

Important Dates

Issue Opens/ Close Date	6 August 2007/ 14 September 2007
Issue Date	19 September 2007
Maturity Date	19 September 2012

Key Information

Investment Type	The Citigroup Market Linked Investment is a deferred agreement to purchase Commonwealth Bank of Australia shares (listed on the ASX under code CBA.ASX).
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Issuer	Citigroup Global Markets Australia Pty Ltd (Citigroup Australia).
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Underlying Investment Profiles	An investment linked to the enhanced performance of the S&P ASX200 index
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Participation Rate	180% - 220%. Final participation rate to be set on the issue date. Must be a minimum of 180%.
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Coupons	Nil.
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Issue Price	AUD 1.00 per Market Linked Investment.
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Capital Guarantee	100% of capital is protected and guaranteed, by Citigroup Inc. Capital protection only applies at maturity.
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Delivery Asset	The Market Linked Investment is structured as a deferred purchase agreement where CBA shares are delivered to investors at maturity.
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Minimum Amount	AUD 5,000 with AUD 1,000 increments.
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Taxation	See Taxation on page 4.
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Liquidity	Early redemption is available on a monthly basis at the discretion of Citigroup Australia.
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Fees & Commissions

Adviser Commissions	Citigroup may pay adviser fees from their own funds. Upfront Fee – 2.00% (incl GST) of the investment amount. Trailing Fee – Up to 0.33% p.a. (incl GST) of the investment amount.
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What this rating means

➤ The Recommended rating indicates that Lonsec is confident in the manager's capabilities within the asset class. Lonsec believes that the product has the potential to meet its stated aims and objectives. A Highly Recommended rating has not been assigned due to one or more factors that are likely to impact the manager's overall capabilities.

Lonsec Opinion of this Product

➤ The Market Linked Investment ("MLI") offers investors a structured and enhanced exposure to the performance of the S&P ASX200 index, combining capital protection at maturity and a unique payoff structure based on average quarterly returns from inception.

➤ Lonsec views the structure created by Citigroup Australia as an efficient means of providing capital guaranteed exposure to index based returns.

➤ The underlying investment profile is refreshingly simple being the benchmark Australian S&P ASX200 index (non-accumulation). The performance of the MLI is enhanced by a greater than 100% participation rate. Citigroup expect investors to participate at between 180% and 220% of the performance of the index to the investor through the MLI.

➤ The averaging of the performance from inception to quarterly observation points will serve to reduce the exposure of the MLI to short term index volatility particularly in the latter stages of the investment. The trade off is that the MLI would dilute investment returns should the index perform strongly in the last few years of the MLI. In each quarter, clients receive the better of 0% or the market return i.e. there are no negative observations.

➤ The choice of the index as the underlying investment provides investors with exposure to a broadly diversified investment in the Australian equity market and this should particularly suit investors not wishing to make stock or style selection decisions but seeking longer term capital growth.

➤ The delivery parcel of CBA shares is a potentially tax effective exit mechanism with the advantage of being listed on the ASX. Citigroup Australia is of the opinion that the delivery of the CBA shares will not be a CGT event. The alternative exit mechanism of being part of the agency sale will also mitigate exit costs.

➤ The capital guarantee mechanism employed is appropriate for shorter dated products such as the Market Linked Investment. Other more actively managed means of capital guarantee have limited upside when the underlying assets suffer sharp falls early in the life of the product and are best suited to longer dated products.

- The bundling of internal costs inside the participation rate will obfuscate the level of fees that Citigroup Australia generate as part of this structure but this should not deter potential investors. Citigroup Australia may also profit from the optionality of the return structure. The quantum of these amounts and consequent determination of the participation rate means pricing of these features of the Market Linked Investment are not transparent.
- Adviser commissions are clearly outlined and are comparable to similar products.

Using this Fund

- This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.
- The MLI is designed for those investors seeking growth and no income from the broader Australian equity market.
- The MLI will perform in response to the index and will out perform and under perform the index in certain circumstances. The MLI could form part of an Australian equity exposure for any risk profile excepting High Growth investors who will seek to outperform the index in all circumstances and accept a greater level of volatility. For Defensive and Conservative investors, the capital guarantee will add considerable comfort, while the averaging of index performance will reduce volatility of returns. The MLI would work well in conjunction with an unstructured and unprotected Australian share fund for Balanced and Growth investors where the relative weaknesses of the MLI and a share fund can support each other.
- The MLI incorporates capital protection techniques that may provide additional comfort to more risk averse investors. Some growth and high growth investors may be more suited to investments with fund managers providing non-capital protected, actively managed access to these markets.

Investor Suitability

- Investors seeking longer term capital growth from Australian equity markets without taking capital risk.
- Investors seeking exclusively capital growth rather than income.
- Investors comfortable with the prospect of receiving a listed exchange traded fund as the 'return' from the investment or comfortable with the prospect of crystallising return as a taxable capital gain at the end of 5 years.

Issuer Profile

The issuer of the Market Linked Investment is Citigroup Global Markets Australia Pty Ltd (Citigroup Australia) and the capital guarantee is provided by

Citigroup Inc. Citigroup Australia is a wholly owned subsidiary of Citigroup Inc., and a member of Citigroup. Citigroup Inc. is a diversified global financial services holding company whose businesses provide a broad range of financial services to more than 200 million customers in more than 100 countries. Citigroup Inc. has a long term credit rating of AA by Standard and Poor's and Aa1 by Moody's as at the date of this offer. Investors should note that Citigroup Australia does not have a long term credit rating.

Citigroup Australia has significant experience in managing derivative based investments offering capital protection.

Underlying Assets / Indices

An investor's return is based primarily on the performance of the S&P ASX 200 index. This performance is then enhanced by a participation rate which multiplies the index performance by a rate which Citigroup Australia estimates to be between 180% and 220%. Should the participation rate at the date of issue of the MLI be less than 180%, Citigroup Australia will not proceed with the issue.

An interesting feature of this product is the way that the performance of the MLI is calculated. Instead of viewing the performance as being the index level at maturity divided by index at inception, the structure makes reference to quarterly reference points and averages the performances.

What is the delivery asset?

The delivery asset is what the investor can elect to receive instead of cash at the maturity. The delivery asset for the MLI is shares in the Commonwealth Bank of Australia Limited (CBA.ASX).

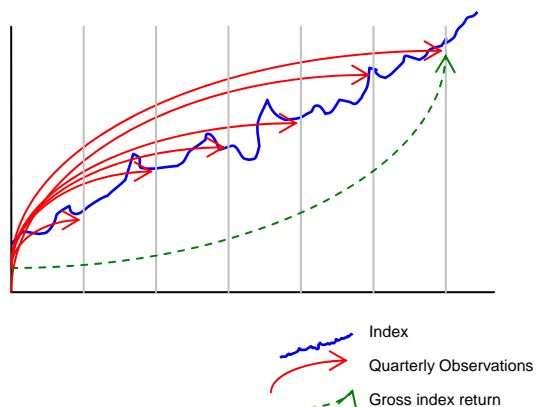
How does the Product Work?

Investors effectively agree to purchase CBA shares on the maturity date for the amount that they have invested linked to the average performance of the S&P ASX 200 index enhanced by the participation rate. It is this deferred purchase agreement that Citigroup Australia believes does not give rise to a capital gains tax event on the maturity of the Market Linked Investment.

In real terms, investors will receive the average return from the S&P ASX 200 non accumulation index multiplied by the participation rate. In this structure, dividends are not payable nor are they considered in the calculation of the performance. The method of calculation of index performance has the potential benefit of 'averaging' performance over the life of the investments. This can be of considerable value should the index perform negatively close to maturity.

The index performance is calculated from inception to the end of each quarter, so there are 20 observation

points in total. The individual performances between inception and the observation (solid upper curves on the diagram below) are totalled and averaged giving the average index return. Importantly, investors will receive the better of the quarterly index return or 0% meaning that investors are protected from negative quarterly returns. So, should the index fall over a quarterly period, then the investor will benefit by having a 0% quarterly return recorded as opposed to a negative return.



The average quarterly performance over the investment term is then multiplied by the participation rate to determine the final value that the client receives at maturity.

Averaging reduces the volatility of returns. This can potentially reduce investment returns where an index steadily rises over the investment term but can produce higher returns where an index falls sharply closer to maturity. In essence, this is a structure that trades off some potential performance for safer returns.

Investors looking for exposure to the Australian equity market will face a choice between this product and investing in other equity related investments. Without knowing in advance the quarterly returns from the Australian equity market over the next five years, it is impossible to predict whether the MLI would outperform a "buy and hold" strategy. The MLI would, however, perform better should the market exhibit high levels of volatility on a quarterly basis but perform poorly over the 5 year term. As such, the MLI could pair well with a long only equity exposure.

Another investor alternative is to invest in the index via an index managed fund or other such instrument. In market conditions where there are both negative and positive quarterly returns the MLI has the potential to outperform an index based investment due to the averaging of positive returns and zeros. In market conditions where the index returns consistent positive returns, the index has the potential to outperform the MLI. Access to dividends and distributions from an index based investment will also support an index based investment over the MLI in a consistently positively performing market.

The impact of the performance of the index as the MLI approaches maturity is also a key factor in comparing performance of an MLI versus an index investment. Should the index perform strongly close to maturity, the MLI has the potential to underperform the index due to the averaging of returns. However, the opposite is also true. Should the index perform well and then dramatically fall as the MLI approaches maturity, then the MLI has the potential to outperform the index significantly and indeed can produce positive returns overall where an index based investment might deliver negative returns overall.

Citigroup Australia internally hedges its capital protection obligations to the MLI investors by allocating the bulk of the investment capital to a discounted notional zero coupon bond. The investment returns are generated by allocating the residual investment capital to derivative transactions which is designed to capture the performance of the S&P ASX 200 index.

The participation rate is set on the issue date and is determined as a function of Australian interest rates, volatility of the underlying index and correlations between the underlying index and the derivative instrument. The participation rate will be set between 180% - 220% on the issue date. Should the participation rate be less than 180%, Citigroup Australia have advised that they will not proceed with the MLI and will return application monies to investors.

What Happens at Maturity?

On maturity investors have a choice of receiving physical delivery of either CHESSE sponsored or issuer sponsored CBA shares or instructing Citigroup Australia to sell the delivery asset and realise sale proceeds equal to the final value of the Market Linked Investment. This arrangement is known as a deferred purchase agreement.

There may be different taxation implications depending on the choice made by investors. **Investors are advised to seek their own taxation advice.** Citigroup Australia are of the opinion that the conversion of the value of the market linked investment to the shares in CBA is not a CGT event and should not give rise to a capital gain.

Financing the Investment

Citigroup does provide direct financing and have arranged a number of third parties to lend certain percentages against the security of the Market Linked Investment. The other loan providers are:

- BT Investment Loans
- Leveraged Equities

Investors using gearing should seek appropriate taxation advice on the deductibility of any interest expense in relation to this product.

Risks

An investment in the Market Linked Investment carries a number of standard investment risks associated with domestic equity investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in Section 5 of the PDS and should be read in full and understood by investors. Lonsec considers the major risks to be:

Early Maturity Risk – The capital guarantee is only provided at maturity. In certain circumstances, relating mainly to changes in the law or where an index (or index derivatives) can no longer be used, an early maturity could ensue. Early maturity can also result from an early redemption request from an investor. An investor can receive proceeds less than their initial investment in the event of an early maturity. Citigroup have also advised that they may charge the investor break costs in any early maturity event. A break cost estimate can be requested from Citigroup at any time, however, investors should be aware that this is an illiquid investment designed to be held to maturity and that the break fees could be considerable.

Counterparty risk – Investors are exposed to the creditworthiness of Citigroup Inc, as Market Linked Investment returns are dependent on Citigroup Inc performing its obligations as they fall due. These obligations rank equally with other unsecured debt liabilities of Citigroup Inc.

Performance risk – The value of the MLI is dependent on the performance of the underlying index. Indices are not actively managed and can be affected by many different factors including but not limited to interest rates, economic policies, political events, war, natural events and force majeure. There is no guarantee the value of MLI will increase over the investment term.

Leverage risk – Investors utilising any investment loan provided by third parties should be aware that gains and losses are magnified through the use of borrowings. Leverage is also employed to the extent that the participation rate is greater than 100%.

Taxation

Coupons / Dividends

Citigroup have advised that there are no annual coupons, distributions or dividends paid to investors. The only return will be expressed in the form of the delivery asset or the agency sale proceeds.

If an investor takes delivery of the delivery asset, any dividends, franked, unfranked or otherwise received from the shares should be included as assessable income when received by investors.

Capital Gains / Losses

Any excess of the sale proceeds of the delivery asset (when ultimately sold) or the agency sale over the cost base of the assets should be regarded as a capital gain. An investor may be entitled to a CGT discount on disposal of the delivery asset.

The Australian taxation opinion from Greenwoods & Freehills Pty Ltd contained in Section 6 and 7 of the PDS supports in general terms Citigroup's opinion that the exchange of the MLI and the delivery asset of CBA shares is not a disposal for capital gains tax purposes. Investors should seek their own advice in this respect.

These comments constitute 'General Advice' only and Lonsec advises investors to consult a taxation specialist before making a decision to invest (or not to invest) based upon these taxation considerations. Investors should refer to Section 6 and 7 of the PDS.

Exit Mechanism

The MLI is not listed on the Australian Stock Exchange or any other exchange. Due to the nature of the capital protection and the underlying investment profile, investors should have the intention of holding an investment in Market Linked Investment to maturity. However, redemption requests for an investor's full amount can be made in writing before the last business day of each month. Citigroup has discretion to accept or not accept the early redemption request and the date that the early redemption will be effected. Early redemptions will generally be paid within 1 month of request. Citigroup have advised that break fees may be applicable should investors seek early termination. Investors should seek clarification of these fees from Citigroup before proceeding with an early termination.

Fees

Citigroup may pay adviser fees from their own funds. These are:

Upfront Fee – 2.00% (incl GST) of the investment amount.

Trailing Fee – Up to 0.33% p.a. (incl GST) of the investment amount.

Adviser commissions are clearly outlined and are comparable to similar products. However, Citigroup Australia may also profit from hedging arrangements undertaken when generating the returns for Market Linked Investment investors. The quantum of these amounts and consequent determination of the participation rate means pricing of these features of Market Linked Investment are not transparent.

Further Information

Further information can be obtained by contacting Citigroup Australia on 1300 30 70 70 or email equityfirst.au@citigroup.com.

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