



SELF FUNDING INSTALMENTS | INSTALMENTS | MINIS | TURBOS | TRADING WARRANTS

# CitiFirst Self Funding Instalments

## Russell High Dividend Australian Shares ETF

Maximise your Exposure to the Russell High Dividend Australian Shares ETF  
with CitiFirst Self Funding Instalments

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# CitiFirst

## OPPORTUNITY

CitiFirst is the brand name for Citi's suite of investment and trading products.

CitiFirst Opportunity investments in Australia cover a broad selection of ASX listed Warrants including:

- Instalments
- Self Funding Instalments
- MINIs
- Turbos
- Trading Warrants

Citi has developed a CitiFirst Self Funding Instalment over the Russell High Dividend Australian Shares ETF (RDV).

CitiFirst Self Funding Instalments (SFIs) are an increasingly popular and flexible investment product, for both individuals and self managed super funds, seeking medium to long-term moderately geared exposure to the performance of shares in Australia's leading companies and indices.

A CitiFirst SFI over RDV provides a convenient, prudent investment opportunity for Australian investors and Self Managed Super Funds (SMSFs). CitiFirst SFIs are listed and traded on the Australian Stock Exchange (ASX).

For Self Managed Super Fund (SMSF) investors, CitiFirst SFIs are one of the few means of gaining leverage in their portfolio.

# What is RDV?

The Russell High Dividend Australian Shares ETF (RDV) provides investors with a simple way to access a diversified blue chip Australian shares portfolio that aims to deliver higher dividends.

Using their expertise in portfolio construction and index construction, Russell Investments have created an exchange traded fund (ETF) which offers potential for higher dividends, franking credits and capital growth.

## RDV offers many benefits:

- Exposure to a portfolio that aims to deliver higher dividends
- Access to franking credits from high quality blue chip Australian companies
- A convenient and efficient way to gain instant diversification to a portfolio of securities
- Tax concessions on distributions received and, in most cases, additional tax concessions when you sell out of the ETF
- The flexibility to buy and sell your investment on ASX at any time during market hours
- Full daily transparency of the underlying holdings
- Lower costs than investing in an actively managed fund.



# An Overview

CitiFirst Self Funding Instalments over RDV offer a straightforward and cost effective way to gain medium to long-term geared exposure to the performance of the Russell High Dividend Australian Shares ETF (RDV).

For a fraction of the up-front price of RDV, investors benefit from franking credits and capital appreciation as if they owned the shares outright, while dividends are used to reduce the loan amount.

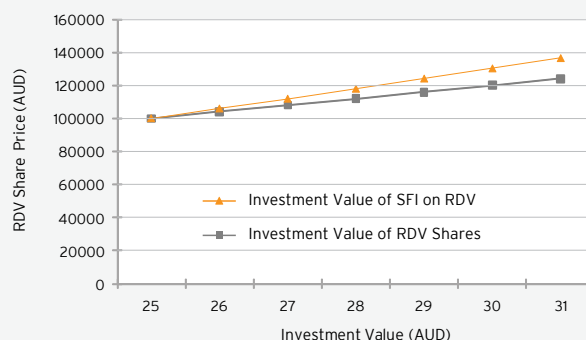
At maturity investors have the flexibility to pay the Final Instalment and receive shares in RDV, roll in to another series of CitiFirst SFIs or walk away from the investment, receiving the residual value remaining in the investment.

## CitiFirst Self Funding Instalments over RDV may help investors achieve their investment objectives, particularly for those:

- Looking for exposure to RDV over the medium- to long-term
- Seeking enhanced dividend yield and franking credits
- Seeking to build long term wealth tax effectively
- Seeking gearing without the risk of a margin call
- Self Managed Super Funds looking for leverage
- Existing shareholders wishing to unlock cash while maintaining exposure to the shares (not available for SMSFs)

## Potentially enhanced returns with CitiFirst Self Funding Instalment Warrants

The following chart illustrates an example of the payout to investors in RDV CitiFirst SFIs against the value of RDV shares.



This chart is intended as an illustration only and assumes linear increases of the stock over time.

When the market falls, the effect of gearing can result in losses being magnified\*\*

# Key Benefits

CitiFirst SFIs offer individual investors and Self Managed Super Funds a number of benefits that may suit investor's specific goals

## Dividends - Enhanced Yield

During the term of the investment, an SFI holder is entitled to all of the Dividends, and, depending on investor status, any available franking credits paid in relation to RDV. These Dividends are automatically used to reduce the loan amount of the SFI.

As investors only pay a fraction of the cost of the price of RDV upfront, the yield of a CitiFirst SFI can be significantly greater than that of the Underlying Share.

## Leverage

CitiFirst SFIs are securities that enable the investor to prudently leverage their existing or future shareholdings in RDV.

## Potential Tax Efficiency

Depending on investor status, interest expenses and borrowing fees related to the purchase of CitiFirst SFIs may be eligible for tax deductions.

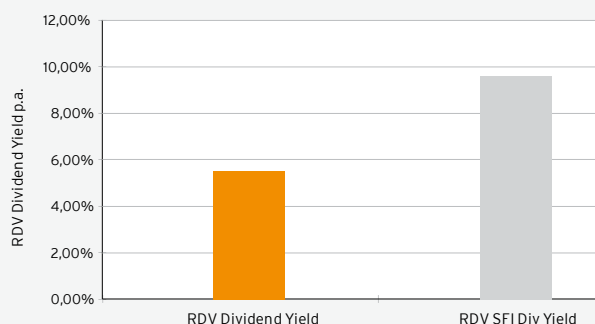
## Limited Exposure

By investing in CitiFirst SFIs rather than RDV directly, investors limit their exposure to the cost of the SFI as the loan is non-recourse, meaning investors never have to pay it back. The cost of the Instalment is a fraction of the price of RDV.

## Cash Extraction

CitiFirst SFIs can enable existing shareholders (excluding Self Managed Super Funds) to free up their capital for other investments while maintaining exposure to RDV without crystallising a capital gains tax (CGT) liability.

### Potentially enhanced dividend yield with CitiFirst SFIs



This chart is intended as an illustration only. Dividends are not guaranteed to be paid

Assumes RDV dividend yield of 5.5%pa.

# Some advantages of investing in CitiFirst Self Funding Instalments

- Lower initial outlay compared to investing directly in underlying shares
- Enhanced dividend yield and franking credits
- Dividends are used to pay down the loan amount
- Investors gain leveraged exposure to movements in the share price
- Potential tax benefits
- Eligible for Self Managed Super Funds (SMSFs)
- No obligation to pay the Final Instalment
- No margin calls if the share price falls
- Listed and traded on the ASX, offering flexibility and transparency

# Some risks of investing in CitiFirst Self Funding Instalments

Like any investment that offers the potential for profit there is a corresponding potential for loss. The relevant CitiFirst SFI product disclosure statement details all risks associated with investing in CitiFirst SFIs. These include, but are not limited to the following:

- CitiFirst SFIs may decrease in value at a greater rate than an investment in the Underlying Shares.
- On the maturity date, your CitiFirst SFI may be significantly less valuable or may expire worthless.
- The annual Interest Amount may be greater than the dividends paid in the underlying share. Hence the loan amount at maturity may be greater than the loan amount at the time of purchase.
- Citi has the discretion to adjust the Underlying Shares or the Final Instalment upon the occurrence of certain corporate events. Citi may exercise its discretion to declare an Extraordinary Event to amend the terms of issue or fix an early Maturity Date.
- The current Australian regulatory environment and any legislative, tax or regulatory changes may impact on a Holder of CitiFirst SFIs.

Potential investors should reach an investment decision only after carefully considering, with their advisors, the suitability of Citi Self Funding Instalments in light of their particular circumstances, taking into account the risk factors relating to the Citi Self Funding Instalments mentioned in the FAQ and detailed in full in the Product Disclosure Document.

# How do CitiFirst Self Funding Instalments over RDV work?

CitiFirst SFIs enable investors to purchase shares in RDV by making two separate payments.

## 1. First Instalment

For Cash Applicants, this is the purchase price. It is variable, and fluctuates depending on the price of the Underlying Share in RDV, volatility, time to maturity and prevailing interest rates.

The following table illustrates the effect that these factors have on the price of a CitiFirst SFI.

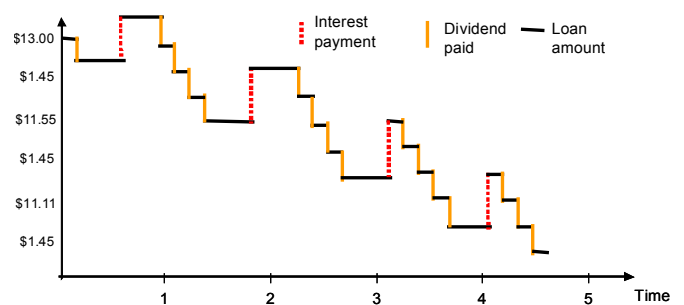
Pricing Factor	Change in Pricing Factor	Change in Instalment Price
RDV Price	↑	↑
Time to Maturity	↓	↓
Interest Rate	↑	↑
Volatility of Share	↑	↑
Dividends	↓	↓

## 2. Final Instalment

The Final Instalment is variable as dividends are used to reduce the Final Instalment and interest payments are added on to the loan amount annually.

The objective is for the dividend yield to be greater than the interest payments, thereby creating a positively geared investment.

Investors can pay the Final Instalment at any time up to maturity to complete the purchase of RDV shares.



\*Interest will be calculated based on the current loan amount and the floating interest rate

# How do I buy CitiFirst Self Funding Instalments over RDV?

There are a variety of simple ways to buy CitiFirst SFIs over RDV.

## 1. Purchasing with Cash

### Cash Application

Apply for CitiFirst SFIs by completing a Cash Application Form attached to the Product Disclosure Statement (PDS) and submitting it with payment to a stockbroker, approved financial advisor or directly to CitiFirst Warrants. The minimum investment amount is \$2,000.

## 2. Existing Shareholders

### Shareholder Application

Convert current shareholdings in RDV in to CitiFirst SFIs by completing the Shareholder Application Form attached to the PDS and submitting it to a stockbroker, approved financial advisor or directly to CitiFirst Warrants. Self Managed Super Funds are unable to apply for SFIs via a shareholder application.

## 3. Existing Instalment Holders

### Rollover Application

At maturity, investors can roll over a current series of SFIs into a new series by completing the Rollover Application form attached to the PDS and submitting it to a stockbroker, approved financial advisor or directly to CitiFirst Warrants.

### How do I recognise a CitiFirst SFI?

All CitiFirst SFIs have a six letter ASX code:

**RDVSOZ**

**Z** = indicates the SFI Series

**O** = indicates the Issuer is Citigroup

**S** = indicates that this is a SFI

**RDV** = underlying share

# Ease of Trading

CitiFirst SFIs are listed on the ASX for transparency. They can be traded on the ASX any time during market opening hours via a broker.

## What happens at Maturity?

CitiFirst SFI holders will be sent an expiry notice prior to the CitiFirst SFI reaching maturity. There are then a number of options of how to proceed:

- Paying the Final Instalment and costs and receive full ownership of RDV Shares
- Deferring the Final Instalment for another term by rolling into the next series of CitiFirst SFIs over RDV.
- Selling the Underlying Shares to the Issuer and receiving the Market Value less the Final Instalment and costs.
- Do nothing. If the Underlying Shares are trading above the Final Instalment at expiry, Citi will pay the SFI holder the difference between the market value of RDV Shares and the Final Instalment less costs.

## Product Range

There are over 100 CitiFirst SFIs on issue covering a majority of the top 50 shares in the Australian market. There are a wide range of gearing levels and expiries available in order to suit all levels of investor risk and maturity preferences.

## Monitoring the Performance of CitiFirst SFIs

Citi SFI prices can be found in most daily newspapers, on financial websites or on our CitiFirst website [www.citifirst.com.au](http://www.citifirst.com.au)

The register of holdings of CitiFirst SFIs is held by Computershare Investor Services. Information is available online in the 'Investors' section at [www.computershare.com.au](http://www.computershare.com.au) or contact Computershare directly on 1300 364 060.

# CitiFirst SFIs: Strategies to Consider

Please note this case study is general in nature and does not take in to account specific taxation or personal circumstances. Investors should not rely on the information and should obtain specific advice before investing in this product.

## Strategy 1 - Building an Investment Portfolio in Self Managed Super Funds

Sue has \$50,000 to invest in her Self Managed Super Fund\* and is undecided whether to purchase the RDV ETF or Citi Self Funding Instalments over RDV.

On 4th May 2011 RDV was trading at \$25.16, while the RDVSOZ was trading at \$14.45. Sue wants to maximise her exposure to RDV and is happy to use the dividend to repay the loan amount.

The following table compares the dividend income yield of an investment in the RDV ETF versus RDV Citi SFI.

If Sue invests her \$50,000 in RDV shares she will only be able to purchase 1,987 shares in RDV. Alternatively, an investment in a CitiFirst SFI allows her to gain exposure to 3,460 RDV shares. By purchasing the CitiFirst SFI, Sue's dividend yield will be 9.5%. These dividends will used to repay the loan amount on the SFI.

At any time until maturity, Sue can sell her RDV CitiFirst SFI on the ASX or pay the Final Instalment and receive the Underlying Shares.

	Shares	CitiFirst SFI
<b>ASX Code</b>	RDV	RDVSOZ
<b>Amount Invested</b>	\$50,000	\$50,000
<b>Purchase Price</b>	\$25.16	\$14.45
<b>Final Instalment</b>	n/a	\$13.00
<b>No. Purchased</b>	1,987	3,460
<b>Assumed Dividend</b>	\$1.38	\$1.38
<b>Total Dividend</b>	\$2,742	\$4,774
<b>Dividend Yield</b>	5.5%	9.5%

\* Please note there may be tax implications surrounding additional contributions to SMSFs. Investors should consult their tax advisor prior to investing.

## Strategy 2 - Convert existing shares into CitiFirst SFIs to extract cash

Ted purchased \$20,000 worth of RDV shares in July 2010. At the time of purchase RDV shares were trading at \$23.50, hence Ted owns 851 shares.

In May 2011, RDV shares were trading at \$25.16, representing a capital appreciation on Ted's RDV investment of 7% and a potential capital gains liability of \$1,400 if he sold the shares.

Ted would like to free up some of the capital locked up in his RDV holding, without crystallising any capital gains.

However, Ted wants to retain exposure to his RDV shares. A cash extraction strategy may enable Ted to execute this. Potential cash back details are as follows:

By converting his 851 shares in to 851 RDVSOZ Self Funding Instalments, Ted receives a cashback amount of \$10,348 (based on a RDV price of \$25.16) which can be used to further diversify his portfolio while maintaining exposure to RDV.

There is no change in beneficial ownership of Ted's RDV shares, they will simply be held in trust on his behalf. As a result, Ted has not crystallised any capital gains. Ted continues to benefit from franking credits and capital appreciation of his existing RDV shares, whilst dividends are used to reduce the loan amount.

ASX Code	RDVSOZ
CitiFirst SFI Price	\$14.45
Final Instalment	\$13.00
Cashback / Instalment	\$12.16
Maturity Date	June 2016
RDV shares converted into RDVSOZ	851
Ted's cashback amount	\$10,348



# Frequently asked questions

## Which underlyings are CitiFirst SFIs linked to?

CitiFirst SFIs are issued over a range of underlying securities from the top 50 blue chips, Listed Property Trusts (LPTs) and Exchange Traded Funds (ETFs)

## How can investors view the price of CitiFirst SFIs?

CitiFirst SFIs are listed on ASX. Investors are able to obtain prices anytime during normal ASX market hours. Indicative levels are also available from our website [www.citifirst.com.au](http://www.citifirst.com.au)

## How can investors buy and sell CitiFirst SFIs?

**Buying** - Investors can purchase CitiFirst SFIs directly from Citi by completing the Cash Application form available in the Product Disclosure Statement (PDS). Alternatively investors can purchase CitiFirst Instalments on the ASX integrated trading system (ITS) via their broker.

**Selling** - Investors can sell CitiFirst SFIs on market through their broker on the ASX ITS platform.

## Do I need to make yearly payments?

Apart from the Initial Payment, investors will not be required to make further payments at any time. Only investors wishing to exercise CitiFirst SFIs will be required to make a Final Payment to receive the underlying security.

## Will investors receive annual tax statements?

Yearly financial statements detailing income (dividend and franking credits) and interest costs will be sent to CitiFirst SFI investors.

## What happens if the interest payments exceed the dividends paid?

Nothing. Investors are not required to make ongoing payments if the capitalised interest exceeds dividend payments.

### Can I repay the loan amount at any time?

Yes, investors are able to repay the outstanding loan amount at any time prior to expiry of a CitiFirst SFI.

### What are some of the risks should I consider before purchasing CitiFirst SFIs?

Like any investment that offers the potential for profit there is a corresponding potential for loss. The relevant CitiFirst SFI product disclosure document details all risks associated with investing in CitiFirst SFIs. These include, but are not limited to the following:

- CitiFirst SFIs may decrease in value at a greater rate than an investment in the Underlying Shares;
- The price of CitiFirst SFIs is dependent on such factors as the price of the Underlying Shares, the amount of the Final Instalment, the time remaining to expiry and general market risks
- Possible market illiquidity
- Legislative and tax risks

Investors should read the relevant product disclosure document which details all risks associated with CitiFirst SFIs. Investors should also consult their stockbroker or financial adviser to ascertain the suitability of investing in warrants as part of their particular investment strategy.

Potential investors should reach an investment decision only after carefully considering, with their advisors, the suitability of Citi Self Funding Instalments in light of their particular circumstances, taking in to account the risk factors relating to the Citi Self Funding Instalments mentioned in the FAQ and detailed in full in the Product Disclosure Document.



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# Citi and CitiFirst

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As a leading global financial services partner, Citi delivers an unrelenting drive towards success for consumers, corporations, governments and institutions. As a global leader in banking, capital markets and transaction services, across an unrivalled scale and reach, Citi enables clients to achieve their strategic financial objectives.

CitiFirst is a full-service model for Citi's offering of structured investments. These can be designed to suit all levels of risk appetite across the full range of asset classes, utilising various issuance solutions and product wrappers, to satisfy any investment objective.

To learn more about CitiFirst, log onto [www.citifirst.com.au](http://www.citifirst.com.au). This exclusive website offers access to CitiFirst products, analytics and educational resources.

See [www.citifirst.com.au](http://www.citifirst.com.au) for more information about Citi.

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