

SENTINEL



Protecting with growth





SENTINEL

Sentinel is an investment distributed by ANZ which provides wholesale investors with exposure to a portfolio of Australian equities. This investment has a 6 year term, is modelled on an existing ANZ Trustees equities share fund, Charitable Common Fund 103, and is 100% principal protected by ANZ at maturity¹

¹Subject to any return of principal prior to maturity.

These are some of the corporate responsibility initiatives in which ANZ participates. Information on specific awards and recognition ANZ has received is available at www.anz.com





Investor Benefits

Access to an equity portfolio managed by one of Australia's largest investment managers for charitable organisations

ANZ Executors & Trustee Company Limited ("ANZ Trustees") is a specialist investment manager for charitable foundations and other organisations in the charitable sector. It is a trustee for some of Australia's most prominent charitable foundations and deals with foundations ranging in size from over \$150 million to less than \$100,000. One of the oldest foundations managed by ANZ Trustees, The Felton Bequest, celebrated its 100 year anniversary in 2004.

ANZ Trustees currently manages assets of over \$2 billion on an individual basis for approximately 1,300 clients. This includes almost 300 charitable trusts with not-for-profit assets exceeding \$1 billion, making ANZ Trustees one of the largest providers of investment services to the Australian charitable sector.

Independent investment management and governance

Whilst wholly owned by Australia and New Zealand Banking Group Limited (ANZ), ANZ Trustees has an independent Board and a rigorous compliance and risk management culture, including independent Board Audit and Investment Committees.

An investment in growth assets with low volatility

ANZ Trustees' portfolio construction style is designed to produce low volatility, high yielding share portfolios with no major overweight positions relative to its benchmark index, the S&P/ASX 100 Index™ excluding property trusts. This approach is further enhanced by the application of ANZ Trustees' yield stock selection filter (which focuses on true income rather than on distributions that are capital in nature).

In summary ANZ Trustees' approach delivers several advantages:

- A diversified portfolio exposed to all industry sectors, and the majority of the stocks in the top ASX/S&P 100 Index™ excluding property trusts;
- Bias to out-perform in "bear" markets (but to slightly under-perform in "growth" bull runs); and
- Participation in value accretive buybacks.

Principal Protected at maturity² with the potential for the protection to increase over term

An investment in Sentinel is principal protected by ANZ at maturity. ANZ is rated AA- by Standard and Poor's and is an APRA regulated authorised deposit-taking institution (ADI).

The level of principal protection will increase when the Net Asset Value (NAV) of Sentinel on an anniversary of the Issue Date is higher than its highest previous NAV on an anniversary date. The increase, in these circumstances, will be equal to half of the difference in the NAVs (refer below for more details).

Liquidity

Monthly valuations and weekly redemptions are available, however early redemption fees of up to 0.5% p.a. will apply.

² Subject to any return of principal prior to maturity.



What is Sentinel?

Sentinel is a 6 year investment seeking to provide investors with returns linked to the performance of the Australian equities asset class coupled with the safety net of principal protection at maturity.

Sentinel employs a dynamic management investment mechanism known as Constant Proportion Portfolio Insurance ("CPPI") to provide a minimum of 100% principal protection at maturity³. Capital is invested in the portfolio and cash instruments. The allocation between these assets is actively managed depending on the performance of the underlying portfolio.

Who is ANZ Trustees?

ANZ Trustees is an Australian statutory trustee company wholly owned by ANZ. ANZ Trustees currently manages assets of over \$2 billion for approximately 1,300 clients and is one of the largest providers of investment services to the charitable sector.

ANZ Trustees has rigorous compliance and risk management systems in place to ensure professionalism and independence in management of all aspects of its services. It has an independent board and separate Audit and Investment Management committees, and is governed by ANZ's internal audit and financial reporting regimes.

The Sentinel Portfolio

The Sentinel Portfolio ("the Portfolio") is modelled on ANZ Trustees' existing charitable fund, Common Fund 103, and constructed to be aligned to the S&P/ASX 100 Index™ after excluding property trusts and low yielding stocks. Through the Portfolio, investors gain exposure to the performance of between 60 and 70 leading Australian companies based on various criteria including yield and market capitalisation.

The Portfolio will exclude property trusts (whose distributions tend to have a large unfranked component), infrastructure stocks (whose distributions are not regarded as income under trust law) and other 'low income' stocks (defined as a stock yielding less than 25% of the average grossed up forward 12 month yield).

This currently produces a portfolio of 67 stocks representing approximately 80% by weighting of the S&P/ASX 100 Index™ after excluding property trusts and News Corporation and including franking credits (the Benchmark Index), with the balance of the 20% spread evenly across the 67 stocks according to their Index weight.

³ Subject to any return of principal prior to maturity.



Portfolio Performance

ANZ Trustees' Common Fund 103 has closely tracked the performance of the benchmark Index before fees and taxes since the adoption of the current investment style in 2004. The Benchmark Index has shown an average annual total return of 15.3% pa (including the value of franking credits) from 31 December 1996 until 31 December 2006.

The Common Fund 103 is yielding 5.9% as at 31 December 2006 as compared to the Benchmark Index, which was yielding 4.1% (5.7% including franking credits) on the same date.

Portfolio beta analysis of ANZ Trustees Common Fund 103 indicates that its portfolio is slightly more defensive than the S&P/ASX 200 Index™ and stress testing for a market fall indicates that it has a lower level of risk than the S&P/ASX 100 Index™.

Please note that past performance, including variability of the return and the correlation with the S&P/ASX 100 Index™ or the Benchmark Index, should not be taken as an indicator or predictor of future performance.

Rising Principal Protection

The Sentinel Trust offers investors a minimum of 100% principal protection at maturity⁴. Investors will always receive a minimum of 100% of their initial investment over the term. It is also possible for the principal protected amount to increase.

Annually, Sentinel's NAV is compared to each previous year's NAV. If the current NAV is greater than the highest NAV of the previous anniversaries, the principal protected amount is increased by half of the difference. If the current NAV is below the highest NAV of the previous anniversaries, no change will be made to the principal protected amount.

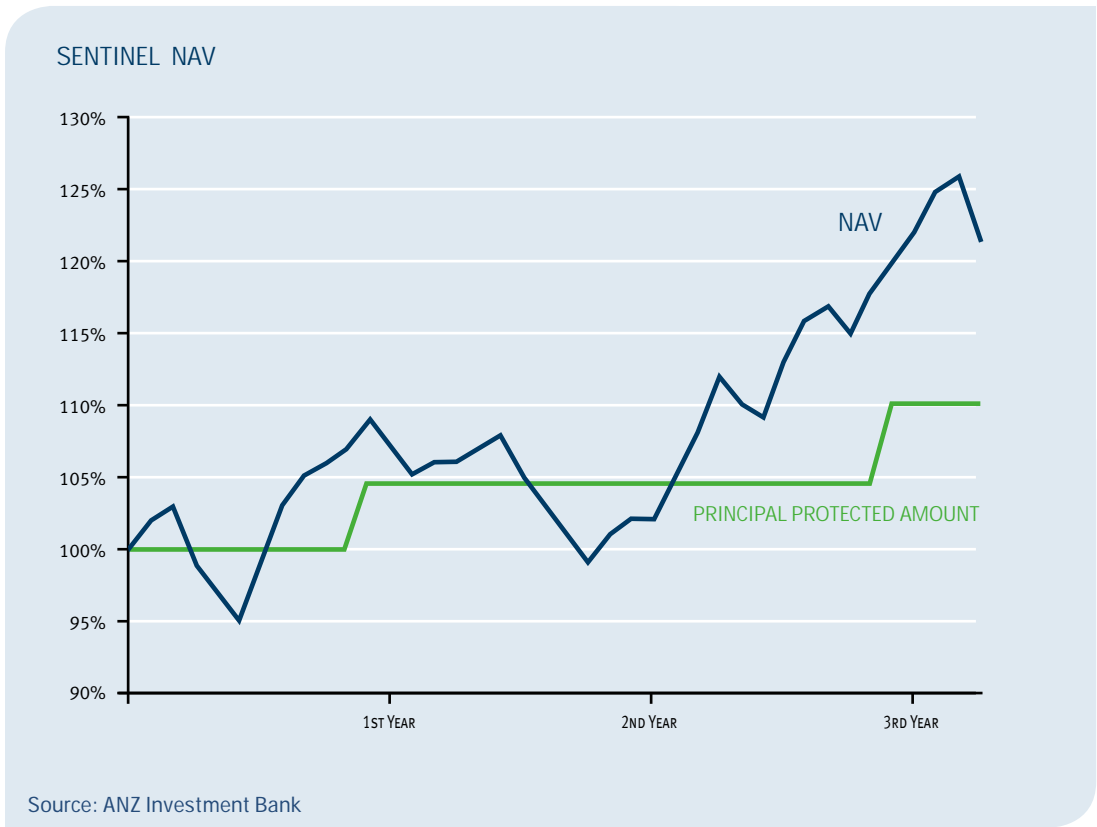
Example of Rising Principal Protection

In the example overleaf, Sentinel's NAV has increased by 10% at the end of year one, and therefore half this amount will be 'locked in', increasing the principal protected amount to \$1.05 (i.e. this is now the minimum investors will receive at maturity).

At the end of year two, Sentinel's NAV has declined so there is no change in the principal protected amount.

At the end of year three, Sentinel's NAV has increased to \$1.20, above its highest previous annual NAV (being \$1.10 at the end of year 1). Consequently, the principal protected amount increases again. This increase is half of the difference between the previous highest NAV (\$1.10 at the end of year 1) and the NAV at the end of year 3 (\$1.20). Therefore, the principal protected amount increases by half of 10 cents, taking it from \$1.05 to \$1.10.

⁴ Subject to any return of principal prior to maturity.



Important Risks to Consider

- Equity markets could show flat or negative returns, and this will mean that the product may not provide any returns over the 6 year term of the investment.
- Principal protection only applies if the investment is held to maturity. If you sell your units prior to maturity then transaction fees will apply and you may not receive your full initial investment back.
- Minimum return at maturity will be a return of the principal invested, less any return of principal during the term, with the potential for no capital growth.
- Annual distributions are contingent on the Portfolio having distributions available to pay out.
- Early redemption incurs transaction costs of up to 0.5% p.a.

Management Fees

ANZ will be entitled to a Protection Fee of 1.25% of NAV per annum (note this reduces to 0.60% of NAV per annum if a Strategy Deleverage Event occurs - refer to the Term Sheet for a definition.) and ANZ Trustees will be entitled to a Portfolio Management Fee of 0.60% of NAV per annum.

Sentinel – Investment Performance

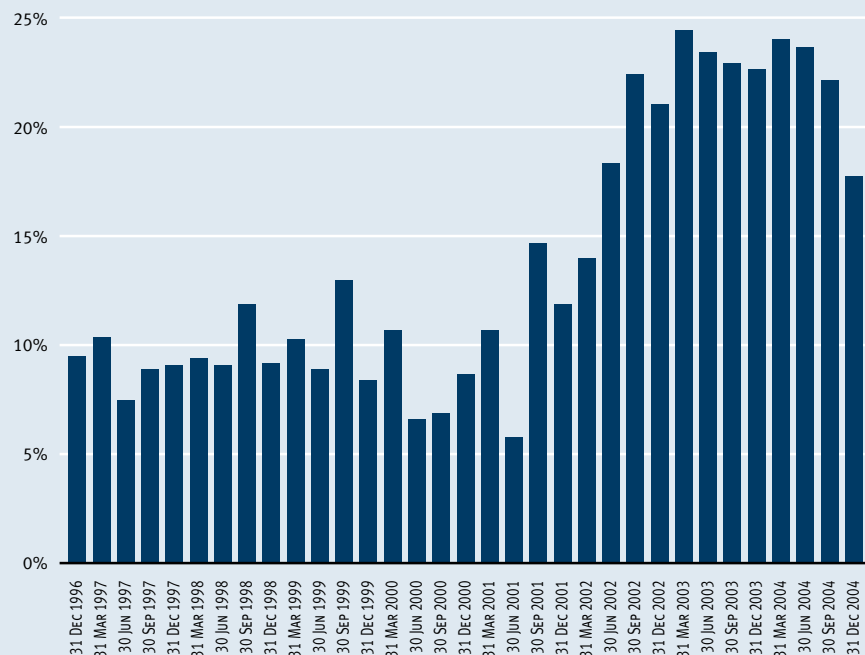
10 Year Performance

The following chart demonstrates the 'back tested' returns of Sentinel to the investor, based on historical performance of the Common Fund 103 over the past 10 years. Returns shown are gross of franking credits and net of all fees.

To give a view of the possible investment performance of Sentinel, the investment has been 'back-tested' using ten years of ANZ Trustees' Common Fund 103 performance. These returns are not the actual returns of the Sentinel investment but are the 'modelled' returns which would have been achieved using the same investment management trading rules and market prices.

Each bar represents the return an investor would have received over the term of the investment had they invested on that date. The annualised returns are calculated for the duration of the full six year investment. Where the start date of the investment is less than six years from the final measurement date the return shown is an annualised return calculated for the partial investment term. The returns achieved may be significantly different if the investment was not held until maturity.

Total average return for a 6 year Investment based on the starting date



Source: ANZ Investment Bank

Please note that past performance should not be taken as an indicator or predictor of future performance. The assumptions underlying the calculations for the above table are market interest rates (Australian Dollar swap curve), historical unit prices published for ANZ Trustees' Common Fund 103, historical distributions and franking credits paid by the Common Fund 103, and net of the Sentinel protection fee of 1.25% per annum and net of all other fees.



Why should I invest in Sentinel?

- Opportunity for capital growth and contingent income.
- Principal protected by ANZ at maturity. ANZ is rated AA - by Standard and Poor's and is an APRA regulated authorised deposit-taking institution.
- Exposure to Australian equities with the safety net of a minimum 100% principal protection at maturity.
- Access to an equity portfolio managed by ANZ Trustees, one of Australia's largest investment managers for charitable and not for profit organisations.
- Liquidity - weekly redemptions are available, however, early redemption fees of up to 0.5% per annum may apply.
- Monthly valuations.
- Contingent annual distributions may be paid from the underlying portfolio.

Who should look to invest?

- Local councils (ex Victoria)
- Health sector
- Aged care/Nursing homes
- Insurance companies
- Credit unions
- Educational institutions
- Water authorities
- Government organisations
- Not-for-profits
- Charitable organisations
- Associations
- Long service leave funds
- Industry funds
- Superannuation funds
- High net worth individuals





Where do I get more information?

The offer is open to wholesale investors and the minimum investment amount is \$100,000. The Application Form requires you to confirm your wholesale status. Your ANZ relationship manager will be happy to discuss this offer with you in more detail.

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The Sentinel Trust Units if issued will not represent deposits or other liabilities of ANZ or any of its subsidiaries or associates. Neither ANZ nor any of its subsidiaries or associates guarantees or in any way stands behind the capital value and/or performance of the Sentinel Trust Units, the payment or repayment of any moneys owing to holders of Sentinel Trust Units or the return of any principal invested or any particular rate of return, or makes any statement (including, without limitation, any representation) with respect to income tax or other taxation consequences of any investment which is made in relation to any Sentinel Trust Units. Investment in the Sentinel Trust Units is subject to investment risk, including possible delays in payment and loss of income and principal invested. The Sentinel Trust is a separate entity from Australia and New Zealand Banking Group Limited and is not an authorised deposit-taking institution under the Banking Act 1959 (Australia).

ANZ may hold the Sentinel Trust Units if issued.

ANZ may also provide debt, treasury, and other services to the Sentinel Trust. These services are provided in various capacities as a third party. ANZ may act if necessary to protect its interests ahead of those of investors and other parties. In acting in its various capacities, ANZ will only have the duties and responsibilities expressly agreed by it in the relevant capacity and will not, by virtue of acting in any other capacity, be deemed to hold any differing standard of care.

ANZ Trustees

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You should obtain independent advice as to whether investing in the Sentinel Trust is appropriate for you, having regard to your objectives, financial situation and needs.

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