Fact Sheet

Investment Funds Multiplier

A margin loan exclusive to Leveraged.

The Investment Funds Multiplier may be suitable if you:

- Want to build an investment portfolio over the medium to long term.
- Believe that borrowing to acquire and build your investment portfolio is a suitable strategy for your financial goals and risk appetite.
- Require certainty of a repayment plan (instead of a margin call) if the value of your investment portfolio falls.

What is the Investment Funds Multiplier?

The Investment Funds Multiplier is a margin loan facility through which you can borrow to invest with the added benefit of Repayment Plans (such as Periodic Repayment Plans and Lump Sump Repayment Plans).

The Investment Funds Multiplier allows you to borrow money, in addition to your own, to invest in a variety of Acceptable Investments, including shares, exchange traded funds (ETFs), listed investment companies and managed funds. These are mortgaged to the lender as security for the loan and the amount you owe.

By borrowing to invest (also called gearing or leverage) you can build an investment portfolio larger than you would by using only your own funds.

Investors use gearing when they expect the return on their investments to be larger than the cost of borrowing. Yet it's worth remembering that if the return on your investment is less than your borrowing costs, you will incur a lower return or larger loss than if you had not borrowed or invested at all.

Repayment Plans

In the event of a significant or sustained fall in the investment portfolio value, investors can progressively reduce the loan borrowed through a Repayment Plan o an acceptable level over time. This gives you certainty about the amount you may have to pay should the value of your portfolio fall, making it easier for you to manage your cash flow. It also gives you time to consider how to respond to market movements. Once the market improves, or your loan amount is reduced to an acceptable level, you can return to paying interest only on your loan.

What are the benefits?

The Investment Funds Multiplier offers two key benefits over a traditional margin loan:

Enhanced Diversification

The Investment Funds Multiplier has built in limits and controls that promote investment diversification, such as concentration caps on a large range of Acceptable Investments. This requires the Borrower to diversify their facility in most cases.

Greater ability to manage through market conditions

If the value of your investment portfolio falls, instead of a single Margin Call (which requires one payment to reduce the Loan Balance to an acceptable level), your Investment Funds Multiplier facility may be subject to a Repayment Plan. Repayment Plans aim to reduce the amount borrowed to an acceptable level over time.

Periodic Repayment Plans are set at 1% of the Total Amount Owing at the time the facility becomes subject to the Periodic Repayment Plan. The Periodic Repayment Plan continues until the Total Amount Owing is less than the prevailing Security Value.

The Lump Sum Repayment Plan requires the Borrower to repay one amount that aims to reduce the Gearing Ratio to around 85% after which time the facility will be subject to a Periodic Repayment Plan.

Tax effectiveness

Additionally, you may be entitled to claim an income tax deduction for some or all of your borrowing costs depending on your individual circumstances*.

What are the potential risks?

Gearing can magnify gains as well as losses.

- It is possible that the performance of your investments may change, which will result in you earning a lower return or incurring a larger loss than if you had not borrowed to invest.
- Circumstances can arise which may result in you being required to repay some, or all, of your loan at short notice, such as the Lump Sum Repayment Plan. You may be required to pay an additional amount into your loan account or to sell some, or all, of the mortgaged investment portfolio at short notice. In some instances, the Lender may sell all, or part, of the investment portfolio. Please read the PDS for more information.

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Case Study

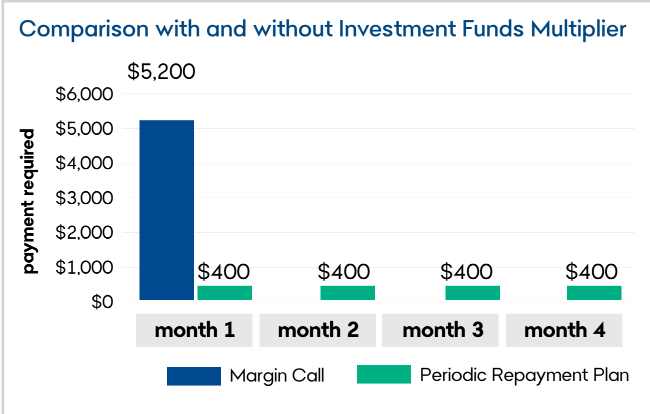
Sandy contributed $40,000 into a traditional margin loan and borrowed $40,000 to invest the total $80,000 into Fund A, which has a Lending Ratio of 75% assigned to it by the margin lender.

	Portfolio of Fund A
Borrower Contribution	$40,000
Loan (Total Amount Owing)	$40,000
Market Value	$80,000
Gearing Ratio (Loan/Market Value)	50%
Maximum Lending Ratio	75%

Now let's assume that due to market volatility, Fund A falls in value by 42% over time, resulting in Sandy's portfolio being valued at $46,400 ($80,-000 – 42%). Sandy is now in margin call due to being in excess of the Maximum Lending Ratio (75%) plus Buffer of 10% (see below example) and would be required to inject $5,200 (Total Amount Owing – new Security Value) into the margin loan in cash or by selling enough of her portfolio to equate to $5,200 of cash. Unfortunately, Sandy does not have $5,200 in a bank account so she has no option but to sell her investment in Fund A, which is potentially at a much lower price than she is comfortable selling at.

	Portfolio of Fund A
Market Value (Reduction of 42%)	$46,400
Loan (Total Amount Owing)	$40,000
Net Equity	$6,400
Maximum Lending Ratio	75%
Gearing Ratio	86%
Security Value (Market Value x 75%)	$34,800
Percentage Buffer	10%
Buffer (Market Value x Percentage Buffer)	$4,640
Security Value + Buffer	$39,440
Margin Call Amount (Security Value – Loan (Total Amount Owing)	$5,200

Comparison with and without Investment Funds Multiplier



In this example, if Sandy borrowed through a traditional margin loan, she would be required to make one margin call payment of $5200. However if Sandy decided to invest in Fund A using the Investment Funds Multiplier, she will commence a Periodic Repayment Plan of 1% of the Total Amount Owing or $400 per month until the Gearing Ratio is restored to 75% or the Security Value reaches $34,800.

If we assume the market recovers in 4 months time and Sandy's Gearing Ratio is restored back to 75%, she would have paid $1600 (4 months x $400) over the period as opposed to one margin call payment of $5200.

Sandy would only need to pay a Lump Sum Repayment if the Gearing Ratio were to reach 95%. If this happens, she will have to pay down the loan to an 85% Gearing Ratio so that the Periodic Repayment Plan can continue.

About Leveraged

Established in 1991, we're proud to be a margin lending specialist in Australia, and a wholly-owned subsidiary of Bendigo and Adelaide Bank.

We offer a choice of multiple margin loan solutions and additional features, a diverse and frequently reviewed investment list and we connect with most major online platforms and selected brokers.

More information: Ask your financial adviser whether Investment Funds Multiplier is right for you, or contact us.

Call 1300 307 807 **Email** customerservice@leveraged.com.au **Visit** leveraged.com.au

*This information does not constitute financial or tax advice. We recommend that you obtain your own independent financial and tax advice on the risks and suitability of this type of investment and to determine whether your interest costs will in fact be fully deductible in the current financial year in your particular circumstance.

Gearing involves risk. It can magnify your returns; however, it may also magnify your losses.

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