

Leveraged Equities Margin Loan

Draft Statement of Advice Content
Dated 9 November 2023

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Margin Loan issued by Leveraged Equities Limited
as Lender ABN 26 051 629 282 AFSL 360118.

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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 Margin Loan 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 Margin Loan.

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

Please refer to the Leveraged Equities Margin Loan 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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What is a margin loan?

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 securities 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.

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.

Diversification

portfolio of eligible securities 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. Even without an existing portfolio, investors whose main asset is their residential property for example may be able to use a margin loan to diversify their assets.

Manage investment activities with a flexible facility

The Leveraged Equities Margin Loan has a number of flexible features including:

- there is no set date to repay the money borrowed unless certain events occur.
- a variety of interest payment options including variable and fixed rates and prepayment of up to 12 months of interest;
- a variety of acceptable investments can be mortgaged under the margin loan including ASX listed shares, exchange traded funds and unlisted managed funds;
- applicants can be individuals over the age of 18,
- companies or trusts (except self managed superannuation funds);
- Leveraged Equities may allow a third party to mortgage their portfolio of acceptable investments which may suit some investor's family financial arrangements;
- investors can use a broker and financial adviser of their choice;
- Leveraged Equities offers an online service to monitor a margin loan;
- a Leveraged Equities Margin Loan can be used in conjunction with most major investment platforms or investor directed portfolio services (IDPS).

A typical investor may be entitled to claim an income tax deduction for some or all of their borrowing costs depending on their individual circumstances.

Features

Two features are available as part of the Margin Loan 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 Margin Loan. The difference between each investment amount and your contribution is the amount you borrow under your Margin Loan. 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 you will not be subject to the Minimum Interest Balance as described in section 3.5 of the Product Guide dated 9 November 2023 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 Margin Loan. Only one Qantas Frequent Flyer account may receive points per Margin Loan with Leveraged Equities. If Leveraged Equities accepts your request to participate in Rewards Plus, Leveraged Equities will increase the variable rate applicable to your Margin Loan.

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.

Additional Features: To be applied for separately:

Additional Feature - Exchange Options Plus

Exchange Options Plus allows for the combination of option trading and margin lending by establishing a designated options account with your broker. You can access the available funds in your Leveraged Equities Margin Loan to settle option purchases or to meet margin requirements for certain option positions.

You can also purchase protection for your leveraged (geared) portfolio and borrow up to 95% of the put option exercise price, where the underlying securities are held.

Typically, Exchange Options Plus is suitable for investors who already own listed securities through a margin loan and:

- want to protect against a short-term fall in their prices and reduce the chances of a Margin Call; or
- want to earn additional income and potentially offset interest costs by writing call options.

Full details including the Application are provided in the Exchange Options Plus Product Guide dated 9 November 2023 or later and Part E of the Leveraged Equities Terms and Conditions dated 9 November 2023 or later.

Additional Feature - Short Plus

Short Plus allows you to short sell certain listed securities with the intent of repurchasing them later at a lower price. Your profit (or loss) is the difference between your sale price and purchase price, net of transaction costs.

Typically, Short Plus is suitable for investors who:

- believe the price of a listed security is likely to fall and would like to potentially profit from that fall;
- want to reduce the risk of their portfolio falling in value by short selling one or more securities; or
- believe the price of one security will increase while the price of a different security will decrease and would like to profit from that movement (“pairs trading”).

Full details including the Application are provided in the Short Plus Product guide dated Guide dated 9 November 2023 or later and Part D of the Leveraged Equities Terms and Conditions dated 9 November 2023 or later.

Risks

A Margin Loan 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 Margin Calls, Market Disruption, Defaults and termination. Margin Calls are explained in the next section. A Default may be the result of Leveraged Equities changing the amount they will lend against a particular security 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 a margin loan may become due for payment before any distribution is received on an investment. 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 is a margin call?

A Margin Call, 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. A Margin Call will be made when the Loan Balance exceeds the sum of the Security Value and 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 if Leveraged Equities assigns a Lending Ratio of 75% to a listed share and the investor holds a portfolio of that listed share currently valued at \$30,000 then the Security Value of that listed share is currently \$22,500. If Market Value decreases, Security Value decreases proportionately.

Changes to the buffer

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

The amount borrowed increases

The Security Value depends on the market value of the security which constantly changes. This means that a Margin Call can occur at any time and unexpectedly.

The Buffer is an amount equal to the Market Value of an Acceptable Investment 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 portfolio of the listed share the Buffer would equal \$3,000. The purpose of the Buffer is to allow for small intraday fluctuations in Security Value without triggering a Margin Call.

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.

The amount borrowed increases and Market Value changes

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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 Margin Call 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. A Margin Call has occurred.

Leveraged Equities will check and determine if the Margin Loan is subject to a Margin Call.

As a result, it records the Margin Call and takes reasonable steps to issue a Margin Call notice to the investor (Borrower).

The Margin Call notice requires the Borrower to pay \$4,500 (calculated using the current \$18,000 Security Value less the \$22,500 borrowed) to reduce the loan by the date and time specified in the Margin Call notice – this is usually not less than 24 hours after the Margin Call arises.

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

Pay by direct debit from your Nominated Account.

If you do not pay any applicable establishment fee you will not be able to operate your Margin Loan. Establishment fees are not refundable if you don't proceed with your application.

Type	Fee
Individual Borrower	Nil
Company Borrower or Guarantor	
Establishment Fee	\$150.00
Release another Security Interest	\$69.00
Trust Borrower or Guarantor	\$250.00
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.	

Additional Product Features Fees

Paid by direct debit from your Nominated Account.

Feature	Fee
Exchange Options Plus	Nil
Instalment Plus	Nil
Rewards Plus	Nil
Short Plus	
Securities Borrow Request Authorisation Fee	\$25.00
Settlement Fee	\$50.00

Transaction Fees

Paid by direct debit to the Loan Account.

Type	Fee
Credit funds to the Loan Account	Nil
Pay funds from the Loan Account	
Standard direct credit	Nil
Same day TT/RTGS	\$26.00
Dishonour Fees	
Applicable if a funds transfer fails, for example if there are insufficient funds in an account.	
Transfer from Loan Account	\$9.00
Direct debit from a Nominated Account	\$35.00
Issuer Sponsored Search	\$16.50
Retrieval of information	\$50.00
Applicable when your Nominated Adviser requests the Lender to retrieve, collate, sort and/or provide archived or historical information.	
Break Costs	Refer to the next page
Applicable if you break a Fixed Rate Loan.	
Off Market Transfer Fee	\$25 per security
Applicable when a transfer of Security resulting in a Change of Beneficial Ownership to Issuer Status or another Controlling Participant.	
Late Settlement of Buy Contract Note	\$30 per contract note
Applicable when a buy contract note does not settle on the due date as specified on the contract note.	
Late Settlement of Sell Contract Note	\$50 per contract note
Applicable when a sell contract note does not settle on the due date as specified on the 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	Fee
Early Repayment	\$200.00
Applicable if you repay the total Loan Balance in full within 4 months of the start of your first Loan.	
Release Fee	\$69.00
Applicable to Company Security Owners only.	



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

Call 1300 307 807

Visit leveraged.com.au

Email customerservice@leveraged.com.au

Post GPO Box 5388, Sydney NSW 2001

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- consider the appropriateness of this information in relation to their individual objectives, financial situation and needs, including by seeking independent financial advice, before acting on the information in this presentation; and
- obtain and consider the information in the Leveraged Equities Margin Loan Product Disclosure Statement dated 9 November 2023 or later, the Product Guide and the Leveraged Equities Terms and Conditions dated 9 November 2023, or later before making a decision.

To the fullest extent permitted by law Leveraged Equities Limited nor any entity in the Bendigo and Adelaide Bank Group, their agents, directors, or officers, or any other party named in this document, accept any liability for any loss or damage (including any direct, indirect, incidental or consequential loss or damage) whatsoever arising from any use of, or reliance upon, the information in this document, or otherwise arising in connection therewith.

Neither this document nor anything contained in them shall form the basis of any contract or commitment. Terms, conditions, fees and charges apply. All information is correct as at 9 November 2023 and is subject to change. Full details are available on application.

To the extent of any inconsistency with this document, the Product Guide and the Leveraged Equities Facility Terms and Conditions, the Leveraged Equities Facility Terms and Condition shall prevail. (1910840-1910853) (11/23)

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