MPC MARKETS

FIXED COUPON NOTES DIVERSIFICATION GUIDE

Building a diversified
fixed coupon income portfolio



BLUE CHIPS · PRECIOUS METALS · LITHIUM

11.30% – 16.11% p.a.

OCTOBER 2026

DISCLAIMER: WHOLESALE, PROFESSIONAL OR SOPHISTICATED INVESTORS ONLY

FIXED COUPON NOTE DIVERSIFICATION STRATEGY

Diversification is key

Each note has a conditional principal repayment outcome. If every share finishes at or above its barrier, principal is repaid in full; if not, the loss depends on how far the worst share has fallen. Autocall can also shorten the period of income. Holding several notes with different baskets and entry dates means one loss is less likely to determine the result of the whole portfolio.

Illustration (six notes is an example, not a validated threshold): each basket held twice — the October 2026 note and a later series of the same basket with different fixing and maturity dates — each held to maturity. In this example, one of six notes incurs a capital loss.

Note	Basket	Series	Rate	Barrier breach	Principal returned	Coupons	Total principal and coupons
FCN 1	ASX Blue Chips	Oct 2026	11.30%	No	$100,000	$22,600	$122,600
FCN 2	ASX Blue Chips	Later series†	11.30%	No	$100,000	$22,600	$122,600
FCN 3	Precious Metals	Oct 2026	13.12%	No	$100,000	$26,240	$126,240
FCN 4	Precious Metals	Later series†	13.12%	No	$100,000	$26,240	$126,240
FCN 5	Lithium	Oct 2026	16.11%	-45%	$55,000	$32,220	$87,220
FCN 6	Lithium	Later series†	16.11%	No	$100,000	$32,220	$132,220

INVESTED	TOTAL COUPONS	PRINCIPAL LOSS	TOTAL RETURN, 2 YEARS	AVG ANNUAL RETURN*
$600K	$162,120	-$45,000	19.52%	9.76%

Five notes repay principal in full. **One note** (the October Lithium note) loses 45% of principal, a $45,000 loss. Coupons of $162,120 more than cover it, leaving **$117,120 profit** over two years: a 19.52% total return, or **9.76% simple average annual return before fees and tax.**

Stress case: both Lithium notes lose 45% of principal	Amount
Total coupons	$162,120
Principal losses	-$90,000
Profit over two years	$72,120
Total return over two years	12.02%
Simple average annual return before fees and tax	**6.01%**

The stress case shows why duplicated exposure matters: notes on the same basket are exposed to the same market, so their losses can occur together. Identical notes with the same fixing and maturity dates would always share the same barrier outcome.

*Simple average annual return before fees and tax = profit ÷ amount invested ÷ 2 years. †Later-series notes are hypothetical; for illustration they are assumed to price at the same coupon as the October note. Actual terms will differ. Assumes issuer performance, no early maturity and no reinvestment. A broad market sell-off can cause several barriers to breach together; diversification reduces but does not remove that risk.

Why hold several notes?

- **Outcomes are conditional.** A breach at maturity turns a full-coupon outcome into a capital loss measured from the worst share's initial price.
- **Coupons can offset losses.** Across a portfolio, coupons from notes that repay in full can absorb a loss on one note.
- **Different drivers matter.** Blending banking, retail, healthcare, resources, precious metals and lithium means one sector's downturn is less likely to hit every note at once.

THE OCTOBER 2026 SERIES

The October 2026 FCN series at a glance

Three baskets with a common structure: up to 24 months, quarterly coupons, autocall quarterly from month 6 if all reference assets are at or above their initial prices, and a 60% barrier tested only at scheduled maturity. Higher coupons can compensate for greater underlying risk; coupon alone is not a risk rating.

Basket	Reference assets	Coupon p.a.	Per quarter / $100K	Barrier	Issuer
ASX Blue Chips	BHP · CBA · WES · CSL	11.30%	$2,825	60%	Marex Financial (S&P BBB)*
Precious Metals	PAAS · AU · B	13.12%	$3,280	60%	To be confirmed
Lithium	ALB · PLS · SQM	16.11%	$4,027.50	60%	To be confirmed

*Per supplied deck; reconfirm before issue. Indicative terms dated 15 October 2026, subject to market movements and issuer confirmation.

Illustrative outcomes on $100,000

Basket	Early maturity (month 9)	Worst −22% at maturity	Worst −50% at maturity
ASX Blue Chips	$108,475 +8.48%	$122,600 +22.60%	$72,600 -27.40%
Precious Metals	$109,840 +9.84%	$126,240 +26.24%	$76,240 -23.76%
Lithium	$112,082.50 +12.08%	$132,220 +32.22%	$82,220 -17.78%

Totals include coupons received. Assume issuer performance, no fees, tax or reinvestment. Early maturity stops future coupons.

Choosing the mix

- **ASX Blue Chips (11.30%)** — the broadest business exposure across four sectors; the lowest coupon of the three. CSL is the main company-specific challenge.
- **Precious Metals (13.12%)** — producing miners with current profits and cash; concentrated gold and silver price exposure.
- **Lithium (16.11%)** — the highest coupon and the most cyclical exposure; same-sector correlation can affect the whole basket. Suited to investors able to absorb a substantial capital loss.

Further information

ASX Blue Chips — Strategy video | Indicative term deck

Precious Metals — Strategy video | Indicative term deck

Lithium — Strategy video | Indicative term deck

SELECTION METHODOLOGY

How we select shares for Fixed Coupon Notes

Our aim is attractive income from reference shares that can withstand a downturn. With an unconditional Fixed Coupon Note, the shares do not need to rise for coupons to be paid. The capital outcome depends on the worst-performing share and the note's repayment terms.

1 Start with resilient businesses

We look for established, liquid companies with durable demand, reliable cash generation and sound balance sheets. We assess debt, funding needs and material business risks, using sector-specific measures for financial businesses.

2 Check the entry price

A strong company can still be an unsuitable reference asset at an expensive share price. We stress earnings, valuation multiples and debt together. For our core 60% barrier framework, we seek a plausible bear-case value of at least 70% of the initial share price. This is an assessment, not a guaranteed floor.

3 Test every share and the whole basket

Our core framework uses no more than three shares over a term of up to 36 months. Every share must qualify independently. We examine historical downturns, forward scenarios and shared economic exposures, and favour baskets with a low estimated likelihood that any share finishes below its barrier. Model estimates are not a promise of safety.

4 Balance income against downside risk

Higher volatility can support a higher coupon while signalling greater risk. We favour the strongest qualifying basket at an acceptable income level. Stropro tenders the proposed strategy to 10 issuers; we assess available quotes alongside the exact terms, fees and the selected issuer's credit quality.

5 Review throughout the investment

We review reference assets quarterly and after material news. A 20% fall from the initial share price triggers a fresh downside assessment and a pause on inclusion in new baskets pending review.

6 Understand what the barrier means

For the core notes described here, the capital barrier is observed only at maturity. A 60% barrier gives a 40% decline buffer, subject to the precise contractual test. Once breached, loss may be measured from the initial price: a worst share ending at 55% of its initial price can mean a 45% capital loss before coupons. The barrier is not a capital guarantee. Early redemption can shorten the period of income.

Exception to the three-share framework: ASX Blue Chips

The October 2026 ASX Blue Chips note references four shares (BHP, CBA, WES, CSL) and therefore sits outside the three-share limit of our core framework. It is offered for its spread across four different sectors. Investors should note that each additional share is a further potential source of loss, because the worst performer alone determines the capital outcome.

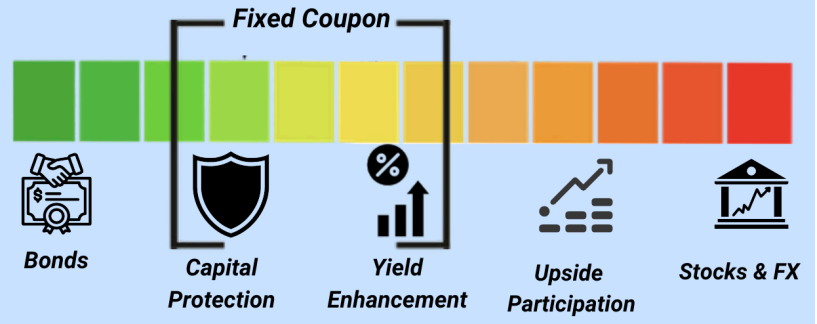
Important information

Capital can be lost, potentially in full. Coupons and repayment depend on issuer solvency; selling before maturity may result in a loss. Historical results and model estimates do not reliably predict future outcomes. This describes our core unconditional FCN framework; Phoenix Memory and Smart Entry notes require separate assessment. General information only, without regard to your objectives, financial situation or needs. Consider the final product terms, suitability and independent advice before investing.

STRUCTURED INVESTMENT RISKS

Fixed Coupon

*On the structured products risk scale, a fixed coupon note sits in the **yield enhancement** category: income payments are prioritised above upside participation, and principal repayment is conditional on the maturity barrier and issuer performance.*



Illustrative only — not a standardised industry ranking.

Summary of risks

Risk	Description
Market risk	The note can be subject to significant price movement which may, in certain cases, lead to the loss of the entire amount invested.
Liquidity risk	Redemptions are described as available in normal markets with a 1% bid/ask spread, but liquidity is not assured. In stressed markets an investor may not be able to sell easily, or may have to sell at a price significantly below the amount invested.
Credit risk	Investors take credit risk on the issuer (Marex Financial for ASX Blue Chips; to be confirmed for Precious Metals and Lithium) and any guarantor. Issuer insolvency may result in partial or total loss irrespective of stock performance; a downgrade can reduce the note's market value.
Concentration risk	The worst performer alone determines the capital outcome, so every stock in a basket is a potential source of loss. Single-sector baskets (Precious Metals, Lithium) concentrate this risk; spreading capital across notes and sectors reduces it but does not remove it.
Limited upside	Returns are capped at the fixed coupon. Investors do not receive underlying dividends or share-price gains.

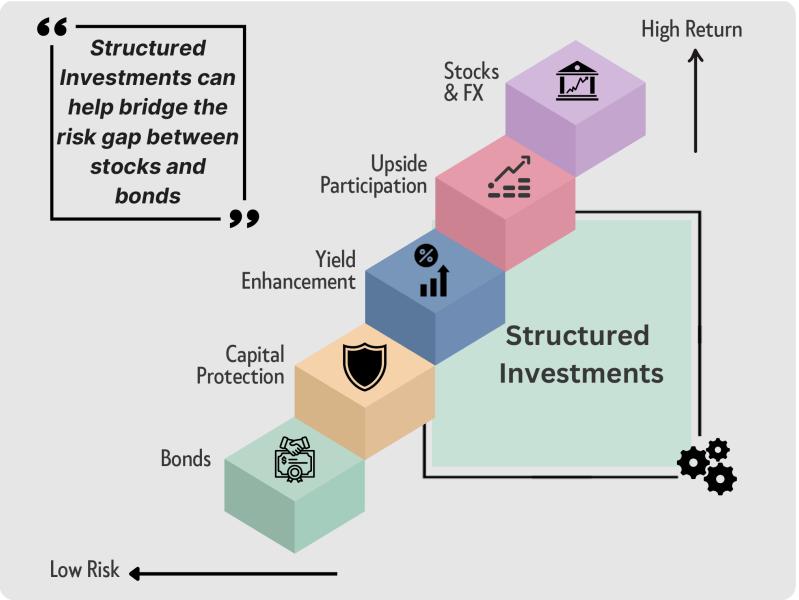
Not a definitive list. Other risks include events affecting the underlying instruments or hedging, secondary market, currency exchange, settlement and conflicts of interest. Refer to the issuer's term sheet for a full description.

About the issuer

Each FCN is a debt obligation of its issuer, so repayment of coupons and capital depends on the issuer's credit. In the October 2026 series, ASX Blue Chips is issued by Marex Financial (S&P BBB per the supplied deck; reconfirm before issue). The issuers of the Precious Metals and Lithium notes are not identified in the indicative decks; the legal issuer, rating, any guarantor and creditor ranking will be confirmed before issue.

Where do structured investments fit?

Protection — reposition equity exposure to reduce downside risk. **Growth** — maintain upside with defined downside. **Income** — reposition cash off the sidelines to increase yield.



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MORE ABOUT FIXED COUPON NOTES

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FIXED COUPON NOTE (FCN)

What are they?

VS HYBRIDS AND PRIVATE CREDIT

What are they?

Fixed Coupon Notes (FCNs) are structured investments issued by global banks and financial institutions. They combine a debt obligation with equity derivatives to pay a high fixed coupon, with capital repayment conditional on a downside barrier.

The October 2026 series pays **11.30% to 16.11% p.a.**, quarterly. In each note, principal is repaid in full at maturity unless a reference asset finishes more than **40% below** its initial price. Coupons are fixed and paid regardless of share prices, subject to the issuer's credit risk.

Summary table of features

Feature	Fixed Coupon Notes	Private Credit	ASX-listed Hybrids
Main exposure	Equities / indices via options on a 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	Floating or fixed distributions; can be deferred
Liquidity	Issuer secondary market in normal conditions (bid/ask spread applies)	Very illiquid; multi-year fund lock-ups typical	Listed on ASX; trading can be thin in stress
Key risks	Equity downside, barrier / knock-in risk, issuer credit	Default and low recovery, illiquidity, manager selection	Conversion / write-off, subordination, deferrable income

Scenario performance examples*

How three income investments might behave across a GFC-style crash, average conditions and a strong year for stocks.

Investment	Black Swan (~50–60% crash)	Average conditions	High-growth year
Fixed Coupon Notes October series, 11.30–16.11% p.a., 2 years, 60% barrier	A fall of more than 40% at maturity breaches the barrier and capital is reduced in line with the worst performer. Coupons already paid and still due continue to be paid if the issuer performs, cushioning part of the loss.	Fixed coupons paid quarterly and full principal returned if all stocks finish at or above the barrier.	Likely early maturity (autocall) with capital returned plus coupons to date. Upside above the coupon is not received.
Private Credit	Default spikes, redemption gates and valuation markdowns can produce material drawdowns.	Steady income from illiquidity premiums.	Stable income; limited participation in equity upside.
ASX Hybrids	Significant price drops; potential distribution pauses or conversion.	Running yields with franking; reliable in a stable banking sector.	Modest price gains; regulatory phase-out looms.

*These scenarios are examples only and do not predict future performance.

VS HYBRIDS

What does the bank AT1 phase-out mean for investors? In December 2024 the Australian Prudential Regulation Authority (APRA) decided to phase out Additional Tier 1 (AT1) capital instruments — commonly known as bank hybrids — from bank capital frameworks, to simplify the framework and improve financial stability. This followed concerns about their effectiveness in absorbing losses during a crisis, highlighted by the Credit Suisse collapse in 2023.

APRA's bank AT1 phase-out

The change concerns Additional Tier 1 capital issued by banks, not every hybrid security.

December 2024
APRA decision to phase out bank AT1 capital

1 January 2027
New capital framework commences

By 2032
Phase-out expected to be complete as existing instruments reach their call dates

With the phase-out of hybrids running to 2032, the switch is not urgent, but it is best to be prepared.

What does it mean for my portfolio? Many investors use hybrids as the fixed income allocation in their portfolios. APRA's changes to bank AT1 hybrids are expected to leave a gap in attractive income investment options.

What are structured investments and how can they help? Structured investments are customised financial products that combine traditional securities with derivatives to achieve specific investment goals — in this case, income through Fixed Coupon Notes.

Why are Fixed Coupon Notes a suitable alternative to hybrids? FCNs share many of the features investors value in hybrids — regular income and a defined structure — with a fixed rather than floating coupon. Their risks differ: FCN capital depends on equity prices at maturity and on the issuer's credit.

Fixed Coupon Notes: key features

- **Coupon:** Periodic interest paid monthly or quarterly — the October series pays 11.30% to 16.11% p.a., quarterly.
- **Reference assets:** A basket of market-linked assets (stocks, commodities, bonds, ETFs or funds).
- **Downside barrier:** Full principal is repaid if every reference asset finishes at or above the barrier — in the October series, 60% of the initial price (a 40% fall), observed at maturity.
- **Term:** Typically 6 months to 5 years; the October series runs up to 2 years with autocall from month 6.
- **Liquidity:** Early redemption is generally available in normal markets via the issuer, subject to a bid/ask spread.

FREQUENTLY ASKED QUESTIONS

Replacing a Bank Hybrid

Bank Hybrid (AT1)

- **Coupon type:** Floating (bank bill rate plus a margin), may be franked
- **Term:** Perpetual, callable at the issuer's discretion
- **Downside risk:** Subject to the issuing bank's capital position; conversion or write-off in stress
- **Status:** Being phased out of bank capital by 2032

Fixed Coupon Note (October 2026 series)

- **Coupon type:** Fixed, 11.30% to 16.11% p.a. (indicative), paid quarterly; not franked
- **Term:** Up to 24 months, autocall quarterly from month 6
- **Downside risk:** 60% barrier tested at maturity; issuer credit risk
- **Status:** New issuances available subject to market conditions

Comparison of features only. Yields are not compared because hybrid yields vary by issue and over time.

Key Benefits

- **Quarterly cash coupons; no franking credits.**
- **Coupon not sensitive to BBSW.**
- **Risk is clearly defined from issuance.**
- **Reinvestment flexibility.** New issuances may allow reinvestment, subject to availability, pricing and settlement timing.
- **Issuer credit risk applies.** Check the issuer and its rating for each note before investing.

How liquid are fixed coupon notes compared to hybrids? *In normal markets, investors can generally redeem early through the issuer, subject to a bid/ask spread (1% for the October series). Unlike exchange-listed hybrids, pricing comes from the issuer, and liquidity is not assured in stressed markets.*

What happens if the downside barrier is breached? *For the October series, the barrier is observed only at maturity. A fall below the barrier during the term does not by itself trigger a loss, and coupons continue. If any stock is below its barrier at maturity, a knock-in event occurs: capital is reduced in line with the worst performer's fall from its initial price, settled in cash or shares per the final terms, and all coupons are still paid.*

Can the coupon change after issue? *No. The coupon rate is set at the start of the investment and is fixed for its life.*

Can I invest via an SMSF? *Eligible SMSFs may invest, subject to wholesale eligibility, their investment strategy and applicable requirements.*

Are there franking credits? *No, fixed coupons do not carry franking credits.*

What are the fees? *Fees and adviser remuneration for each note will be disclosed to you before you invest, including whether they are embedded in the note's pricing or separately payable, and how they apply on reinvestment.*

Are these investments available to retail investors? *No. These notes are available only to eligible wholesale investors.*

What do I need to get started? *Opening an account requires 2 forms of ID, an existing bank account and evidence that you qualify as a wholesale client, which may include a qualified accountant's certificate.*

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