CommSec

Case study 2
Invest regularly in managed funds to grow your portfolio

Rachel and Ben have decided to further diversify their investment portfolios with the main goal to grow their wealth over time. Whilst they do not have a large amount to invest right now, they would both like to invest a portion of their monthly income over the next five years to achieve this goal. Both Rachel and Ben decide on a regular investment plan into a chosen Managed Fund to grow their portfolio.

The difference in their investment strategy is that Rachel simply uses her own funds to invest while Ben decides to use borrowed funds to help him grow his portfolio and does so through CommSec Margin Loan.

Most of us understand the importance of saving and investing for the future, and that getting started as early as possible is the best approach. What's more, you don't even need a large lump sum to begin investing.

In fact, you can get started with as little as $500 — and build your investment with regular savings. You can add yet another boost with regular gearing via a Commsec Margin Loan, and it is surprising how quickly that nest egg can grow. Let's take a look at how it works.

THE CHALLENGE

Rachel and Ben both decided to invest in their chosen Managed Fund. While Rachel decided to simply initially invest $500 of her own money and then continue investing $250 each month, Ben decided to increase the size of his investments using a CommSec Margin Loan.

THE STRATEGY

In addition to investing $500 of his own money, Ben used a CommSec Margin loan to double the size of his investment, borrowing an additional $500 when making the initial investment and additional $250 per month to boost his regular investment strategy.

THE RESULT

After five years, Rachel's investment increased in size to $21,729, giving her an unrealised profit of $13,509.

Over the same period, Ben's investment increased in value to $57,517, giving him an unrealised profit of $23,512 after paying off his loan balance and interest costs. Ben's profit is 74% higher than that generated by Rachel's ungeared investment.*

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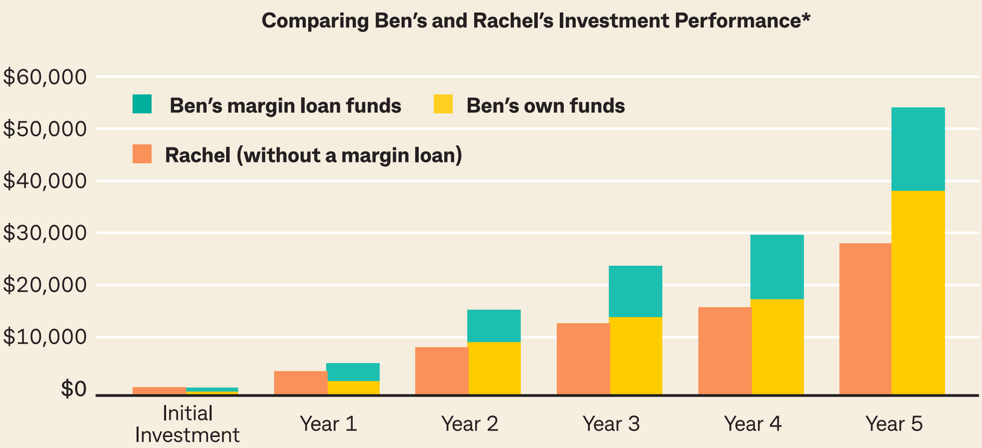
	Rachel – with a Regular Savings Plan	Ben – with a Regular Gearing Margin Loan
Initial Personal Contributions	$500	$500
Initial Margin Loan Contribution	Nil	$500
Monthly Personal Contributions	$250	$250
Monthly Regular Gearing Contributions	Nil	$250
Value of Investment at the end of Year 5	$28,759	$55,517
Loan Balance	Nil	$14,750
Interest Paid	Nil	$3,505
Total Personal Contributions	$14,750	$14,750
Unrealised Profit at the end of Year 5	$13,509	$23,512
Return	89%	154%



This graph compares the growth in Ben's investment value, net of interest cost, using a Margin Loan against the growth in Rachel's investment value without a Margin Loan over a five year period.

At the end of Year 5 you can see Ben's investment (using a Margin Loan) is worth almost twice as much Rachel's investment and delivers a profit 72% greater than Rachel's ungeared investment. In this example, Ben has an unrealised capital gain of $23,512 compared to Rachel's $13,509.

*Assumptions: This example is hypothetical and for illustrative purposes only, actual results may vary significantly. Although the Managed Fund chosen for this example is hypothetical, this case study has been modelled on a real Managed Fund open for investment in Australia, using its price and distribution behaviour over a 5 year period. This example assumes distributions were reinvested. Interest has been estimated using a variable rate ranging between 7.85% p.a. and 10.50% p.a. during the period and assuming that accrued interest was paid by direct debit at the end of each month. Unrealised capital gains have been calculated by deducting the total initial investment and less accumulated interest costs. Any taxation benefits or implications arising from this strategy (including interest expense deductions) have not been taken into account in calculating the results. Neither Commonwealth Bank nor CommSec recommend the fund or strategies used in the example. The information should not be taken to represent actual performance and should not be interpreted as an indication or guarantee of future performance.

Why choose a CommSec Margin Loan?

- Experience in investment lending since 1995
- No ongoing fees and free to open for most applicant types; no cost to open or maintain a CommSec ETO account
- Competitive Interest Rates
- Industry Leading Integrated Trading & Lending Platform, plus mobile & tablet apps
- Automated notifications, Online Self Service functionality, & SMART™ Risk Management Tools
- Large range of lendable securities
- Experienced account managers and options representatives available to assist you when you need them
- Integrated Margin Lending and ETO trading

For all enquiries contact us by telephone on **13 17 09 (8am-6pm Sydney time)** or by emailing **marginloan@commsec.com.au**

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