



Commonwealth Bank

Media Release

COMMSEC MARGIN LOAN WITH REGULAR GEARING

Wednesday, 27 February, 2002: CommSec, Australia's most popular stockbroker, today launched an innovative new investment product that combines the power of a margin loan with all of the benefits of a regular saving plan. The CommSec Margin Loan with Regular Gearing enables investors to build a leveraged portfolio of managed fund investments for as little as \$250 a month.

"This product takes two time-tested investment strategies and brings them together in a single package", said the Commonwealth Bank's Head of Premium Financial Services, Mr Mike Katz. "There are really only two ways you can build up a significant amount of investment capital in a short time, without winning the lottery. You can either save regularly, or you can borrow. The CommSec Margin Loan with Regular Gearing helps you do both, in a disciplined and controlled way."

"Most people don't have a disciplined savings plan, let alone a disciplined investment plan", Mr Katz added. "But this product makes it easy to have both."

Investment professionals have long understood the power of leveraged savings plans, but this is the first time a product of this kind has been available directly to the public. "Because we market it directly, we can keep costs to a minimum", said Mr Katz. "Now all Australians can use leverage to boost their returns."

"You can build a portfolio for as little as \$250 a month", said Mr Katz. For each dollar you invest, CommSec will lend you a dollar, doubling your investment power."

Investors start with a minimum contribution of \$2,000, either in cash, or in the form of an existing investment in shares or managed funds. CommSec lends them the same amount, doubling their capital. Then, each month they invest a minimum of \$250. Again, CommSec lends them the same amount.

"Using this strategy, you can quickly build a surprisingly large portfolio, without needing a lot of capital up-front", said Mr Katz. "It doesn't take long to add up."

The CommSec Margin Loan with Regular Gearing has been carefully designed to reduce the risks that usually accompany leveraged investments, particularly the risk of a margin call. "Because this product has been designed to give you a gearing level

of only 50%, the market value of your investments would have to fall by one third before a margin call was triggered”, said Mr Katz. “That’s quite unlikely.”

“We’ve also built in some safeguards to stop your gearing level from creeping up”, said Mr Katz. “If it reaches 55% of the value of your portfolio, we automatically stop drawing down loan instalments until it has corrected itself. That makes your portfolio easy to manage, as well as easy to afford.”

Investors can also invest their money into a managed fund, and get access to a dedicated team of investment professionals. “That means you don’t have to be an expert yourself”, said Mr Katz. “The hard work has already been done for you.”

Investors can select from a list of more than 100 approved funds. “They include funds from some of the biggest names in the Australian funds management industry”, said Mr Katz, “companies like AMP, BT, Colonial First State, Perpetual, JB Were, and MLC.”

When they invest through CommSec Direct Funds, investors also benefit from reduced entry fees for most funds. “Depending on the fund, we’ll rebate up to 100% of the entry fee”, said Mr Katz. “That can make a big difference to your returns over time.”

“CommSec is proud of its reputation for bringing the investment markets within reach of all Australians”, said Mr Katz. “The CommSec Margin Loan with Regular Gearing continues that tradition.”

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