Leveraged
The professional's choice

Margin Loan

Build wealth by borrowing to invest.

A Margin Loan may be suitable if you:

- Want to increase the amount you have available to invest
- Believe that borrowing to acquire or manage your investment portfolio is a suitable strategy for your financial goals and expectations
- Require flexible features to manage your investment strategy

What is a Margin Loan?

A Leveraged Equities Margin Loan allows you to borrow money, in addition to your own, to invest in a wide variety of acceptable investments, including shares, exchange traded funds, listed investment companies, and managed funds.

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 all investment comes with an element of risk.

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.

What are the potential benefits?

Through a Margin Loan you can borrow to acquire an investment portfolio. By borrowing you can acquire a larger investment portfolio than without borrowing. A larger portfolio earns a larger gain as the market rises, although it can incur a larger loss if the market falls. A Leveraged Equities Margin Loan gives you all the advantages of borrowing to invest with three key benefits:

Increase the amount you have available to invest

Borrowing to acquire an asset is called gearing or leverage. The net return on an investment includes growth in its value plus distributions less transaction costs and taxes. If, over your planned investment horizon, the net return on your investment exceeds your borrowing costs then by borrowing to invest you will generally earn a higher after-tax return than if you had invested without borrowing.

Conversely, if the net return on your investment is less than your borrowing costs, or if you incur a net loss, then by borrowing to invest you will earn a lower after-tax return or incur a larger loss than if you had invested without borrowing, or not invested at all.

Diversify an existing investment portfolio without selling

You may be able to borrow against a portfolio of Acceptable Investments that you already own. You can then use the borrowed money to acquire other investments without selling your existing portfolio. These investments may be in a different range of asset classes, industries and companies.

Investing in a range of different assets is called diversification and it is a financial technique that may reduce the risks associated with investing. Whether diversification changes your risk depends on your investment and borrowing decisions and your particular circumstances. Gearing magnifies both gains and losses as discussed above.

Manage your investment strategy with the help of a flexible facility.

A Leveraged Equities Margin Loan has a number of flexible features, which include:

- A range of interest rate options and the ways you can choose to pay;
- A variety of Acceptable Investments that cover a diverse list of ASX Listed Shares, Listed Investment Companies, Exchange Traded Funds and Unlisted Managed Funds;
- Borrowers can be individuals, companies or a trustee on behalf of a trust (except self managed superannuation funds); and
- Using the services of a stockbroker and financial adviser of your choice.

The professional's choice.

For those interested in putting in place an investment strategy to help build wealth, we can help. Our service is designed to help investors navigate through dynamic market conditions and realise their financial goals.

Our extensive market experience means you can enjoy the confidence that comes from the superior education and insights we provide. You can expect premium service supported by our proven risk management expertise, advanced portfolio monitoring tools and client nominated target gearing alerts.

At Leveraged we're proud of our heritage. We are one of the first and longest continually operating margin lending specialists in Australia. As a wholly owned subsidiary of Bendigo and Adelaide Bank, we are backed by the strength of more than 150 years of banking, investment and lending expertise

Case Study

Borrowing to invest

In this example Share A and Managed Fund B are Acceptable Investments and become the Secured Portfolio under your Margin Loan Facility.

Components of the Margin Loan Facility

	Share A	Managed Fund B	Total
Market Value	$10,000 (5,000 shares at current price of $2.00)	$50,000 (10,000 units at a current price of $5.00)	$60,000
Lending Ratio	50%	70%	
Loan (Maximum amount you can borrow given the Lending Ratio)	$5,000	$35,000	$40,000
Funds you contribute	$5,000	$15,000	$20,000

Comparisons between Gearing and No Gearing

	With a margin loan	Without a margin loan
Your funds	$20,000	$20,000
Loan	$40,000	$0
Market Value of Acceptable Investments	$60,000	$20,000
Positive impact : price increases		
Market Value of Acceptable Investments after 10% assumed increase	$66,000	$22,000
Your remaining capital after loan repayment	$26,000	$22,000
Gain as percentage of funds you invested	30%	10%
Negative impact : price decreases		
Market Value of Acceptable Investments after 10% assumed decrease	$54,000	$18,000
Your remaining capital after loan repayment	$14,000	$18,000
Loss as percentage of funds you invested	(30%)	(10%)

Results

With a margin loan: a 10% change in the market had a 30% positive or negative impact on your portfolio

Without a margin loan: a 10% change in the market had a 10% positive or negative impact on your portfolio

Gearing magnifies your gains and losses. You can increase your investment portfolio by 30% compared to 10% in a positive market, which is an additional $4,000 profit in the above example.

More information

Ask your financial adviser whether a Margin Loan is right for you, or contact us.

Call 1300 307 807
Email info@leveraged.com.au
Visit www.leveraged.com.au