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Leveraged Equities

Investment Funds Multiplier

Draft Statement of Advice Content

Dated 9 November 2023

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Investment Funds Multiplier issued by
Leveraged Equities Limited as Lender
ABN 26 051 629 282 AFSL 360118.

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Important Notice

This document provides general information that may be used by an AFSL Authorised Representative to develop a Statement of Advice when recommending the Leveraged Equities Investment Funds Multiplier Facility.

This document is not a complete Statement of Advice, is not a Product Guide, has not been adapted for any individual investor's circumstances and does not contain all the information about the Leveraged Equities Investment Funds Multiplier.

The Leveraged Equities Investment Funds Multiplier is a standard margin lending facility as defined in the Corporations Act 2001 (Cth).

Please refer to the Leveraged Equities Investment Funds Multiplier Product Disclosure Statement and Incorporated Statements dated 9 November 2023 or later, the Product Guide and the Leveraged Equities Terms and Conditions dated 9 November 2023 or later for detailed product information available at www.leveraged.com.au

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Contents

What is Investment Funds Multiplier?

Investment Funds Multiplier (IFM) is a margin loan which applies a Periodic Repayment Plan (PRP) in place of Margin Calls. A Margin Loan is a revolving line of credit that allows investors to borrow money which they use, in addition to their own capital, to invest in a portfolio of acceptable investments that can include shares, exchange traded funds and unlisted managed funds. To secure their obligations the investor grants a mortgage over the portfolio of acceptable investments to the lender.

Unlike other loans there is no set date to repay the money borrowed but events, for example a decrease in the Market Value of the Acceptable Investments can result in some or all of the amounts owing becoming due for payment within a short time including immediately depending on the nature of the event.

Similar to a Margin Call, the Investment Funds Multiplier Facility will become subject to a Periodic Repayment Plan (or PRP) if the Total Amount Owing exceeds the Security Value by an amount equal to or greater than the Buffer. Instead of a margin call, you will be required to deposit 1% of the Total Amount Owing each month until the gearing level is restored back to an acceptable level.

Benefits

Increase the amount available to invest

Borrowing to invest is also called gearing. The net return on an investment includes growth in value plus distributions less investment costs and taxes. If over the investor's planned investment horizon the net return exceeds their net borrowing costs then the investor will earn a higher net return than if they had not borrowed to invest.

Diversify an existing investment portfolio without selling

Some investors may be able to borrow against an existing investment portfolio of acceptable investments to make other investments without selling their portfolio. They may do this to invest in a different range of asset classes, industries and companies. This is called diversification and it is a financial technique that may be used to reduce the risks associated with investing.

Manage your loan with a Repayment Plan instead of a Margin Call

If the value of an investment portfolio falls, instead of a Margin Call an investor may reduce their gearing ratio to an acceptable level through a regular Periodic Repayment Plan. This provides greater certainty about potential cash flow, allowing investors to manage their investment through short-term market volatility.

Features

Two features are available as part of the Investment Funds Multiplier application:

Instalment Plus

Instalment Plus is a feature that may suit investors who want to implement a regular savings and investment plan to progressively build an investment portfolio. You determine an initial contribution, initial investment and the Acceptable Investment (which must be an unlisted managed fund) that you intend to invest in. You also determine the monthly contribution and monthly investment. You transfer the Initial Contribution and each monthly contribution into your Loan Account.

The initial investment and each monthly investment are then used to acquire the Acceptable Investment which becomes the Secured Portfolio under your Investment Funds Multiplier Facility. The difference between each investment amount and your contribution is the amount you borrow under your IFM Facility. The minimum Initial Investment for instalment plus is $1,000 and the minimum monthly contribution is $250.

You will need to check any minimum investment with the issuer of the unlisted managed fund that you intend to invest in. The amount you are able to borrow will depend on the Lending Ratio assigned to your selected investments. Refer to section 3.3 of the Product Guide dated 9 November 2023 or later for an example of how to calculate the amount you may be able to borrow.

While Instalment Plus continues to operate on your Margin Loan Facility you will not be subject to the Minimum Interest Balance as described in section 3.5 of the Product Guide dated 6 October 2021 or later. You can cancel the Instalment Plus feature at any time by writing to Leveraged Equities.

Rewards Plus

Rewards Plus allows a member of the Qantas Frequent Flyer program to earn points based on your Loan Balance. The member of the Qantas Frequent Flyer Program must be an individual and either a Borrower, Guarantor or the Nominated Financial Adviser under the Investment Funds Multiplier Facility. Only one Qantas Frequent Flyer account may receive points per Investment Funds Multiplier with Leveraged Equities. If Leveraged Equities accepts your request to participate in Rewards Plus, Leveraged Equities will increase the variable rate applicable to your Investment Funds Multiplier.

Points are calculated daily but the time when points are awarded will depend on the interest payment schedule you have selected. If you pay interest in-advance points will be awarded before the end of the month in which you prepaid interest. If you pay interest in-arrears then points will usually be awarded during the month after you pay interest.

The awarding and redeeming of Points is subject to the terms and conditions of the Qantas Frequent Flyer Program. Qantas may charge a fee to join or operate their program. Leveraged Equities may cease to offer Rewards Plus or may change the terms and conditions of Rewards Plus at any time.

Risks

Investment Funds Multiplier is not a traditional loan and its unique features mean there are some additional factors investors may need to consider before applying.

The benefits of gearing depend on growth in asset values and stable interest rates

Borrowing to invest (or gearing) is effective where the net return on investments is greater than net borrowing costs. There is a risk that if an investment doesn't perform as expected or interest rates increase an investor will earn a lower return or incur a larger loss than if they had not borrowed to invest.

Events outside an investor's control may result in amounts owing becoming due for payment in a short period of time

These events include but are not limited to Lump Sum Repayment Plan, Defaults and termination.

A Lump Sum Repayment occurs when an investor's Gearing Ratio exceeds the Maximum Gearing Ratio which requires one payment that is aimed to reduce the Gearing Ratio below the Maximum Gearing Ratio.

Gearing Adjustment may be the result of an investor not meeting the repayment schedule in accordance with the Periodic Repayment Plan or Lump Sum Repayment Plan for example. If an investor doesn't have sufficient funds from other sources to pay an amount when due they may need to sell their investment portfolio.

This may occur before the end of their planned investment horizon which means the investment may not have earned the expected return.

Mismatch of cash flows

Interest and other charges associated with Investment Funds Multiplier may become due for payment before any distribution is received on an investment.

The capitalisation of Interest and other costs is not available through the Investment Funds Multiplier Facility.

If an investor doesn't have sufficient funds from other sources to pay an amount when due they may need to sell their investment portfolio. This may occur before the end of their planned investment horizon which means the investment may not have earned the expected return.

What are Repayment Plans?

A Repayment Plan, in this context, is a demand by the Lender that the borrower pays an amount to reduce the Loan Balance, to cover the risk of loss. The purpose of repayment plans is to progressively reduce your Gearing Ratio to a level that is acceptable to the Lender. Generally, this means reducing the Total Amount Owing to an amount that is less than the prevailing Security Value. There may be other ways to reduce your Gearing Ratio instead of or in addition to a repayment plan and this is discussed in the section below.

There are two types of repayment plans; a Periodic Repayment Plan and a Lump- sum Repayment Plan.

Which repayment plan will apply to your Investment Funds Multiplier Facility depends on your Gearing Ratio at the time the Lender determines that your Investment Funds Multiplier Facility is subject to a repayment plan.

If your Gearing Ratio is less than the Maximum Gearing Ratio (which is 95 per cent unless otherwise notified by the Lender) then your Investment Funds Multiplier Facility will be subject to a Periodic Repayment Plan.

A Periodic Repayment Plan sets a monthly repayment schedule equal to 1 per cent of the Total Amount Owing at the time your Investment Funds Multiplier Facility becomes subject to the Periodic Repayment Plan. The monthly repayments continue until the Total Amount Owing is less than the prevailing Lending Value. If your Gearing Ratio is more than the Maximum Gearing Ratio then your Investment Funds Multiplier Facility will be subject to a Lump-sum Repayment Plan.

A Lump-sum Repayment Plan specifies one payment amount that aims to reduce your Gearing Ratio to around 85 per cent. You will need to make this payment within 24 hours of your Investment Funds Multiplier Facility becoming subject to an Lump-sum Repayment Plan. After you pay the Lump-sum Repayment Plan amount your Investment Funds Multiplier Facility will be subject to a Periodic Repayment Plan as outlined above.

Example of a Periodic Repayment Plan

An Investment Funds Multiplier Facility will become subject to a Periodic Repayment Plan if the Total Amount Owing exceeds the Lending Value by an amount equal to or greater than the Buffer. This can happen when:

Security value decreases

The Security Value is the amount Leveraged Equities will lend against a particular Acceptable Investment. For example Leveraged Equities assigns a Lending Ratio of 75% to Managed Fund A. If an investment portfolio consists of Managed Fund A currently valued at $30,000 then the Security Value of that managed fund is currently $22,500. If Market Value decreases, Security Value decreases proportionately.

The amount borrowed increases and Market Value changes

The Security Value depends on the Market Value of the Acceptable Investment which constantly changes. This means that a Periodic Repayment Plan can be triggered for commencement at the end of the month in which it was triggered.

The Buffer is an amount equal to the Market Value of a security multiplied by a percentage set by Leveraged Equities. The standard Buffer set by Leveraged Equities is 10% for most Acceptable Investments. Based on the example of an investor holding a $30,000 investment portfolio of Managed Fund A the buffer would equal $3,000. The purpose of the Buffer is to allow for small intraday fluctuations in lending value without triggering a Periodic Repayment Plan.

The following table is based on the example of an investor's portfolio in Managed Fund A currently worth $30,000 with a Lending Ratio of 75% and Buffer of 10%.

In this example the investor decides to borrow up to the maximum amount $22,500.

The following table is based on the example of an investor holding a listed share in their portfolio currently worth $30,000 with a Lending Ratio of 75% and buffer of 10%. In this example the investor decides to borrow up to the maximum amount $22,500.

Event	Market Value	Security Value 75% x Market Value	Buffer 10% x Market Value	Outcome
Starting value	$30,000	$22,500	$3,000	
Market Value falls by 5%	$28,500	$21,375	$2,850	The $22,500 borrowed exceeds the Security Value but is still less than the Security Value plus the Buffer. This margin loan is "in the Buffer" but a PRP has not occurred.
Market Value falls by 20%	$24,000	$18,000	$2,400	The $22,500 borrowed exceeds the Security Value plus the Buffer ($20,400). A PRP has occurred

In this scenario, Leveraged Equities will check for Margining Events and determine if the Investment Funds Multiplier Facility is subject to a Periodic Repayment Plan. As a result, it records the Periodic Repayment Plan and takes reasonable steps to notify the investor of the repayment schedule. The repayment schedule requires the investor to pay $225 (1% of the amount borrowed) by direct debit on or before the 20th calendar day of each month and will continue until the amount borrowed is less than the prevailing Security Value.

Changes to the buffer

The Lender decreases or removes a buffer percentage applicable to any part of the Secured Portfolio.

Fee Schedule

Information provided here is correct as at 9 November 2023.

The latest Fee Schedule can be found at www.leveraged.com.au/fees.

Establishment Fee

Paid by direct debit from your Nominated Account. If you do not pay any applicable establishment fee you will not be able to operate your IFM Facility. Establishment fees are not refundable if you don't proceed with your application.

Type	Fee
Individual Borrower	Nil
Company Borrower or Guarantor Establishment Fee Release another Security Interest	 $150.00 $69.00
Trust Borrower or Guarantor The Lender's fee to vet the Trust Deed. Applicable if a Solicitor's Trust Opinion is not provided. Refer to the Application Form for details.	$250.00

Additional Product Feature Fees

Feature	Fee
Instalment Plus	Nil
Rewards Plus	Nil

Transaction Fees

Type	Fee
Credit funds to the Loan Account	Nil
Pay funds from the Loan Account Standard direct credit Same day TT/RTGS	 Nil $26.00
Dishonour Fees Applicable if a funds transfer fails, for example if there are insufficient funds in an account. Transfer from Loan Account Direct debit from a Nominated Account	 $9.00 $35.00
Issuer Sponsored Search	$16.50
Retrieval of information Applicable when your Nominated Adviser requests the Lender to retrieve, collate, sort and/or provide archived or historical information.	$50.00
Break Costs Applicable if you break a Fixed Rate Loan.	Refer below
Off Market Transfer Fee Applicable when a transfer of Security resulting in a Change of Beneficial Ownership to Issuer Status or another Controlling Participant.	$25 per security
Late Settlement of Buy Contract Note Applicable when a buy contract note does not settle on the due date as specified on the contract note.	$30 per contract note
Late Settlement of Sell Contract Note Applicable when a sell contract note does not settle on the due date as specified on the contract note.	$50 per contract note
Nominate a Platform To register the Lender's Security Interest on the Personal Property Security Register (PPSR) for the Nominated Platform for 7 years or less.	Search Fee $2 Registration Fee $6

Facility Closing Fees

Paid by direct debit from your Nominated Account.

Type	Rate
Early Repayment Applicable if you repay the total Loan Balance in full within 4 months of the start of your first Loan.	Up to an amount equal to the interest that would have been earned on the Minimum Interest Balance for the period from when you repay to 4 months from the start of your first loan. Minimum $200.00
Release Fee Applicable to Company Security Owners only.	$69.00

For more information or to obtain a copy of the PDS, Product Guide, Terms and Conditions and Application Form, contact the Customer Service Team.

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