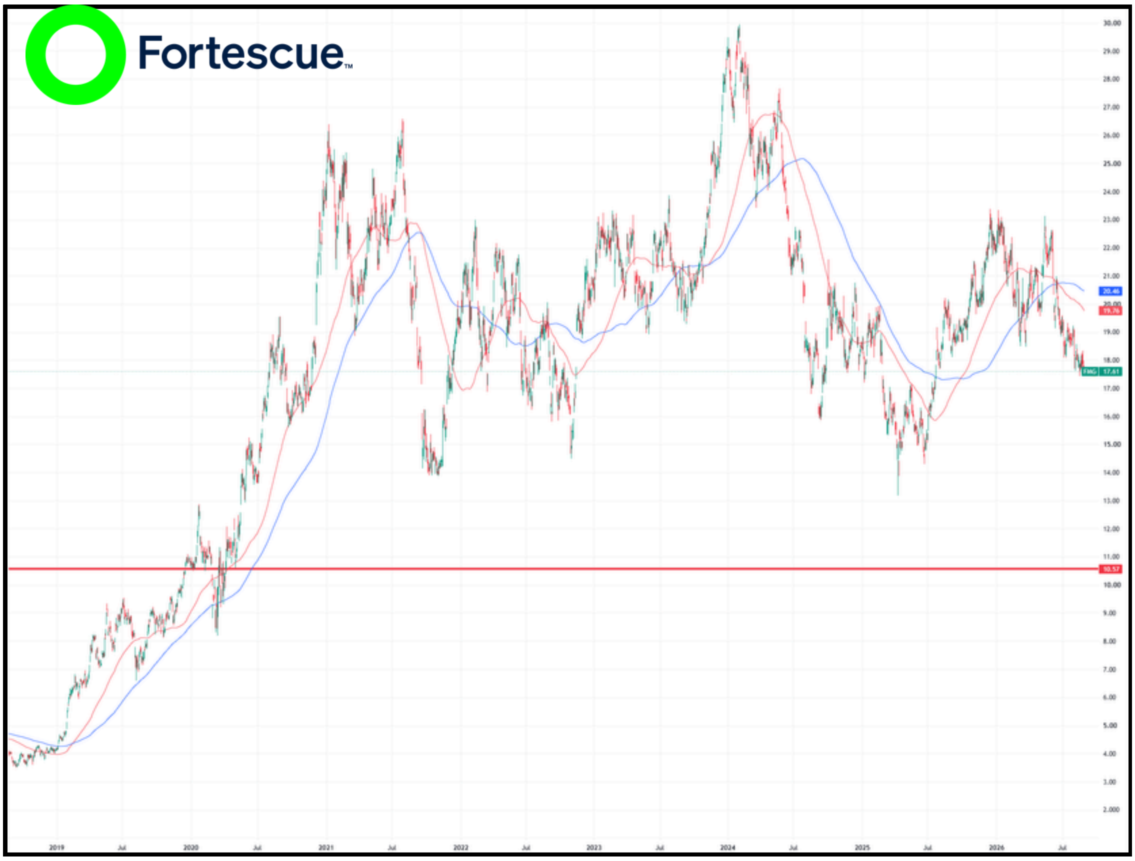
FORTESCUE FMG:ASX

Fortescue is the safest name in the basket by balance-sheet metrics, and the numbers back that up cleanly.

Financial health: Altman Z-Score of 4.36 sits in safe territory and is the highest of the three. Leverage is the lowest — debt/EBITDA 0.71x, net debt/EBITDA 0.11x, debt/equity 0.29x — with a current ratio of 2.32x and interest cover of ~20x. Cash is A$5.1bn against net debt of A$0.9bn. FCF margin is ~19% on the FY26 print (US$3.2bn FCF on US$17.0bn revenue), the best cash conversion in the group. Two things need flagging rather than glossing over: Piotroski F-Score of 5/9 is the weakest of the three, reflecting the earnings down-cycle already in broker numbers (EPS –23% in FY27), and C1 costs are creeping (US$18.74, +4%) as diesel and wages catch up. The 51% EBITDA margin is a real operating margin, not a revaluation artefact.

Valuation: shares trade at $17.60, a trailing P/E of 13.0x on EPS of $1.35 and a forward 15x — middle of the basket, and not cheap once you accept the earnings path is down. Dividend yield of ~6.1% is the payout of a mature miner, not a growth stock. Price/total assets of ~1.7x is the richest asset multiple of the three and is the price of owning replacement-cost Pilbara infrastructure.

Company quality: Fortescue is a 201Mt integrated iron-ore producer with its own rail and port, not a developer leaning on a story. Hydrogen has been quietly retired; copper and a 200MW firmed grid are the live options. House View is overweight copper, not seaborne fines — do not stretch that into an iron-ore call. For a 24-month 60% barrier the risk is not insolvency. It is China and the iron-ore cycle — CMRG restrictions on lower-grade fines, Simandou tonnes, and a $60–70 Fe price. That path can take the stock to $10.56 without touching the credit. Modelled 24-month barrier-breach probability is 16.8%, the middle of the pack. The watch item is the iron-ore price, not the balance sheet.



HARVEY NORMAN HVN:ASX

HARVEY NORMAN HVN:ASX

Harvey Norman is the best already-de-rated floor in the basket. It is not the cleanest operating business.

Financial health: Altman Z-Score of 2.54 is grey-zone, not distress, and sits between Fortescue's safe print and Qantas's structurally low airline score. Leverage is moderate debt/equity 0.50x, net debt/EBITDA 2.36x, debt/EBITDA 2.56x — with a current ratio of 1.64x and interest cover of 6.7x. None of those are fortress numbers. They are serviceable. Piotroski F-Score of 6/9 is the highest of the three. FCF yield is real (P/FCF ~11.5x); statutory FCF margin is mid-teens on listed revenue, which is franchise fees and property, not the $9bn-plus system sales the stores actually ring up.

Flag the property: the $4.53bn freehold book is the equity floor, and it is also the thing that would be marked down in a housing recession. Do not read rental and revaluation income as if it were JB Hi-Fi gross margin. Valuation: shares trade at $4.55, a trailing P/E of 10.2x on EPS of $0.45 and a forward 12.6x — cheapest earnings multiple in the set after a 32% year-to-date drawdown. Dividend yield of 6.3% is the highest of the three and has 35 consecutive years behind it. Price/book 1.16x and price/total assets ~0.65x are the valuation expression of a stock that has already been cut to the property line.

Company quality: Harvey Norman is a franchisor plus a landlord, not a pure retailer. Australian franchisee sales do not sit in statutory revenue. That structure is why a soft furniture year does not automatically take equity to $2.73. A property crash could. FY26 prints tomorrow — do not strike a note into that print. Modelled 24-month barrier-breach probability is ~11%, the lowest of the pack, because a large part of the 40% move has already happened.

NORTHERN STAR NST:ASX

Northern Star NST:ASX

Northern Star is the second-safest name in the basket by balance-sheet metrics. It is not the lowest-barrier name, because gold equities reprice faster than the credit.

Financial health: Altman Z-Score of 4.4 is in safe territory, level with Fortescue. Leverage is cleaner than FMG on some measures — debt/equity 0.11x, debt/EBITDA 0.40x, net debt/EBITDA 0.17x — with interest cover of 28x. Cash and bullion $1.2bn, borrowings $1.4bn, undrawn facilities $1.75bn. Current ratio 1.55x is adequate, not fortress. Piotroski F-Score of 6/9 is joint-best. Two flags, not footnotes: underlying free cash flow printed only $190m in FY26 because KCGM expansion is still eating cash, and FY27 group capex is guided $2.6–2.9bn with AISC stepping up to $3,050–3,450/oz from $2,698. The 54% EBITDA margin is a real operating margin. The thin FCF margin is the capex cycle. Do not read them as the same thing.

Valuation: $24.50, trailing P/E 21x on EPS of $1.16, forward 19x — richest earnings multiple in the set. Yield 2.3% on a 55c fully franked year. Price/book 2.2x and book $11.02. 52-week range $17.07–$31.96; the stock is 23% off the high and still 8% down year-to-date. A 40% barrier from here is $14.70, below the 52-week low.

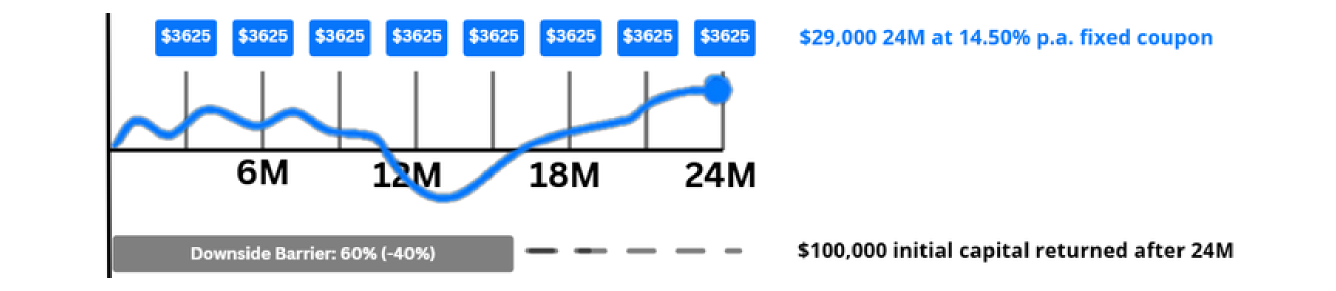
Company quality: 1.54Moz producer across Kalgoorlie, Yandal and Pogo, plus Hemi now in the reserve base (28.4Moz group reserves). FY26 NPAT $1.66bn, up 24%, on a production miss versus original guidance. Investment-grade intent, gearing policy below 20%, liquidity floor $1.0–1.5bn. House View is overweight gold — that supports the earnings tape, it does not cap the equity beta. Gold miners have printed 40% drawdowns without the balance sheet blinking. Modelled 24-month barrier-breach probability is 17.8%, a touch behind FMG. The watch item is KCGM ramp-up and the gold price, not solvency.

SCENARIOS AND RISKS - PHOENIX MEMORY

Scenario 1: Stocks Remain Above the Barrier at Expiry

- The worst performing stock in the basket is +14.5%.
- The downside barrier (40% of the strike price) is not breached by any stock at maturity.

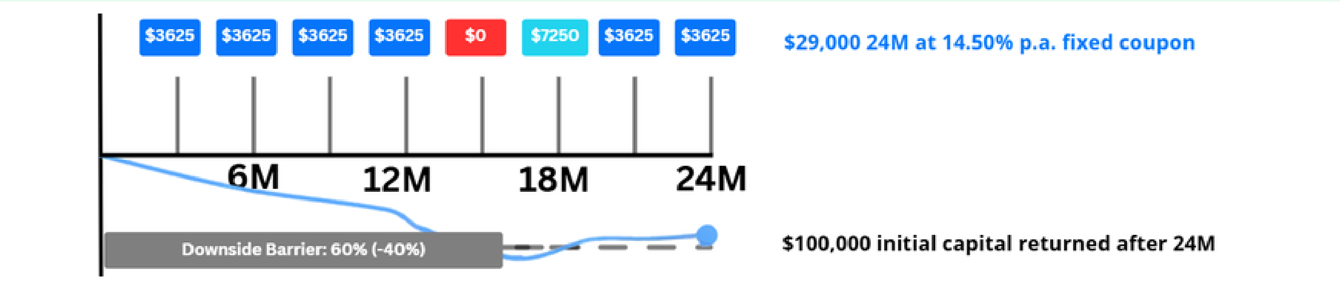
Barrier not breached at maturity: +29% ROI



Scenario 2: Stocks Drop Below the Barrier but Recover by Expiry

- During the term, one or more stocks fall below 40% of the strike price, but the final prices of all stocks recover above the barrier by expiry.
- The downside barrier (40% of the strike price) is not breached by any stock at maturity.

Barrier not breached at maturity: +29% ROI

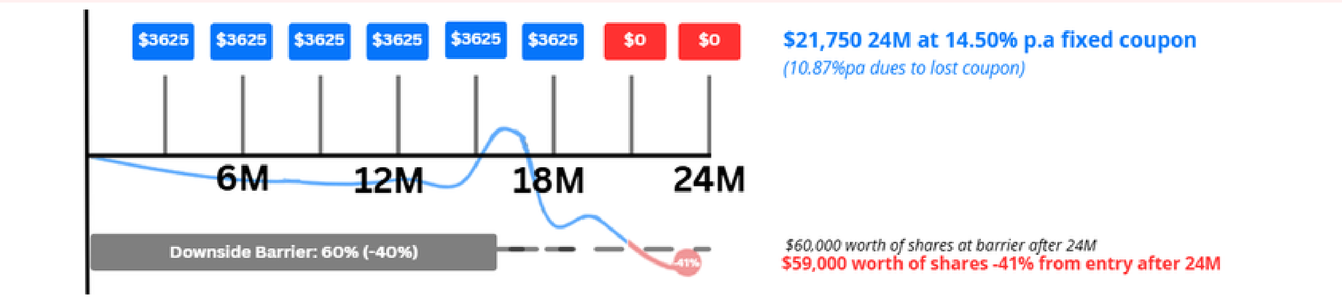


After 24 months Investor Receives = $129,000.00
$100,000 initial capital + $29,000.00 (2 years at 14.5% p.a. fixed coupon)

Scenario 3: Stocks Remain Below the Barrier at Expiry

- At expiry, one or more stocks remain below the 40% downside barrier, the investor would receive $60,000 worth of shares in that stock (or cash equivalent) at the barrier
- Outcome: If the worst-performing stock drops 41% from its initial price, the investor would receive $59,000 worth of shares in that stock (or cash equivalent) -41% from the entry price

Barrier breached at maturity: -19.25% ROI



After 24 months Investor Receives = $84,375
$59,000 in worst stock + $21,750 (2 years at 10.87% p.a. Phoenix memory coupon)

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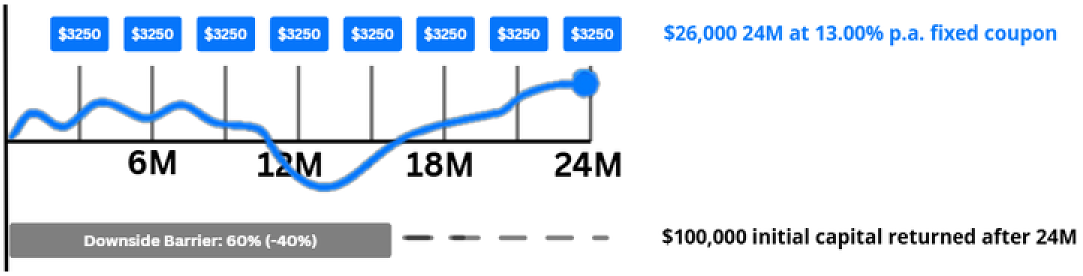
SCENARIOS AND RISKS - FIXED COUPON NOTE

Scenario 1: Stocks Remain Above the Barrier at Expiry

- The worst performing stock in the basket is +13.0%.
- The downside barrier (40% of the strike price) is not breached by any stock at maturity.

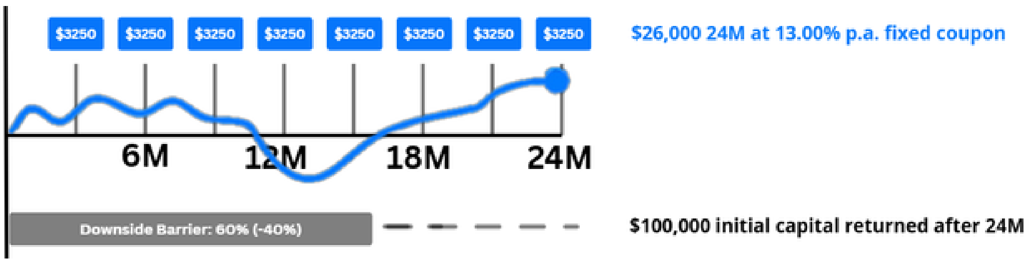
Barrier not breached at maturity: +26% ROI



Scenario 2: Stocks Drop Below the Barrier but Recover by Expiry

- During the term, one or more stocks fall below 40% of the strike price, but the final prices of all stocks recover above the barrier by expiry.
- The downside barrier (40% of the strike price) is not breached by any stock at maturity.

Barrier not breached at maturity: +26% ROI



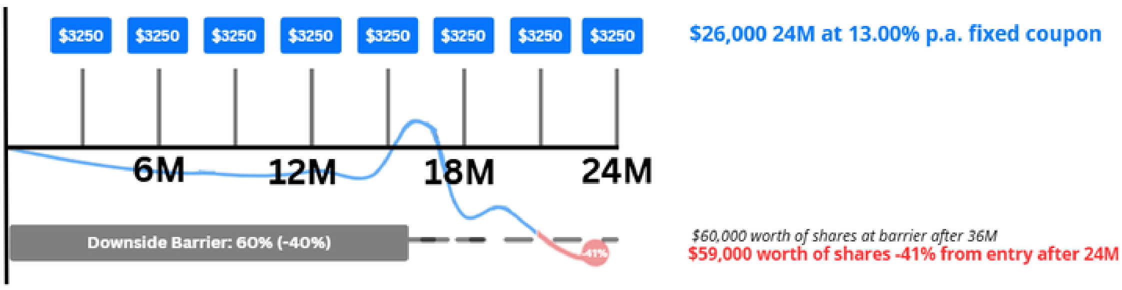
After 24 months Investor Receives = $125,000.00

$100,000 initial capital + $26,000.00 (2 years at 13% p.a. fixed coupon)

Scenario 3: Stocks Remain Below the Barrier at Expiry

- At expiry, one or more stocks remain below the 40% downside barrier, the investor would receive $60,000 worth of shares in that stock (or cash equivalent) at the barrier
- Outcome: If the worst-performing stock drops 41% from its initial price, the investor would receive $59,000 worth of shares in that stock (or cash equivalent) -41% from the entry price

Barrier breached at maturity: -15.0% ROI



After 24 months Investor Receives = $85,000

$59,000 in worst stock + $26,000 (2 years at 13% p.a. fixed coupon)

FIXED COUPON NOTE (FCN)

Diversification Strategy

FIXED COUPON STRATEGY

Why Start with ASX Banks and Why 6 or More?

Australia's Big Four banks - CBA, ANZ, NAB and Westpac-are among the most structurally resilient major banks in global equity markets. Since 1990, the "Four Pillars" policy has prevented mergers among them, avoiding the concentration risk that amplified failures in the US and Europe during the GFC. Australian banks needed no government bailouts, stayed profitable throughout the crisis, and recovered to pre-GFC highs well ahead of global peers.

Structural Resilience

- APRA CET1 ratios of 11.7-12.0% above the "unquestionably strong" 10.25% benchmark
- Dominant positions in retail banking, business lending and wealth management
- Franked dividends of 4-6 % maintained through multiple downturns

Ideal FCN Underlyings

- Attractive coupon rates of 10-12.3% p.a. with meaningful capital bufers
- Resource-rich economy with near-zero sovereign default risk
- Minimal exposure to risky ofshore assets insulates the sector

A Single FCN is Binary - Diversification Changes the Maths

A single FCN is binary risk - either the barrier holds and you receive full coupons plus principal, or it breaches and you suffer a capital loss. That is not a strategy; it is a coin flip. Spreading capital across six or more notes turns individual binary risk into a robust, income-driven portfolio.

Note: example below is based on 3 year strategies., We use 3-year strategies where possible

INVESTMENT	RATE	AMOUNT	BARRIER BREACH	YEARS	COUPONS	CAPITAL RETURNED
Banks FCN	10.0%	$100,000	0	3	$30,000	$130,000
FCN 2	12.3%	$100,000	0	3	$36,750	$136,750
FCN 3	12.3%	$100,000	0	3	$36,750	$136,750
FCN 4	12.3%	$100,000	0	3	$36,750	$136,750
FCN 5	12.3%	$100,000	0	3	$36,750	$136,750
FCN 6	12.3%	$100,000	-45%	3	$36,750	$91,750

CASH INVESTED	TOTAL COUPONS	CAPITAL LOSS	NET YIELD P.A.
$600K	$213,750	-$45,000	9.4%

Five notes pay full coupons totalling $213,750. One note breaches its barrier at –45%, producing a $45,000 capital loss. The coupon income more than covers the loss, leaving $168,750 cash profit over three years.

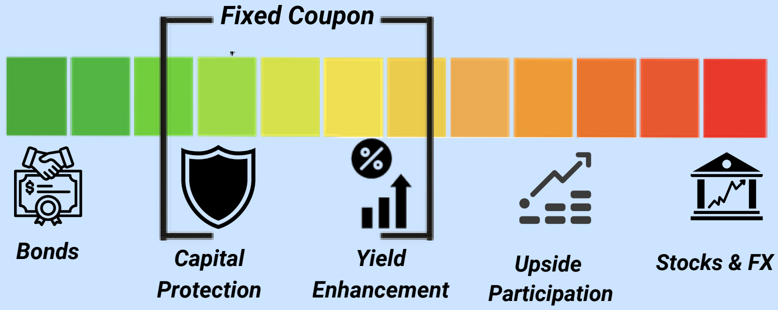
Net 9.4% per annum — even with a 16.67% failure rate

Six is the minimum where the numbers start to work. The more notes you hold, the more insulated you become from any single outcome. For risk-adjusted income investors, a diversified portfolio of ASX Banks FCNs is built to deliver attractive, resilient returns.

STRUCTURED INVESTMENT RISKS

Fixed Coupon

On the risk scale, this fixed coupon falls in the category of yield enhancement on the structured products scale with income payments prioritised above upside participation



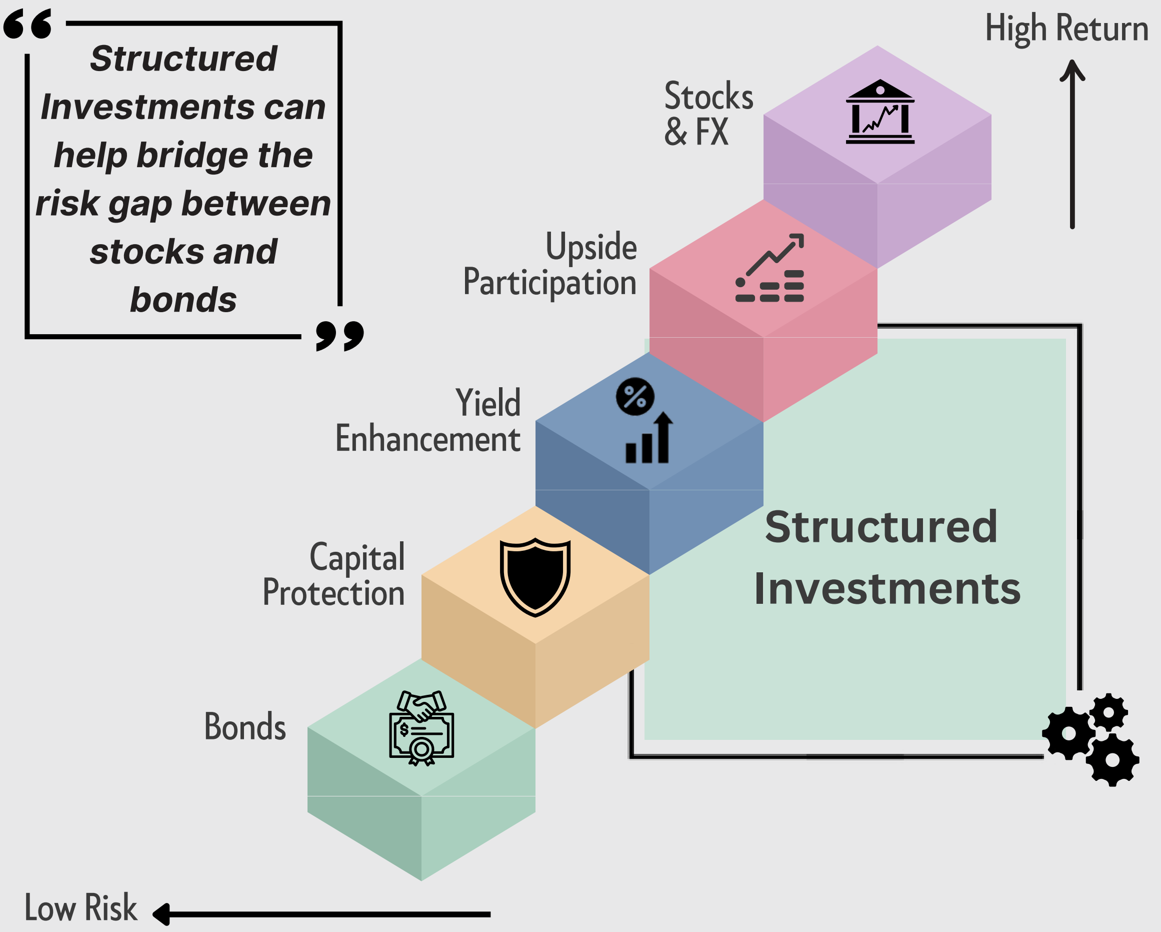
Risk profile - Where do structured Investments fit in a portfolio?

Protection
Help Reduce Risk
Reposition a portion of equity exposure
- *Reduce downside risk*
- *Maintain a level of equity upside*

Growth
Help Increase Returns
Reposition a portion of a balanced portfolio
- *Maintain upside potential*
- *Establish downside protection*

Income
Shift out of cash
Reposition a portion of cash off the sidelines
- *Increase yield*
- *Preserve risk targets*

> ***"Structured Investments can help bridge the risk gap between stocks and bonds"***



MPC MARKETS

MORE ABOUT FIXED COUPON NOTES

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FIXED COUPON NOTE (FCN)

What are they?

MPC MARKETS

VS HYBRIDS AND PRIVATE CREDIT

Fixed Coupon Notes (FCNs), such as those offering a generous 12.75% p.a. yield over 3 years with a 40% downside barrier offered by MPC Markets, are innovative structured investments from major banks.

They blend zero-coupon bonds with derivatives to deliver high fixed interest payments and significant capital protection—principal is fully preserved unless the underlying asset falls more than 60% at maturity. This robust 40% barrier provides strong downside buffering, while consistent coupons are paid unconditionally, making them highly attractive for enhanced income with controlled risk.

Summary Table of Features

Feature	Fixed Coupon Notes	Private Credit	ASX-listed Hybrids
Main exposure	Equity/indices via options on structured note	Private, negotiated corporate or asset-backed loans	Bank or corporate capital instruments (debt-equity mix)
Income profile	High fixed coupons	Floating or fixed loan interest plus fees, often above public credit	Floating or fixed distributions, higher than senior bonds but deferrable
Liquidity	OTC, Daily Liquidity, issuer secondary market	Very illiquid; multi-year fund lock-ups typical	Listed on ASX with daily trading but can be thin in stress
Key risks	Equity downside, barrier/knock-in risk, issuer credit	Default and low recovery risk, illiquidity, manager selection	Conversion/write-off, subordination, deferrable income, market volatility

Scenario Performance Examples*

The table compares the expected performance of three income-focused investments—Fixed Coupon Notes (12.75% p.a., 3-year term with 40% downside barrier), Private Credit, and ASX Listed Hybrids—across three market scenarios: a Black Swan GFC-like crash, average conditions, and a high-growth stock year.

Investment Type	Black Swan (GFC-like: ~50-60% market crash)	Average Market Conditions	High Growth Year for Stocks
Fixed Coupon Notes *MPC Average FCN (12.75%pa, 3 years, 40% downside barrier)*	In extreme crashes like the GFC (~55% drop in major indices), the 40% barrier would likely be breached, exposing principal to the underlying's loss (e.g., ~55-60% capital reduction). ***However, investors still receive all fixed 12.75% coupons throughout, providing substantial income cushioning during turmoil***—far better than unprotected equities suffering full declines.	In normal conditions, FCNs deliver full 12.75% annual coupons unconditionally, plus 100% principal return (barrier intact in mild fluctuations). This ensures strong, predictable enhanced yields with excellent protection. Likely result: Outstanding steady income and capital preservation.	In strong bull markets, investors enjoy the full 12.75% fixed coupons plus 100% principal (barrier easily preserved). Many include autocall features for potential early redemption with gains. Likely result: Excellent high yields with full capital return, capturing stability amid growth.
Private Credit	In GFC-like crises, private credit risks sharp default spikes (10-15% in leveraged loans), liquidity freezes akin to the 2008 MBS seizure—causing valuation plunges, fund redemption pressures, gates, or forced sales. Opacity and interconnectedness can amplify contagion, leading to 20-40% drawdowns in undiversified portfolios despite covenants. Likely result: diversified senior positions may cap net declines at 5-10% via recoveries.	Reliable 8-12%+ yields from illiquidity premiums, low correlation to markets. Likely result: Consistent high income and diversification.	Steady ~10% returns in booming economies (lower defaults), though lags pure equity upside. Likely result: Stable performance focused on income.
ASX Listed Hybrids	Significant price drops in GFC-style events (often 40-50%), with potential distribution pauses or conversions in severe stress. Likely result: Volatility and drawdowns, though some income continuity.	Solid ~6-7% running yields with liquidity and franking. Likely result: Reliable distributions in stable banking sector.	Benefits from optimism/floating rates, ~6-8% yields with price appreciation. Likely result: Good income plus moderate gains, but regulatory phase-out looms.

***these scenarios are examples only**

INVESTMENT COMMITTEE

Risk Methodology

The MPC Markets Investment Committee overlays its macroeconomic and market outlook directly onto its risk-scoring methodology to ensure a robust investment thesis. By leveraging a top-down approach, the committee first assesses the prevailing macroeconomic environment — such as inflation trends, employment strength, and consumer spending patterns — then integrates these insights into the risk evaluation of individual investment opportunities. The result is a dynamic portfolio-construction process where risk scores reflect both underlying asset quality and macro context, ensuring investments are positioned to thrive while minimising downside exposure.

RISK SCORING METHODOLOGY

Using the Piotroski Score alongside the Altman Z-Score provides a more comprehensive assessment of a company's financial health. The Piotroski Score evaluates fundamental strength, while the Altman Z-Score assesses bankruptcy risk. For banks and financial institutions, specialised models are used due to the unique nature of their risks: the Risk-Adjusted Z-Score modifies the traditional Z-Score by incorporating capital adequacy and risk-weighted assets, aligning with regulatory standards like Basel. Other models — such as the J-UK and L-Models, macro-financial early-warning models, logit regression and structural credit-risk models — combine bank-specific indicators with macroeconomic variables to predict systemic distress.

GLOSSARY

The Piotroski Score (F-Score)

A 0–9 scoring system evaluating the strength of a company's financial position. Based on nine criteria across profitability, leverage and liquidity, and operating efficiency. Scores of 7–9 signal strong financial health; 4–6 average; 0–3 indicate potential distress.

The Altman Z-Score

A composite metric predicting the likelihood of bankruptcy within two years. Combines five weighted ratios measuring liquidity, profitability, operating efficiency, solvency and asset turnover. > 2.99 safe; 1.81–2.99 grey area; < 1.81 high bankruptcy risk.

Downside Barrier

A defensive feature that secures capital up to a specified level of decline (in this strategy, 40% of the initial strike). Observed at maturity for FCNs.

Auto-call

If all reference assets close above the entry level on a designated observation date, the note redeems early — returning principal plus accrued coupons.

Coupon

Periodic interest payment, paid monthly or quarterly. Coupons are paid as scheduled regardless of underlying movements (subject to issuer credit).

s708 / Wholesale Investor

An investor who satisfies the wholesale-client tests under s708 of the Corporations Act 2001 (Cth). FCNs are only available to s708-qualified investors.

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Our Commitment

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