Leveraged
The professional's choice

Investment Funds Multiplier

Exclusive to Leveraged, you won't get this opportunity anywhere else.

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 or manage your investment portfolio is a suitable strategy for your financial goals and expectations
- Require certainty around budgeting for a Margin Call if the value of your investment portfolio falls

What is Investment Funds Multiplier?

With the Leveraged Equities Investment Funds Multiplier, you can borrow to invest with the added benefit of a periodic repayment plan. The Investment Funds Multiplier allows you to borrow money, in addition to your own, to invest in a wide variety of acceptable investments, including shares, exchange traded fund 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.

In the event of a significant and sustained fall in portfolio value, investors can progressively reduce the loan through periodic repayments, until the gearing ratio is restored to an acceptable level.

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 gearing ratio returns to an acceptable level, you can return to paying interest only on your loan.

What are the benefits?

Through Investment Funds Multiplier 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. Investment Funds Multiplier gives you all the advantages of borrowing to invest but with two key benefits over a traditional Margin Loan.

Simplification and flexibility

The Investment Funds Multiplier has built in limits and controls that promote investment diversification, providing you with a simple and flexible wealth creation strategy.

Greater ability to manage through market conditions

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

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

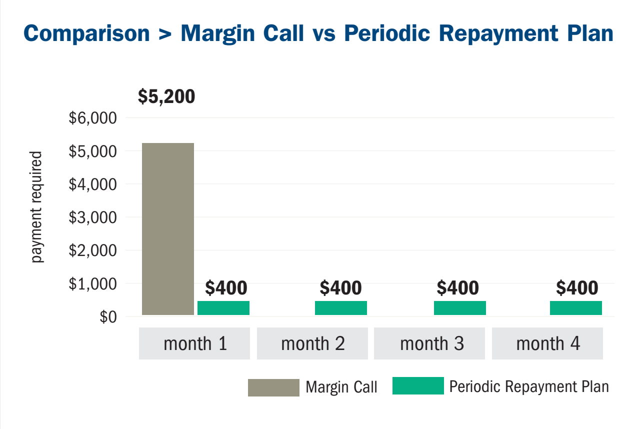
Sandy contributed $40,000 into a standard Margin Loan and borrowed $40,000 to invest $80,000 into Fund A, which has a maximum lending ratio of 75% assigned to it.

	Portfolio of Fund A
Market Value	$80,000
Loan (Total Amount Owing)	$40,000
Equity	$40,000
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%, resulting in Sandy's portfolio being valued at $46,400. Sandy is now in Margin Call and would be required to inject $5,200 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 at a low price.

	Portfolio of Fund A
Market Value (drop of 42%)	$46,400
Total Amount Owing (Loan)	$40,000
Equity	$6,400
Maximum Lending Ratio	75%
Actual Gearing Ratio	86%
Lending Value (what we lend based on the maximum Lending Ratio)	$34,800
Percentage Buffer (10% of the Market Value)	10%
Buffer	$4,640
Lending Value + Buffer	$39,440
Margin Call Amount (Lending Value – Loan)	**$5,200**

What would the difference be with the Investment Funds Multiplier?



If Sandy had decided to invest in Fund A using the Investment Funds Multiplier, instead of having to pay the $5,200 Margin Call in one lump sum, Sandy would commence a Periodic Repayment Plan of 1% per month until the Lending Value ratio was restored to 75%.

In this example and as shown on the chart, **Sandy would pay $400 per month under the Periodic Repayment Plan instead of a single Margin Call payment of $5,200.** The chart also shows that if we assume that the market recovers in 4 months time and Sandy's gearing ratio is restored back to 75%, she would have paid a total of 4 x $400 or $1,600 over the period as opposed to a single $5,200 Margin Call lump sum, although the Margin Call payment could be re-drawn if the market recovers. Sandy would also have known that by borrowing $40,000, the Periodic Repayment Plan would be set at a fixed $400 per month.

Sandy would only need to pay a lump sum if the gearing ratio were to reach 95%. If this happens, she would have to pay down the loan to a 85% gearing ratio so that the Periodic Repayment Plan can continue.

More information

Ask your financial adviser whether Investment Fund Multiplier is right for you, or contact us.

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