

## Who is Macquarie?

Macquarie Equities New Zealand Limited (Macquarie) is part of the worldwide Macquarie group of companies, providing specialist investment, advisory and financial services through over 4,700 employees in 18 countries. Macquarie specialises in designing innovative investment solutions specifically for New Zealanders. Macquarie is promoting Generator Bonds on behalf of the issuer, Generator Bonds Limited.

Generator Bonds Limited (Generator) is a subsidiary company of Macquarie New Zealand Limited. Generator was set up specifically to issue Generator Bonds.

**The offer closes on August 13, 2003. For more information please refer to the Offer Document which can be obtained from your financial adviser, or by calling Macquarie on 0800GENER8 (0800 436 378).**

The Final Interest Rate and Standard & Poor's rating will be confirmed on the Issue Date. The Offer will not go ahead if either of the following conditions cannot be met:

- Generator Bonds receiving a rating from Standard & Poor's of A-
- Generator Bonds being able to offer a Final Interest Rate of at least 7.75%. This may not occur if the quarterly 5 year swap rate on NZ interbank lending and the average bid price of the credit default swaps on the companies in the Portfolio make it uneconomic for the Issuer to offer a Final Interest Rate of at least 7.75% pa.

In the event that this Offer does not proceed, investors will receive in full their application monies with interest at 8%pa paid until the offer close date.

Generator Bonds are issued by Generator Bonds Limited, a subsidiary company of Macquarie New Zealand Limited, incorporated in Australia in its capacity as trustee of the Generator Bonds NZ. No. 1 Trust and constitute first ranking secured obligations of Generator Bonds Limited, in its capacity as trustee of that trust. The combined Prospectus and Investment statement ("the Offer Document") has been registered with the New Zealand Companies Office.

Investments in Generator Bonds are not deposits with or liabilities of Macquarie Bank Limited nor any member of the Macquarie Bank Group and are subject to investment risk, including possible delays in repayment and loss of income and or principal invested. None of Macquarie Bank Limited, Generator Bonds Limited, Macquarie Equities New Zealand Limited or any member of the Macquarie Bank Group guarantees the performance of Generator Bonds nor do they guarantee the repayment of the capital from Generator Bonds.

Macquarie Bank Limited is a company incorporated in Australia and authorised under the Banking Act 1958 (Australia) to conduct banking business in Australia. Neither Macquarie Bank Limited nor any member of the Macquarie Bank Group are registered as a registered bank in New Zealand by the Reserve Bank of New Zealand under the Reserve Bank of New Zealand Act 1989 (New Zealand).

Neither the credit linked notes nor the Generator Bonds constitute obligations of The Bank of Nova Scotia or its affiliates (collectively, "Scotia"). The Generator Bonds are not sponsored, endorsed, promoted, sold or guaranteed by Scotia and nothing herein shall be construed as constituting a warranty or representation of Scotia as to the advisability or suitability of investing in the Generator Bonds. Apart from this paragraph, Scotia has not been involved in the preparation of this Investor Brochure and shall in no way be liable for its content.

Application has been made to the NZX Limited for permission to list Generator Bonds and all the requirements of the NZX Limited relating thereto that can be complied with on or before the distribution of this investor brochure have been duly complied with. However, NZX Limited accepts no responsibility for anything in this investor brochure. Applications to invest in Generator Bonds can only be made on the application form attached to the Offer Document. You should always consult with your investment or other financial adviser to determine whether investment in Generator Bonds is suitable for your particular financial needs, circumstances and or objectives.

 0800GENER8 (0800 436 378)

 [www.macquarie.co.nz](http://www.macquarie.co.nz)

# Generating a better return for New Zealand investors

Generator Bonds  
7.75%pa - 8.25%pa  
Investment grade quality



With a long-term trend of falling interest rates, New Zealand investors are increasingly seeking an opportunity to secure steady income over the medium term.

Generator Bonds do just that.

Generator Bonds offer an income stream of 7.75%pa, 8.00%pa or 8.25%pa. That's around 0.75% - 1.25%pa higher than recent rated bond issues and at least 1.25%pa higher than the average interest rate of 6.00% - 6.50%pa on rated fixed interest securities listed on the NZX Debt Market.

Additionally, one of the world's leading credit rating agencies, Standard & Poor's (S&P), is expected to issue Generator Bonds with an A- credit rating on the issue date. A- is three notches above the minimum rating (BBB-) required to be considered 'investment grade'.

Adviser stamp

FORWARD thinking

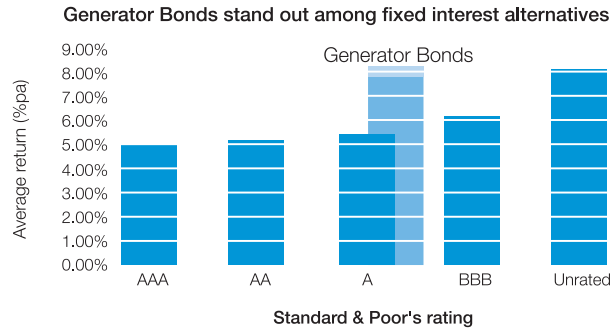


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FORWARD thinking

## Changing the risk return equation

Generator Bonds are designed to have higher returns than other bonds of the same credit rating. As you can see in the chart below, Generator Bonds deliver a better return than the average return you could get from each rated class of bonds currently available.



Average yields on the secondary market per Standard & Poor's rating. Source: NZX Debt Market - Secondary Market Issues as at 1/7/03. Generator Bonds source: Macquarie.

### Speculative grade vs investment grade

The more risk you take the greater your potential return should be. So it follows that because speculative grade investments do not have a credit rating, they therefore involve more risk and should pay higher returns. Securities with an investment grade rating involve less risk and, up until now, have paid lower returns.

### Standard & Poor's credit rating

A credit rating is an independent assessment of a company's or an investment's capacity to meet its financial obligations ie pay its debts. A credit rating from S&P is one of the most dependable credit risk measures in the world. Investment grade is a term given to S&P credit ratings of BBB- or higher, and is the benchmark commonly used by institutional investors to determine the quality of an investment opportunity.

### Generating a better return for New Zealand investors

Generator Bonds will access overseas fixed interest markets by using a commonly used debt market instrument called a credit linked note (CLN). The reasons that Generator Bonds

can offer this return is twofold: firstly, relative to government bonds, overseas investors have historically been able to earn more from corporate bonds than New Zealand investors; and secondly, CLNs often pay a higher yield than similarly rated corporate bonds. With Generator Bonds, investors can access the global fixed interest returns previously only available in New Zealand to institutions.

### What are Generator Bonds and how safe is my money?

Generator Bonds are simply fixed interest securities offering investors a competitive quarterly return, coupled with one of the most dependable credit risk measures for this type of investment in the world - an S&P credit rating.

Generator Bonds' returns are derived from a portfolio of debt issued by 100 international and domestic companies - each of them with an S&P credit rating of BBB- or higher in their own right and a market capitalisation of \$1 billion or more. The list of companies includes well known names such as:

- General Electric
- Reuters
- Rolls Royce
- Toys "R" Us

### Why hasn't this been done before in New Zealand?

While common overseas, creating the financial structures like those behind Generator Bonds can be difficult and expensive to do without specialist advice and resources. Therefore traditionally only institutions in New Zealand have taken advantage of this imbalance.

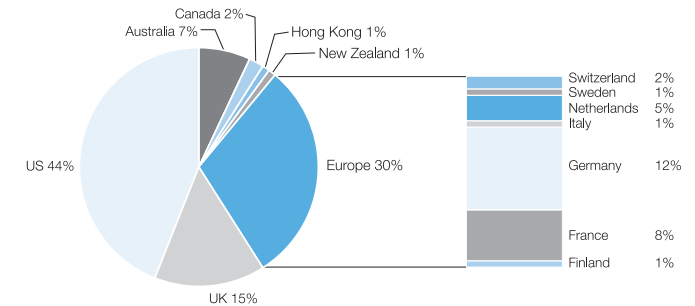
Macquarie has been able to take advantage of its worldwide investment experience, as well as its relationships with leading overseas institutions, to secure the Generator Bonds opportunity specifically for New Zealand investors.

### Are there exchange rate risks given the portfolio of international companies?

No. Generator Bonds are fully denominated in New Zealand dollars.

### What is the benefit of the portfolio of debt being issued by 100 different companies, rather than by the usual single company?

Many New Zealanders generate most or all of their investment income from New Zealand sources. You've heard the adage about putting all your eggs in one basket. Generator Bonds provide a good opportunity for investors to diversify their income stream outside New Zealand - crucially, this is done without exchange rate risk. The chart below shows the mix of countries represented in the portfolio.



### What's the minimum amount I can invest and how much will it cost me?

Applications for Generator Bonds are for a minimum of \$5,000 and multiples of \$1,000 thereafter. Early applications will earn 'early bird' interest at a rate of 8.00%pa until the offer close date of August 13, 2003.

There are no entry or ongoing fees payable by investors to invest in Generator Bonds.

### What is the term of the investment?

5 years.

### Can I get out of the investment early if I need to?

Yes. Generator Bonds will be traded on the secondary market and you will be able to buy and sell them like a normal debt security at market prices.

Investor services will be provided by Computershare.