



# Investment Funds Multiplier

Product Disclosure Statement

Dated 30 January 2012

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## Important Information

Investment Funds Multiplier (IFX) is issued by Leveraged Equities Limited (ABN 26 051 629 282, AFSL 360118) (referred to as Leveraged Equities or the Lender). This PDS has been prepared by Leveraged Equities and is dated 30 January 2012. Capitalised terms in this PDS have the meaning given in Part 1 of the Agreement.

You can contact the Lender on 1300 307 807. Reference in this PDS to the Leveraged Equities IFX Incorporated Statements means the brochure that can be obtained at [leveraged.com.au/Incorporated\\_Docs](http://leveraged.com.au/Incorporated_Docs) or by calling the Client Service Team. The Leveraged Equities IFX Product Guide dated 30 January 2012 or later can be obtained from [leveraged.com.au](http://leveraged.com.au) or by calling the Client Service Team.

## Introduction

This Product Disclosure Statement (PDS) is a summary of the significant features of Investment Funds Multiplier and contains a number of references to additional important disclosures. Use references that appear near an **!** and that look **like this** to see the additional important disclosures, each of which forms part of this PDS. It is recommended that you read and consider this PDS, including the additional important disclosures, before making a decision to use Investment Funds Multiplier.

This PDS, including the additional important disclosures and other information referred to in this PDS contains general information only and does not take into account your objectives, financial situation or needs. It is recommended that you seek financial advice that is tailored to your personal circumstances before deciding to use Investment Funds Multiplier.

## Contact Details

For more information or to obtain a copy of this PDS, or the other information referred to in this PDS, speak to your Financial Adviser or contact the Client Service Team.

Call	1300 307 807
Fax	(02) 8282 8383
Visit	<a href="http://leveraged.com.au">leveraged.com.au</a>
Email	<a href="mailto:info@leveraged.com.au">info@leveraged.com.au</a>
Post	Post GPO Box 5388, Sydney NSW 2001



## 1. About Leveraged Equities Limited and Investment Funds Multiplier

Investment Funds Multiplier (IFX) is issued and provided by Leveraged Equities as the Lender. Leveraged Equities, established in 1991, provides margin loans, investment loans and other facilities for investors to build and manage wealth.

Borrowing increases the amount you have to invest or makes funds available if you already own a portfolio. This increases the returns you can potentially earn. However, it also increases the potential for greater losses. This will happen if the return on your investment is less than your borrowing costs for example.

You must regularly monitor your IFX Facility and your investments to enable you to take timely steps to avoid or reduce any potential losses, and to be aware of any changes to the terms of your IFX Facility.

Circumstances, often triggered by market events, can arise which may result in you being required to repay some, or all, of your loan at short notice. You can repay your loan in a number of ways including transferring money into your Loan Account or by selling some, or all, of the investments mortgaged under your IFX Facility.

You may be required to sell some or all of the mortgaged investment portfolio at short notice. In some instances the Lender may sell the mortgaged investments without giving you any prior notice.

If the proceeds from selling the mortgaged investment portfolio do not fully repay your loan, then you will need to pay any shortfall from other funds. If you provide other assets – such as your house – as part of the investments mortgaged under your IFX Facility, you may have to sell them to repay the loan.

- An IFX Facility allows you to borrow money which you use, in addition to your own money, to invest in financial products such as managed funds and some shares. This allows you to increase the size and diversity of your portfolio.
- Before opening an IFX Facility, the Lender is required by law to assess whether this type of facility is unsuitable for you. This assessment will be based on information you provide and on other information that the Lender obtains or calculates.
- If your IFX Facility is issued, you can ask for a copy of the assessment.

## 2. Benefits of Investment Funds Multiplier

### Increase the amount you have available to invest

If your investments earn a net return that is higher than your borrowing costs then, by investing a larger amount, you will earn a higher net after-tax return than if you had not borrowed.

### Diversify an existing portfolio without selling

If you already own an investment portfolio, you may be able to borrow funds to invest in other assets. This may reduce some of the financial risks associated with investing.

### Manage your loan through a repayment plan

Market and other events may occur that result in your loan becoming due for repayment in a short period. Your IFX Facility may become subject to a repayment plan which aims to reduce the amount borrowed to an acceptable level over time rather than a single margin call.

### Manage your investment activities with the help of a flexible facility

Investment Funds Multiplier has flexible features including a number of ways to pay interest, operate your IFX Facility with your other investment accounts and services and a variety of investments that may be used to secure your obligations.

### Potential income tax deductibility

You may be entitled to claim an income tax deduction for some or all of your borrowing costs depending on your individual circumstances. You should seek advice from a tax adviser.

**!** You should read the important information about the potential benefits of an IFX Facility before making a decision. Go to **Leveraged Equities IFX Incorporated Statements section 1**. The material relating to potential benefits may change between the time when you read this statement and the day when you sign the Application Form.

- Investment Funds Multiplier is a standard margin lending facility (as defined by the Corporations Act).
- A secure web-based service (the Online Service) is available for you to regularly monitor your IFX Facility.

## 3. How Investment Funds Multiplier works

You acquire a portfolio of Acceptable Investments by borrowing through your IFX Facility in addition to your own money. You may also use an existing portfolio of Acceptable Investments to borrow money to make other investments.

To secure your obligations, a portfolio of investments (called the Secured Portfolio) is mortgaged by you or a Guarantor to the Lender. If you don't meet your obligations or if certain events, usually market related, occur e.g. you don't meet a repayment plan schedule, the Lender can sell some or all of the Secured Portfolio.

The amount you may be able to borrow, your borrowing capacity, depends on your Credit Limit, the Lending Ratio, Asset Class Limits and the Market Value of each Acceptable Investment that is part of the Secured Portfolio. You may be able to borrow up to the lesser of your Credit Limit or Lending Value. How to calculate your Lending Value is briefly explained below.

### Asset Class

A group of Acceptable Investments in the Secured Portfolio that have similar financial characteristics. For example, diversified managed funds or investments in certain market segments.

### Asset Class Limit

A dollar limit calculated by the Lender. For example, the total Market Value for the Secured Portfolio is \$150,000 and the limit for the "Small Company" Asset Class is 30 per cent, then the limit for the "Small Company" Asset Class will be \$45,000 (\$150,000 multiplied by 30 per cent). If the limit for the "Diversified" Asset Class is 100% and \$100,000 of the Secured Portfolio is invested in the Diversified Asset Class, then the limit for the "Diversified" Asset Class will be \$100,000.

### Lending Ratio

Also called the loan-to-value ratio or LVR. It is a percentage assigned by the Lender to a particular Asset Class. For example, 75 per cent for the "Diversified" Asset Class.

### Market Value

The current dollar value of an investment that is part of the Secured Portfolio. For example, if Managed Fund D currently has a price of \$2, a portfolio of 50,000 units of Managed Fund D has a Market Value of \$100,000 (50,000 multiplied by \$2).

### Lending Value

The Lending Ratio multiplied by the lesser of the total Market Value of an Asset Class and the Asset Class Limit. For example, the Lending Value for the Managed Fund D portfolio will be \$75,000 (\$100,000 multiplied by 75 per cent).

### Gearing Ratio

Is calculated as the total amount you owe divided by the total Market Value.

### 3. How Investment Funds Multiplier works (continued)

Assume your Credit Limit is \$200,000, you may be able to borrow up to \$75,000 with a Secured Portfolio comprising Managed Fund D. In this example, you decide to borrow only \$60,000 and contribute \$40,000 of your own money to acquire a portfolio of 50,000 units of Managed Fund D at \$2 per unit. This means your Gearing Ratio is currently 60 per cent (\$60,000 loan divided by \$100,000 Market Value) and your portfolio of Managed Fund D is part of the Secured Portfolio and mortgaged to the Lender.

Repayment plans are outlined in section 4. There are other limited events, potentially outside your control, that may result in you being required to repay the loan at very short notice.

**!** You should read the important information about Gearing Adjustment before making a decision. Go to **Leveraged Equities IFX Incorporated Statements section 2**. The material relating to Gearing Adjustment may change between the time when you read this statement and the day when you sign the Application Form.

Your rights and obligations as a Borrower are set out in the Agreement which is contained in the Leveraged Equities IFX Product Guide. You can obtain a copy of the Leveraged Equities IFX Product Guide from your financial adviser or by contacting the Client Service Team. It is recommended that you read the Leveraged Equities IFX Product Guide including the Agreement.

A margin lending calculator operated by ASIC can be accessed at [fido.gov.au/fido/fido.nsf/byheadline/margin+loans?openDocument#7](http://fido.gov.au/fido/fido.nsf/byheadline/margin+loans?openDocument#7).

**!** You should read the important information about the role of the Sponsor and the Nominee before making a decision. Go to **Leveraged Equities IFX Incorporated Statements section 3**. The material relating to the role of these entities may change between the time when you read this statement and the day when you sign the Application Form.

It may suit your circumstances to use Instalment Plus as an additional feature on your IFX Facility. Instalment Plus expands how you may be able to use your IFX Facility.

**!** You should read the important information about Instalment Plus before making a decision. Go to **Leveraged Equities IFX Incorporated Statements section 6** for information about Instalment Plus. The material relating to Instalment Plus may change between the time when you read this statement and the day when you sign the Application Form.

**!** You should read the important information about the list of Acceptable Investments before making a decision. Go to [leveraged.com.au/all](http://leveraged.com.au/all). The list of Acceptable Investments may change between the time when you read this statement and the day when you sign the Application Form.

- Your IFX Facility is made up of a portfolio of investments (the Secured Portfolio) which are mortgaged to the Lender as security for your loan and the amount you have borrowed (your Facility Balance) or owe to the Lender.
- You use money borrowed through your IFX Facility wholly or predominately for business or investment purposes.
- Acceptable Investments are investments the Lender may accept as security for an IFX Facility and may include shares and other listed securities, marketable instruments, and interests in managed funds, trusts, master trusts and other financial products.
- The investments you acquire through your IFX Facility are typically owned by you as the Borrower. There are circumstances where the Nominee may hold the investments on your behalf. A Guarantor for your IFX Facility may also be an owner.
- At no time are the investments lent out to any other person.
- The Lender can change Lending Ratios (including to zero) at any time. The Lender can change any Asset Class or Asset Class Limit (including to zero) at any time.
- Market Values change as the price of the investments change.

### 4. What is a Margin Call?

Like a margin loan, a Margining Event occurs or subsists at any time that the total amount you owe exceeds the Lending Value by the Buffer or more than the Buffer. If a Margining Event occurs, instead of a single margin call payment, your IFX Facility becomes subject to a repayment plan.

The Buffer is calculated as a percentage (usually 10% but may be zero) multiplied by the lesser of the total Market Value of an Asset Class and the Asset Class Limit. The buffer percentage is assigned by the Lender to each Asset Class. For example, if the buffer percentage for the "Diversified" Asset Class is 10 per cent, the Buffer for the portfolio of Managed Fund D will be \$10,000 (\$100,000 Market Value multiplied by 10 per cent). The purpose of the Buffer is to allow for small intraday fluctuations in Lending Value without triggering a Margining Event.

In this example, the Lending Ratio for the "Diversified" Asset Class (to which Managed Fund D belongs) is 75 per cent. Assuming you have borrowed \$60,000, a Margining Event will occur if the Market Value becomes less than approximately \$70,588 which would happen if the price of Managed Fund D falls from \$2 to \$1.41. If a Margining Event occurs your IFX Facility becomes subject to a repayment plan.

There are two types of repayment plans; a Periodic Repayment Plan (PRP) and a Lump-sum Repayment Plan (LRP). Which repayment plan will apply to your IFX Facility depends on your Gearing Ratio, at the time the Lender determines that your IFX Facility is subject to the repayment plan. If your Gearing Ratio is less than the Maximum Gearing Ratio (which is usually 110 per cent) then your IFX Facility will be subject to a PRP otherwise it will be subject to a LRP.

A PRP sets a monthly repayment schedule equal to 1 per cent of the Total Amount Owing at the time your IFX Facility becomes subject to the PRP. The monthly repayments continue until the Total Amount Owing is less than the prevailing Lending Value.

A LRP specifies one payment amount that will reduce your Gearing Ratio to 100 per cent. You will need to make this payment within 24 hours of your IFX Facility becoming subject to a LRP. After you repay the amount according to the LRP your IFX Facility will be subject to a PRP.

A Margining Event, and hence your IFX Facility becoming subject to a repayment plan, can occur at any time if any one or any combination of the following occurs:

- The Market Value falls.
- The amount you borrow increases.
- The Lender reduces a Lending Ratio or buffer percentage, removes an investment from its list of Acceptable Investments or changes an Asset Class definition or Asset Class Limit.

- A repayment plan schedule can include payments to be made within a very short time.
- You may be able to reduce your Gearing Ratio by adding Acceptable Investments to the Secured Portfolio or selling part of the Secured Portfolio and repaying the Loan. If the Lender accepts these actions it may reduce the time your IFX Facility is subject to a repayment plan.
- If your IFX Facility becomes subject to a repayment plan, the Lender may take reasonable steps to notify you, or your Financial Adviser if they are your Repayment Plan Agent.
- While your IFX Facility is subject to a repayment plan, you must arrange for any distributions earned on the Secured Portfolio to be paid to your Loan Account.
- You, or your Repayment Plan Agent, must be contactable at all times in case your IFX Facility becomes subject to a repayment plan.
- Keep your contact details up-to-date with the Lender.
- If you don't meet the repayment plan schedule, the Lender may sell some or all of the Secured Portfolio without notifying you or any other owner of the investments.

## 5. The risk of losing money

### Changes in the value of your investments and interest rates

An increase in interest rates may increase your borrowing costs. A fall in the value of your investments may trigger a Margining Event causing your IFX Facility to become subject to a repayment plan. If the net return on your investments is less than your borrowing costs then you may earn a lower return or incur a larger loss than if you had not borrowed to invest or not invested at all.

### Events that result in your loan becoming due for payment in a short period

These events include Margining Events and can result in your IFX Facility becoming subject to a repayment plan. Margining Events can be triggered by market events such as a fall in Market Value as well as the Lender reducing a Lending Ratio, removing an investment from the list of Acceptable Investments or changing an Asset Class definition. Events of Default, exceeding your Credit Limit, Market Disruptions and Material Adverse Events can also occur resulting in your loan becoming due for repayment in a short period of time – sometimes less than 24 hours. These events may be outside of your control, can occur at any time and may occur unexpectedly.

### Net sale proceeds may not cover the loan

To repay the loan you may have to sell or redeem some, or all, of the investments offered by you or any Guarantor as security for your IFX Facility (the Secured Portfolio). You are required to repay the loan in full when declared due and your liability is not limited by any net sale proceeds from the Secured Portfolio.

### Cash flow mismatch

It is possible for interest and other charges to become due for payment before or to be larger than any distribution you may earn on your investments.

### Tax laws may change

A change in the income tax treatment of borrowing cost may mean you earn a lower return or incur a larger loss than if you had not borrowed to invest.

### Reliance on the Lender, Nominee, Sponsor and any Authorised Person or agent

You are reliant on the operations, policies and procedures of the entities that operate your IFX Facility and that you appoint as your agent. You will also grant the Lender a power of attorney to do certain acts in relation to your IFX Facility.

**!** You should read the important information about risks of an IFX Facility before making a decision. Go to **Leveraged Equities IFX Incorporated Statements section 4**. The material relating to the risks may change between the time when you read this statement and the day when you sign the Application Form.

- This section is a summary of the significant risks.
- Information about margin loans published by ASIC can be accessed at [fido.gov.au/fido/fido.nsf/byheadline/Margin+loans?openDocument#7](http://fido.gov.au/fido/fido.nsf/byheadline/Margin+loans?openDocument#7).

## 6. The costs

Interest on money borrowed under your IFX Facility is calculated at a Variable Rate unless you arrange for a Fixed Rate Loan. Interest on overdue amounts is charged at the Overdue Money Rate which may be higher than the Variable Rate.

Interest accrues daily and must be paid on the last calendar day of each month unless you arrange to pay interest in-advance. A minimum interest charge applies if your loan falls below the Minimum Interest Balance.

There are no application fees unless you or a Guarantor applies as a company or a trust. There is no ongoing account keeping fee although fees may be charged for any additional account services requested. Fees may be charged for various fund transfers, security transactions, breaking a Fixed Rate Loan, taxes and government charges and if you close your account. Your financial adviser, broker and bank may also charge fees for advice and transactions related to your IFX Facility.

The Lender can change the Variable Rate and the Fee Schedule at any time with at least 2 business days notice. Changes will usually be published via the Online Service.

The Lender may pay commissions to people who introduce you to the Lender including a financial adviser, broker and the company the adviser or broker represents. The Lender may pay commissions or administration fees to a platform operator, fund manager or master trust operator that administer the investments used to secure the IFX Facility. Commissions and administration fees are usually based on your Facility Balance and are paid by the Lender out of income it earns. The issuer of any investments you acquire through your IFX Facility may also pay commissions or administration fees. For further information on the commissions that your financial adviser may receive refer to your statement of advice.

**!** You should read the important information about interest rates and costs of an IFX Facility before making a decision. Go to [leveraged.com.au/rates](http://leveraged.com.au/rates) for current interest rates or [leveraged.com.au/fees](http://leveraged.com.au/fees) for the current Fee Schedule.

The material relating to the interest rates and fees may change between the time when you read this statement and the day when you sign the Application Form.

- Variable interest rates can change on a daily basis, fees depend on the service you use and commissions will depend on what you agree with your financial adviser.
- This section doesn't show any dollar amounts or percentages for interest or fees.

## 7. How to apply

1. Read the PDS including the additional important disclosures.
2. Check that you are eligible to apply. You must be an individual over 18, a company or a (specific) trust. Investment Funds Multiplier is not available to superannuation funds.
3. Read the Investment Funds Multiplier Product Guide including the Agreement.
4. Complete the Application Form.

If you are dissatisfied with any aspect of your IFX Facility contact the Client Service Team. If you are dissatisfied with the Lender's final response to your complaint or how it was managed you can raise the matter directly with the Financial Ombudsman Service (FOS).

**!** You should read the important information about the Lender and dispute resolution before making a decision. Go to **Leveraged Equities IFX Incorporated Statements section 5**. The material relating to the Lender and dispute resolution may change between the time when you read this statement and the day when you sign the Application Form.

- Before applying speak to your financial adviser to see how Investment Funds Multiplier may help you meet your financial objectives.

**Client Service Team** 1300 307 807  
info@leveraged.com.au

**FOS** 1300 78 08 08  
fos.org.au