Fact Sheet

Margin Loan

Boost your investment capacity.

A Leveraged Equities Margin Loan may be suitable if you:

- Want to increase your investment capacity.
- Believe that borrowing to acquire and build your investment portfolio over the medium-to-long term is a suitable strategy for your financial goals and risk appetite.
- 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 (ETFs), listed investment companies (LIC's) and managed funds. These are mortgaged to the lender as security for the loan and the amount you owe.

With a Leveraged Equities Margin Loan, you can borrow to build an investment portfolio or leverage an existing portfolio thereby boosting your investment capacity. Borrowing to acquire an asset is called gearing or leverage. 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.

What are the potential benefits?

Increase the amount you already have available to invest

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.

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 an investing strategy that may reduce some of the financial risks associated with investing. Whether diversification changes your risk depends on your investment borrowing decisions and your personal circumstances.

Tax Effectiveness

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

Flexibility

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

- A range of interest rate options, terms and payment methods.
- A variety of Acceptable Investments that cover a diverse range of ASX listed shares, listed investment companies, ETFs and unlisted managed funds.
- Connectivity with most major online platforms and selected brokers.
- Borrowers can be individuals, companies or a trustee on behalf of a trust (except self-managed superannuation funds).
- Add on features that may complement your investment strategy.
- Access to your statements and Loan Account through Leveraged Online, 24 hours a day, seven days a week.
- Online application process.

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. 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.

Case Study

Borrowing to invest

In this example, Share A and Managed Fund B are Acceptable Investments that make up the Secured Portfolio.

Components of the Leveraged Equities Margin Loan

	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%	
Security Value (Maximum amount you can borrow given the Lending Ratio)	$5,000	$35,000	$40,000
Funds you contribute	$5,000	$15,000	$20,000

Comparing investing with and without borrowing

	With a Margin Loan	Without a Margin Loan
Your funds	$20,000	$20,000
Loan	$40,000	$0
Total Market Value of the 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%)

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.

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 a Leverage Equities Margin Loan 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.