



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

## An Introduction to CitiFirst Self Funding Instalment Warrants

Maximise your Exposure to Australia's Blue Chip Shares and Indices with  
CitiFirst Self Funding Instalment Warrants

For more information and to subscribe to our market newsletter:

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CitiFirst Self Funding Instalments (SFIs) are an increasingly popular and flexible investment product, for both individuals and Self Managed Super Funds (SMSFs) who seek medium to long-term moderately geared exposure to the performance of shares in Australia's leading companies and indices.

CitiFirst SFIs can provide convenient, prudent investment opportunities for Australian investors and SMSFs. CitiFirst SFIs are listed and traded on the Australian Stock Exchange (ASX).

For SMSF investors, CitiFirst SFIs are one of the few means of gaining leverage in their portfolio.

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

# An Overview

CitiFirst Self Funding Instalments offer a straightforward and cost effective way to gain medium to long-term geared exposure to the performance of shares in Australia's leading companies and indices.

For a fraction of the up-front price of the underlying shares, 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 the Underlying Shares, roll in to another series of CitiFirst SFIs\* or walk away from the investment, receiving the residual value remaining in the investment.

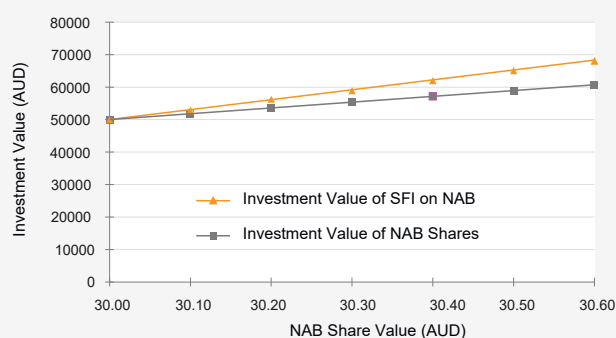
**CitiFirst Self Funding Instalments may help investors achieve their investment objectives, particularly for those:**

- Looking for exposure to the stock market 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 NAB CitiFirst SFIs against the value of NAB 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\*\*

\*Roll-Over application is only available to Non-Retail Investors.

# 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 receive all of the Dividends and, depending on investor status, any available franking credits paid in relation to the Underlying Shares. 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 the Underlying Shares, the yield of a CitiFirst SFI can be significantly greater than that of the Underlying Shares.

## Leverage

CitiFirst SFIs are securities that enable the investor to prudently leverage their existing or future shareholdings in leading Australian companies and indices.

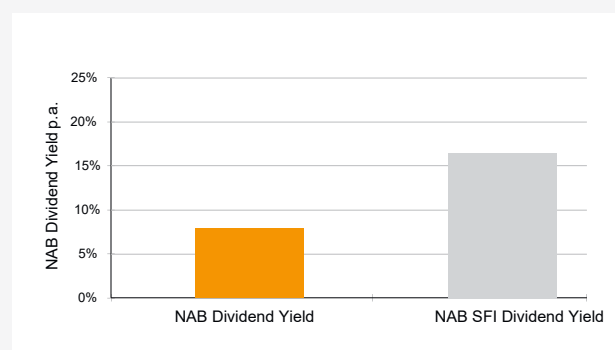
## Potential Tax Efficiency

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 the Underlying Shares, 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 SFI is a fraction of the price of the Underlying Share.

## Potentially enhanced dividend yield with CitiFirst SFIs



This chart is intended as an illustration only. Dividends are not guaranteed to be paid. Assumes a NAB gross dividend yield of 7.19% p.a.

\*Based on 2022 NAB historical dividend and franking credit.

## 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 their shares without crystallising a capital gains tax (CGT) liability.

# 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
- Variable gearing levels
- 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
- Issued over a broad range of blue-chip companies
- 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 work?

CitiFirst SFIs enable investors to purchase shares 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, volatility, time to maturity and prevailing interest rates.

The price of the First Instalment is typically between 40 – 60% of the Underlying Share price.

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

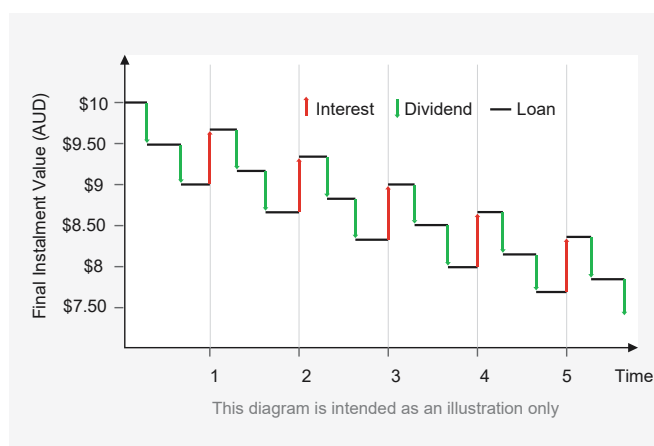
Pricing Factor	Change in Pricing Factor	Change in SFI Price
Underlying Share Price	↑	↑
Time to Maturity	↓	↓
Interest Rate	↑	↑
Volatility of Share	↑	↑
Dividends	↓	↓

## 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 the underlying security.



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

# How do I buy CitiFirst Self Funding Instalments?

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

## 1. Purchase on-market

CitiFirst SFIs are listed and traded on the ASX. Like shares, they can be bought and sold via an approved broker, financial advisor or directly via an online broker. (Instalments/SFIs) are characterised as a Warrant, and most brokers will require some additional documentation before you are able to trade. This may differ depending on the broker, but will generally include completing the ASX-required 'Warrant Client Agreement Form'. For further information speak to your broker or contact the CitiFirst Warrants Sales Desk on 1300 30 70 70.

## 2. 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 or approved financial advisor.

The minimum investment amount is \$2,000.

## 3. Existing Shareholders

### Shareholder Application

Convert current shareholdings in 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.

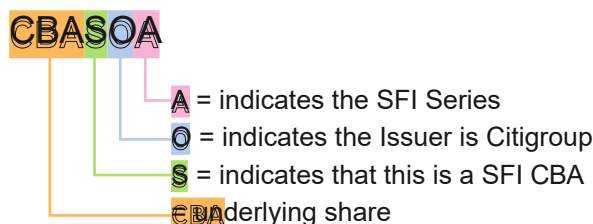
## 4. Existing Instalment Holders

### Roll-Over 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:



\*Roll-Over application is only available to Non-Retail Investors.

# Ease of Trading

CitiFirst SFIs are listed on the ASX for transparency. They can also 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 the Underlying Shares.
- Deferring the Final Instalment for another term by rolling into the next series of CitiFirst SFIs\*.
- 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 the Underlying 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 varying 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.

\*Roll-Over application is only available to Non-Retail Investors.



# 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 NAB shares or CitiFirst Self Funding Instalments over NAB shares.

On 9th January 2023 NAB was trading at \$30.00, while the NABSOD was trading at \$19.49. Sue wants to maximise her exposure to NAB shares and is happy to use the dividend to repay the loan amount.

The table to the right compares the dividend income yield of an investment in NAB shares versus NAB Citi SFIs.

If Sue invests her \$50,000 in NAB shares she will only be able to purchase 1,666 shares. Alternatively, an investment in CitiFirst SFIs allows her to gain exposure to 2,565 NAB shares. By purchasing the CitiFirst SFI, Sue's dividend yield will be over 11% p.a. These dividends will be used to repay the loan amount on the SFI.

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

	Shares	CitiFirst SFI
ASX Code	NAB	NABSOD
Amount Invested	\$50,000	\$50,000
Purchase Price	\$30.00	\$19.49
Final Instalment	n/a	\$10.99
No. Purchased	1,666	2,565
Historical Div for 2022*	\$1.51	\$1.51
Franking @ 100%	\$0.647	\$0.647
Total Grossed up Dividend	\$2.157	\$2.157
Gross Dividend Yield	7.19%	11.07%

\*Based on 2022 NAB historical dividend and franking credit.

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

Ted purchased \$20,000 worth of BHP shares in 2016. At the time of purchase BHP shares were trading at \$15.00, hence Ted owns 1,333 BHP shares.

In January 2023, BHP shares were trading at \$47.00, representing a capital appreciation on Ted's BHP investment of 214% and a potential capital gains liability of \$42,656 if he sold the shares.

Ted would like to free up some of the capital locked up in his shares in order to diversify his portfolio, without crystallising any capital gains.

However, Ted wants to retain exposure to his BHP shares. A cash extraction strategy may enable Ted to execute this. Potential cash back details as per the table on the right.

By converting his 1,333 shares in to 1,333 BHPSOD Self Funding Instalments, Ted receives a cashback amount of \$17.10 (based on a BHP share price of \$47.00) which can be used to further diversify his portfolio while maintaining exposure to BHP.

There is no change in beneficial ownership of Ted's BHP 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 BHP shares, whilst dividends are used to reduce the loan amount.

ASX Code	BHPSOD
CitiFirst Instalment Price	\$29.90
Final Instalment	\$18.23
Cashback / Instalment	\$17.10
Maturity Date	February 2026
BHP shares converted to BHPSOD	1,333
Ted's cashback amount	\$22,794



# 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 Instalments?

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 SFIs 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 I should 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 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;
- 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 CitiFirst 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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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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For more details of our CitiFirst investment range, please visit us at [www.citifirst.com](http://www.citifirst.com), speak to your usual sales contact, or contact your local CitiFirst Sales team:

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