

AUSTRALIAN

RESEARCH



Australian Managed Investments

Structured Products – Equity

Citigroup Optimiser 4

Capital protected exposure to the best of the three market-linked investment profiles



Offer Overview

Citigroup Optimiser 4 (*Optimiser 4*) is a four-year investment, providing 1% annual coupon, opportunity for capital growth and capital protection at maturity. It offers participation in three market-linked investment profiles, consisting of global equities, bonds, property and commodities. Return will be a fixed portion of the best performing investment profile return based on the average return of reference assets over four years. At maturity, Optimiser 4 may deliver either cash or a delivery asset consisting of ASX-listed shares.

Offer Details

Offer Period	23-Oct-06: 30-Nov-06
Listing Date	n/a
Maturity (years)	6-Dec-2010 (4 years)
Min. Investment	A\$5,000
Liquidity	Monthly
Distributions	Annually
Unit Price	A\$1.00

Investment Strategy

Optimiser 4 seeks to provide exposure to a diversified portfolio of reference assets and ultimately the return of the best investment profile of the following three investment profiles:

- Equities-biased (60% international equities + 20% bonds/property + 20% commodities);
- Balanced (33.33% international equities + 33.33% bonds/property + 33.33% commodities); and
- Commodities-biased (20% international equities + 20% bonds/property + 60% commodities).

Risk/Return Profile



Investment View

Aegis has issued a **Recommended** rating. According to our analysis, the risk/return profile of Optimiser 4 is attractive; however, final returns will depend highly on the market direction in the next four years and the participation rate. While the current participation rate generates acceptable returns, it may vary significantly before being set on the issue date. A particular strength of the product is the benefit of receiving a portion of the best performing investment profile return based on the average return of reference assets over four annual observation dates, which effectively reduces the return volatility. It is suitable for investors who do not have a particular view on asset allocation. It is expected that over the life of the product, income distribution will be low but steady, with a focus predominantly on capital growth.

Advisor/Broker Fees, incl. GST (%)

Up-front	2.0
Trailing, p.a.	Up to 0.33

Note: All advisor/broker fees are paid by CGMA at no additional cost to investors.

Indices	Return % p.a.			Risk		Correlation (5-year)				
	1 Yr (%)	3 Yr (%)	5 Yr (%)	Std. Dev. (%)	Sharpe Ratio	Simulation	Cash	Property	Equities	Intl. Equities
Simulation ¹	17.2	20.7	n/a	11.0	1.4	1.0				
Cash ²	6.0	5.8	5.4	0.2	0.0	-0.2	1.0			
Property ³	25.6	23.6	17.5	7.9	1.5	-0.1	0.2	1.0		
Equities ⁴	16.0	22.8	15.8	10.1	1.0	0.2	0.1	0.4	1.0	
Intl. Equities ⁵	14.8	17.1	10.2	13.3	0.4	0.5	0.1	0.2	0.7	1.0

1. Simulation based on the historical performance of reference assets with respective weight; 2. 90-day BBSW; 3. ASX 200 Property Index; 4. ASX 200 Index; 5. MSCI AC World Index.

Est. Market Cap: A\$10M – A\$50M

Units on Issue: 10M – 50M

Status: Unlisted, Close-ended

SWOT Summary

Strengths

- Performance will be determined by the best performing investment profile based on the average return of reference assets over four years, without the need to make specific asset allocation decisions.
- Exposure to a well-diversified asset portfolio, consisting of international equities, bonds, property and commodities.

Weaknesses

- A four-year investment may not be able to fully participate in the longer term growth of markets whilst being exposed to short- to medium-term volatility. Nonetheless this risk has reduced compared with that in previous Optimiser offerings due to the extension of the duration of Optimiser 4 to four years.
- Optimiser 4 may underperform equity markets during periods of strong equity market performance due to the averaging feature.

Opportunities

- Exposure to a range of asset classes, including international equities, bonds, property and commodities.
- Investors can benefit from potential capital growth in the best investment profile, taking advantage of the best performing asset class on average.
- May outperform equity markets during periods of flat to moderate equity market performance.

Threats

- In case of an early maturity event, Optimiser 4 will be terminated early and the amount received by investors may be less than the initial investment amount.

Exit

Investors should consider Optimiser 4 to be a four-year investment, with exit from the product being either the delivery of ASX-listed shares in BHP Billiton Limited (*BHP*) or sales proceeds. This product will not be listed on any exchange. Exit before maturity will invalidate capital protection. Investors will receive redemption amount equal to the fair economic value (less any costs, losses or expenses incurred for early maturity) at that time as determined by the issuer.

Product Fees

	Product
Base Fees (% of total assets)	
Up-front	4.70
Exit*	0.00
Ongoing	0.00

Performance Fees
There are no performance fees.

Indirect Fees
Whilst there are no direct fees, investors should note that the issuer is expected to profit from its ability to manage the underlying risk associated with the investment of the Optimiser funds.

* The issuer may charge the investor any break costs associated with early exit.

Portfolio Profile

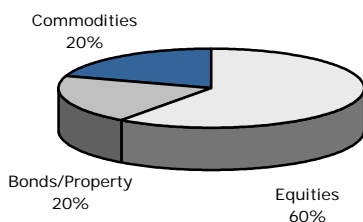
Number of Asset Classes	4
Number of Markets	9
Number of Equity Indices	4
Number of Commodities	3
Max. Exposure to Any One Asset Class, %	60
Min. Exposure to Any One Asset Class, %	20

Operations

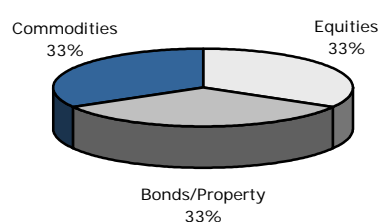
Issuer	Citigroup Global Markets Australia Pty Ltd
Registrar	Computershare Investor Services Pty Ltd
Phone	1300 30 70 70
Website	www.citiwarrants.com.au

Product Diversification – Investment Profiles

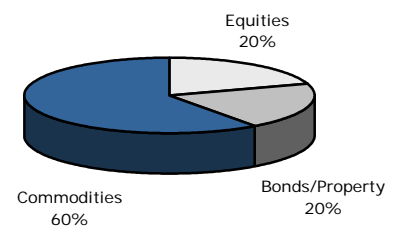
Equities-biased



Balanced



Commodities-biased





Level 6, 33 York Street
Sydney NSW 2000 Australia
Locked Bag 7 Australia Square
Sydney NSW 1215
Phone 61 2 8296 1100
Fax 61 2 9299 3777
ABN 72 085 293 910
www.aer.com.au