Leveraged
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Leveraged Equities

Margin Loan

Product Disclosure Statement
Dated 1 July 2015

Contents

Important Information

The Leveraged Equities Margin Loan 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 1 July 2015. 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 Margin Loan Incorporated Statements means the brochure that can be obtained at www.leveraged.com.au/Incorporated_Docs or by calling the Client Service Team. Reference in this PDS to various Product Guides means the relevant brochures dated 1 July 2015 or later.

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 a Leveraged Equities Margin Loan. PDS and Product Guides for individual products are available at leveraged.com.au or by telephoning 1300 307 807. Investors should read the entire PDS and Product Guide including the terms and conditions and Application Form, before making an investment decision. Leveraged Equities is part of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879.

Introduction

This Product Disclosure Statement (PDS) is a summary of significant features of the Leveraged Equities Margin Loan 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 a Leveraged Equities Margin Loan or any of the additional features.

Contact details

For more information or to obtain a copy of the PDS or the Product Guide, speak to your Financial Adviser or contact the Client Service Team.

Call 1300 307 807
Fax 02 8282 8383
Visit leveraged.com.au
Email info@leveraged.com.au
Post GPO Box 5388, Sydney NSW 2001

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1. About Leveraged Equities Limited and the Leveraged Equities Margin Loan

The Leveraged Equities Margin Loan (the Margin Loan Facility) is issued and provided by Leveraged Equities as the Lender. Leveraged Equities, established in 1991, provides margin 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 Margin Loan 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 Margin Loan 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 Margin Loan 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 Margin Loan Facility, you may have to sell them to repay the loan.

- A margin loan 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 and diversity of your portfolio.
- Before opening a Margin Loan Facility, the Lender is required by law to assess whether a margin loan 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 Margin Loan Facility is issued, you can ask for a copy of the assessment.

2. Benefits of a Leveraged Equities Margin Loan

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 investment activities with the help of a flexible facility
A Leveraged Equities Margin Loan has a number of flexible features including a number of ways to pay interest, operate your Margin Loan 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 a Margin Loan Facility before making a decision. Go to ***Leveraged Equities Margin Loan 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.

- The Leveraged Equities Margin Loan 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 Margin Loan Facility.

3. How a Leveraged Equities Margin Loan works

You acquire a portfolio of Acceptable Investments by borrowing through your Margin Loan Facility in addition to your own money. You may also use an existing portfolio of Acceptable Investments to borrow money for 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. a Margin Call, 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 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.

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 Share A.

Market Value
Is the current dollar value of an investment that is part of the Secured Portfolio. For example, if Share A currently has a price of $2. A portfolio of 50,000 units of Share 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 Share 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 Market Value.

Assume your Credit Limit is $200,000, you may be able to borrow up to $75,000 with a Secured Portfolio comprising 50,000 units of Share 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 Share A at $2 each. This means your Gearing Ratio is currently 60 per cent ($60,000 loan divided by $100,000 Market Value) and your portfolio of Share A is part of the Secured Portfolio and mortgaged to the Lender.

Section 3 is continued on the next page.

(continued).

The Margin Call process is outlined in section 4 below. 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 Margin Loan 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 Product Guide. You can obtain a copy of the Product Guide from your financial adviser or by contacting the Client Service Team. It is recommended that you read the Product Guide including the Agreement.

A margin lending calculator operated by ASIC can be accessed at
www.moneysmart.gov.au/tools-and-resources/calculators-and-tools/margin-loan-calculator.

! You should read the important information about the role of the Sponsor and the Nominee before making a decision. Go to ***Leveraged Equities Margin Loan 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 Margin Loan Facility. These additional features include Rewards Plus and Instalment Plus which expand how you may be able to use your Margin Loan Facility. The additional features called Exchange Options Plus and Short Plus expand the range of assets the Lender may accept as part of the Secured Portfolio. Not all additional features are available with all Margin Loan Facilities.

! You should read the important information about Rewards Plus, Instalment Plus, Exchange Options Plus and Short Plus before making a decision. Go to ***Leveraged Equities Margin Loan Incorporated Statements sections 6 and 7*** for information about Instalment Plus and Rewards Plus respectively. Go to the ***Exchange Options Plus Product Guide or Short Plus Product Guide*** for information about those features. The material relating to these additional features 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/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 Margin Loan 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).
- Acceptable Investments are investments the Lender may accept as security for a Margin Loan Facility and 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 Margin Loan 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 Margin Loan 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.
- Market Values change as the price of the investments change.

4. What is a Margin Call?

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.

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 Share 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 Share A is 75 per cent. Assuming you have borrowed $60,000, a Margining Event will occur if the Market Value becomes less than approximately $70,588 which would happen if the price of Share A falls from $2 to $1.41.

If a Margining Event occurs the Lender may record a Margin Call. A Margining Event, and hence a Margin Call can occur at any time if any one or any combination of the following occurs:

- The Market Value falls.
- The amount you borrow increases. This could occur if you capitalise interest to your Loan Account for example.
- The Lender reduces a Lending Ratio or buffer percentage or removes an investment from its list of Acceptable Investments.

To resolve a Margin Call you must pay the short fall amount required by the Lender in cleared funds into your Loan Account. In this example, the short fall amount will be $9,412 (being the difference between the $70,588 Market Value and $60,000 loan divided by the 75 per cent Lending Ratio).

Typically, you will need to pay the short fall amount within 24 hours of a Margin Call. The short fall amount will usually be an amount that will result in your Gearing Ratio being equal to or less than the Lending Ratio but may be more. The Lender may accept other ways to resolve a Margin Call. It is possible for there to be more than one Margin Call outstanding at any time.

- If a Margin Call occurs, you will need to respond within a very short time.
- To resolve a Margin Call you must pay the short fall amount required by the Lender. 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. The Lender may accept these actions as a resolution of a Margin Call.
- If a Margin Call occurs, the Lender may take reasonable steps to notify you, or your Financial Adviser if they are your Margin Call Agent.
- You, or your Margin Call Agent, must be contactable at all times in case a Margin Call occurs.
- Keep your contact details up-to-date with the Lender.
- If you don't resolve a Margin Call when and as required, 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 Margin Call. 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 Margin Calls which can be triggered by market events such as a fall in the 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 Margin Loan 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 that may be paid 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 Margin Loan 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 Margin Loan Facility.

! If you select any of the additional features called Exchange Options Plus or Short Plus you should read the important information about the risk of these additional features before making a decision. Go to the ***Exchange Options Plus Product Guide or Short Plus Product Guide*** for information about those features. The material relating to the risks of these additional features 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 risks of a Margin Loan Facility before making a decision. Go to ***Leveraged Equities Margin Loan 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 www.moneysmart.gov.au/investing/borrowing-to-invest/margin-loans.

6. The costs

Interest on money borrowed under your Margin Loan 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. You may be able to capitalise interest to your Loan Account. You cannot elect to capitalise interest where to do so may cause the Credit Limit to be exceeded. 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 Margin Loan 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 Margin Loan Facility. Commissions and administration fees are 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 Margin Loan 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 a Margin Loan Facility before making a decision. Go to ***www.leveraged.com.au/rates*** for current interest rates or ***www.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 over 18, a company or a trustee of a trust. A Leveraged Equities Margin Loan is not available to superannuation funds.
3. Read the Margin Loan Product Guide including the Agreement.
4. Complete the Application Form.

If you are dissatisfied with any aspect of your Margin Loan 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 Margin Loan Incorporated Statements section 6***. 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 a Leveraged Equities Margin Loan may help you meet your financial objectives.

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

FOS 1300 780 808
www.fos.org.au