ANZ Diversified Margin Loan – Q&As

Q: What is the ANZ Diversified Margin Loan?

The ANZ Diversified Margin Loan rewards responsible investors who diversify their portfolio. It offers leverage against twice as many stocks as a standard margin loan, plus higher loan to value ratios*. These allow you to choose between higher leverage when you need it, or a greater cushion against market falls before you receive a margin call.

Q: What are the benefits of the ANZ Diversified Margin Loan?

1. Reduce volatility but not returns
Holding a well-diversified portfolio reduces the volatility of your investments without reducing long-run returns. The ANZ Diversified Margin Loan requires diversification into at least 4 stocks, although managing the benefits of diversification requires investment in more stocks than this, across a range of industry sectors.

2. Borrow against a market-leading Approved Securities List (ASL)
The ANZ Diversified Margin Loan lets you borrow against twice as many stocks as a standard margin loan*.

3. Increase leverage with higher Loan to Value Ratios (LVRs)
With the ANZ Diversified Margin Loan, the LVRs on most stocks are significantly higher than ANZ's Standard LVRs. You can choose to use this flexibility to increase your leverage, and make the most of market opportunities.

4. Increase your cushion against a Margin Call
Alternatively, you can choose to maintain your existing loan amount, and have a bigger cushion before you need to meet a margin call. The higher LVRs permitted by the ANZ Diversified Margin Loan increase how far the market would need to fall before you would receive a margin call.

5. Consolidate your holdings to increase your borrowing power
If you have more than one margin loan, or hold stocks outside your margin loan, you now have a very good reason to consolidate into one margin loan. The ANZ Diversified Margin Loan will recognise more of the Security Value on twice as many stocks as a standard margin loan.

*Based upon CANNEX Margin Lending Report April 2006

Q: What type of investor would benefit from an ANZ Diversified Margin Loan?

The ANZ Diversified Margin Loan is designed for people who:

- Recognise the benefits of diversification and regularly maintain four or more stocks in their portfolio;
- Trade in stocks outside the ASX top 50;
- Play an active role in managing their investments;
- May have previous experience with managing a margin loan;
- Want to:
    - lower the chances of a margin call through a higher security value and higher LVRs; or

- maximise their gearing ratio and understand the potential risks of higher leverage.

Q: How does the ANZ Diversified Margin Loan work?

The ANZ Diversified Margin Loan is a ground-breaking product that takes into account the diversification of your share portfolio in calculating the amount you can borrow.

- You need at least 4 stocks in your portfolio.
- The higher Diversified LVRs are applied to your entire portfolio if no stock is more than 25% of your diversified portfolio. If a stock is more than 25% of your portfolio, then the Standard LVR is applied to the excess portion of that stock.
- Stocks with a Diversified LVR but without a Standard LVR are “restricted”, and taken together cannot be more than 50% of your diversified portfolio (any excess will have a 0% LVR).

The portfolio Security Value for the ANZ Diversified Margin Loan will always be at least as high as for a standard ANZ Margin Loan. Usually it will be significantly higher.

Q: How is the Diversified portfolio calculated?

ANZ’s Diversified Engine automatically calculates the amount you can borrow by applying the above rules. To see the potential of the ANZ Diversified Margin Loan for yourself, and the additional choice it provides, we recommend using our Margin Lending Diversification Calculator. Simply go to www.anz.com/marginlending

Q: If I have the standard ANZ Margin Loan product and have greater than 4 stocks, do I automatically get the Diversified LVR’s?

No, you must transfer to the ANZ Diversified Margin Loan by reviewing and understanding the product brochure, accepting the terms and conditions, completing the opt-in transfer form and meeting the requirements of the ANZ Diversified Margin Loan.

Q: Are the interest rates and fees the same as the standard ANZ Margin Loan?

Yes, the interest rates are the same as the standard ANZ Margin Loan. There are no additional fees to transfer to the ANZ Diversified Margin Loan, and the same fees apply as the standard ANZ Margin Loan.

Q: I have less than 4 stocks in my portfolio. Can I open an ANZ Diversified Margin Loan?

Yes, you may still open an ANZ Diversified Margin Loan, but the Diversified LVRs will only apply to your portfolio when you meet the requirements of the ANZ Diversified Margin Loan. While you have less than four stocks the Standard LVRs will apply to your portfolio.

Q: What are ‘restricted’ stocks?

Some stocks are classified as restricted because they are considered higher risk with lower liquidity. These stocks are clearly highlighted on the ASL and are generally those stocks that do not have a Standard LVR. The sum of restricted stocks must be equal to or less than 50% of your Diversified portfolio. Any excess will receive the Standard LVRs, which are usually 0%.

Q: What is overflow?

Overflow, also referred to as excess, is where an individual stock is greater than 25% of your Diversified portfolio or restricted stocks account for more than 50% of your Diversified portfolio. Where an individual stock is greater than 25% or restricted stocks account for more than 50% of your Diversified portfolio, the excess amount receives the Standard LVRs.

Q: If I sell down to 3 stocks, what happens?

If you sell down to 3 stocks in your portfolio, your margin loan facility still remains an ANZ Diversified Margin Loan. However, your portfolio is now classified as ‘Undiversified’. As a result, you will now only receive the standard LVRs and this may affect your security value.

Q: What is the impact if I sell down to 4 stocks but my portfolio is unevenly distributed?

If you hold an unevenly distributed portfolio of more than 4 stocks, but decide to sell down to 4 stocks whereby the fourth stock accounts for only a small percentage of your total portfolio, your Security Value may fall dramatically. Unlike a standard margin lending facility, it is possible that by selling some of your shares your portfolio will become so unbalanced that you may receive a margin call. We recommend using our Margin Lending Diversification Simulator prior to any buy or sell order to help you understand the potential impact on your Security Value.

Q: Do Managed Funds count towards my Diversified portfolio?

No. Only Australian stocks count towards your Diversified Portfolio, however managed funds still receive the Standard LVRs.

Q: If I have any further questions about the ANZ Diversified Margin Loan, who should I contact?

If you have any further questions, please contact the ANZ Margin Lending Client Services team on 1800 639 330 between 8am and 6pm AEST weekdays (excluding national public holidays).

ANZ recommends that you seek professional advice in relation to your particular situation before applying for a margin loan.