Leveraged
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Leveraged Equities

Investment Funds Multiplier

Product Disclosure Statement
Dated 4 December 2018

Contents

Important Information

Investment Funds Multiplier (IFM) is issued by Leveraged Equities Limited (ABN 26 051 629 282, AFSL 360118) referred to as Leveraged Equities or the Lender. Leveraged Equities is a subsidiary of Bendigo and Adelaide Bank Limited (ABN 11 068 049 178, AFSL 237879). This PDS has been prepared by Leveraged Equities and is dated 4 December 2018. Capitalised terms in this PDS have the meaning given in Part 1 of the Agreement.

References in this PDS to the Leveraged Equities IFM Incorporated Statements means the brochure that can be obtained at www.leveraged.com.au/ifm/incorporatedstatements or by contacting Leveraged. The Leveraged Equities IFM Product Guide dated 4 December 2018 or later can be obtained from leveraged.com.au or by contacting Leveraged.

Introduction

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

This PDS, including the additional important information 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 Leveraged

For more information or to obtain a copy of this PDS or Incorporated Statements speak to your Financial Adviser or contact the Client Service Team.

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1. About Leveraged Equities Limited and Investment Funds Multiplier

Leveraged Equities, established in 1991, provides a range of gearing solutions for investors to build and manage wealth. We are one of the first and longest continually operating margin lending specialists in Australia.

Investment Funds Multiplier (IFM) is a facility that allows you to borrow money which you use, in addition to your own money, to invest in financial Products such as shares and managed funds. This allows you to increase the size of your portfolio.

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 investment portfolio securing the borrowings you have made to enable you to take timely steps to avoid or reduce any potential losses, and to be aware of changes (if any) to the terms of your Investment Funds Multiplier 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 IFM Facility.

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 and may not be required under the terms of the Investment Funds Multiplier Facility to provide notice to you of its intention to sell.

If the proceeds from selling the mortgaged investment portfolio do not fully repay your loan, then you will need to pay any shortfall by accessing other funds.

- Before opening an IFM 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 IFM 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 financial Products. 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 IFM 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 IFM 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 IFM Facility before making a decision. Go to ***Leveraged Equities IFM 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 IFM Facility.

3. How a Margin Loan works

You acquire a portfolio of Acceptable Investments that comprise of financial Products such as shares, unlisted managed funds and exchange traded funds by borrowing through your IFM 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 Acceptable 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 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.

Credit Limit. The minimum Credit Limit you can apply for is $20,000. The maximum Credit Limit you may be able to apply for will depend on various factors including for example the characteristics of the investment portfolio you propose to mortgage to the Lender, and your financial circumstances including your income and expenses and other liquid assets you own.

Lending Ratio. Also called the loan-to-value ratio or LVR. It is a percentage assigned by the Lender to each investment that is part of the Secured Portfolio. For example, 75 per cent for Managed Fund A.

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

Lending Value. Is calculated as the Lending Ratio multiplied by the Market Value. For example, the Lending Value for the Managed Fund A 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.

Assume you have been approved for a Credit Limit of $200,000, you may be able to borrow up to $75,000 with a Secured Portfolio comprising Managed Fund A. 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 A 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 A 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 IFM 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.

Section 3 is continued on the next page.

(continued).

Your rights and obligations as a Borrower are set out in the Agreement which is contained in the Leveraged Equities IFM Product Guide. You can obtain a copy of the Leveraged Equities IFM Product Guide by contacting Leveraged. It is recommended that you read the Leveraged Equities IFM Product Guide including the Agreement.

A margin loan calculator operated by the Australian Securities and Investment Commission can be accessed at https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/margin-loan-calculator. This calculator helps you work out how various changes in your investment strategy and market movements can impact you.

! You should read the important information about the role of the Sponsor and the Nominee before making a decision. Go to ***Leveraged Equities IFM 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 select one or more additional features that may be available with your IFM Facility. These additional features include Instalment Plus and Rewards Plus which expand how you may be able to use your IFM Facility.

! You should read the important information about Instalment Plus and Rewards Plus before making a decision. Go to ***Leveraged Equities IFM Incorporated Statements section 6 and 7*** for information about Instalment Plus and Rewards Plus. The material relating to Instalment Plus and Rewards 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 ***www.leveraged.com.au/ifm/ail*** 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 IFM 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.
- Acceptable Investments are investments the Lender may accept as security for an IFM Facility and may include unlisted managed funds, certain investments traded on the ASX and other financial Products.
- The investments you acquire through your IFM 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 IFM 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 limit the amount of a particular Acceptable Investment you can borrow against
- Market Values change as the price of the investments change.
- Interest, fees and other costs cannot be capitalised to your IFM Facility and must be paid when due by Direct Debit from your Nominated Account.

4. What is a Margin Call?

Like a margin loan, a Margining Event, and hence a Margin Call 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 IFM Facility becomes subject to a repayment plan.

The Buffer is calculated as the Market Value multiplied by a percentage (usually 10% but may be zero) assigned by the Lender to each investment that is part of the Secured Portfolio. For example, if the buffer percentage for the Managed Fund A portfolio is 10 per cent, the Buffer 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 Managed Fund A is 75 per cent. Assuming you have borrowed $60,000, a Margining Event will occur if the Market Value becomes less than approximately $70,500 which would happen if the price of Managed Fund A falls from $2 to $1.41. If a Margining Event occurs your IFM 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 IFM Facility depends on your Gearing Ratio, at the time the Lender determines that your IFM Facility is subject to the repayment plan. If your Gearing Ratio is less than the Maximum Gearing Ratio (which is usually 95 per cent) then your IFM Facility will be subject to a PRP otherwise it will 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 IFM Facility becomes subject to the PRP. Based on the example above, this would be a monthly repayment of $600 (calculated as 1% of the $60,000 loan) 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 85 per cent. You will need to make this payment within 24 hours of your IFM Facility becoming subject to a LRP. After you repay the amount according to the LRP your IFM Facility will be subject to a PRP.

A Margining Event, and hence your IFM 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, at its discretion reduces a Lending Ratio or buffer percentage, removes an investment from its list of Acceptable Investments or limits the amount of a particular Acceptable Investment you can borrow against.

- 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 IFM Facility is subject to a repayment plan.
- If your IFM 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 IFM 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 IFM 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 IFM 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 IFM 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 or removing an investment from the list of Acceptable Investments. 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 IFM 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 IFM 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 IFM Facility.

! You should read the important information about risks of an IFM Facility before making a decision. Go to ***Leveraged Equities IFM 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 which cover events or circumstances that are unpredictable.
- Information about margin loans published by ASIC can be accessed at www.moneysmart.gov.au/investing/borrowing-to-invest/margin-loans.

6. The costs

Interest on money borrowed under your IFM 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 apply 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 IFM Facility.

Interest, fees and other costs cannot be capitalised to your IFM Facility and must be paid when due by Direct Debit from your Nominated Account.

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.

Subject to the law, 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 IFM 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 IFM 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 IFM Facility before making a decision.
Go to ***leveraged.com.au/rates*** for current interest rates or ***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 trustee of a trust. Investment Funds Multiplier is not available to superannuation funds.
3. Read the Investment Funds Multiplier Product Guide including the Agreement.
4. Visit www.leveraged.com.au and select Apply Online. Otherwise contact Leveraged for an Application Form to be sent to you.

If you are dissatisfied with any aspect of your IFM 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 Australian Financial Complaints Authority (AFCA).

! You should read the important information about the Lender and dispute resolution before making a decision. Go to ***Leveraged Equities IFM 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
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