Morgan Stanley

WEALTH MANAGEMENT

Margin Lending Product Disclosure Statement

PRODUCT DISCLOSURE STATEMENT

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Contents

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Margin Lending Product Disclosure Statement

The information contained in this Product Disclosure Statement ("PDS") is a summary of significant information and contains a number of references to important information (each of which forms part of the PDS). You should consider that information before making a decision about the product. The information provided in the PDS is general information only and does not take account of your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances.

1. About Morgan Stanley and Margin Lending

MORGAN STANLEY

Morgan Stanley Wealth Management Australia Pty Ltd ("Morgan Stanley", "we", "us", or "our"), a leader in wealth management, provides a range of products and services to individual investors, institutions and private businesses including brokerage and investment advisory services, comprehensive financial and estate planning, superannuation and cash management.

MARGIN LENDING

The margin lending facility is subject to an agreement between you and Morgan Stanley as set out in the terms and conditions ("Agreement")[1] accompanying this PDS. The Agreement sets out your rights and obligations relating to various services offered under the margin lending facility, and it is important that you read and understand them prior to signing the application form and entering the Agreement.

We provide you a Margin Loan facility using your existing investments or cash as security (sometimes referred to as "collateral"). You may then chose to borrow from the Margin Loan facility and invest in allowable investments.

You may use the margin loan for any business or investment purposes that we approve. The amount that you may be permitted to borrow or "gear" is determined by the type and value of investments you purchase using funds from the facility, the type and value of investments you lodge with us, and the credit limit applied to your facility.

Prior to the establishment of any facility and any increase to your credit limit, we are required by law to assess whether the facility is unsuitable for you. A copy of this assessment is available to you, upon your request, if the margin loan is issued or the limit is increased.

Margin lending can help you increase the size and diversity of your investment portfolio by increasing your spending and investment power. However, a margin loan also increases the potential for greater losses. Therefore it is important you regularly monitor your investments so you can take timely action to potentially avoid or reduce any losses. You should also ensure you are aware of any changes to the Agreement.

An event that results in the reduction of the value of your investments, such as general market movements, reduction in the margin percentages or maximum loan-to-value ratios ("LVRs") or removal of an investment from our approved securities list, may at short notice require you to pay additional funds to repay the margin loan, or sell some or all of your investments to repay the margin loan, which is referred to as a margin call. If the sale of your investments does not cover the margin loan, you will need to provide additional funds from another source (outside the facility) to repay the margin loan or we may sell other assets. Our right to recover an amount owing is not limited to our security rights against your investments. We are entitled to recover the full amount owing from you personally.

In some instances we may, under the Agreement, sell part or all of your investments without prior notice to you. This may occur where you fail to meet a margin call within the specified time period or if certain market events occur. Refer to section 4 of this PDS for additional information about margin calls.

2. Benefits of Margin Lending

The consequences of margin lending are specific to each individual. Therefore, we recommend you obtain professional, independent financial, taxation and legal advice on the suitability of margin lending for you.

INCREASE THE LIQUIDITY AND DIVERSITY OF YOUR INVESTMENTS

You may be able to borrow against your existing investments and use the funds to make further purchases.

INCREASE YOUR SPENDING AND INVESTMENT POWER

You can borrow against a list of approved securities allowing you to increase the size of your investments. This is above the amount you could have invested with your own funds. As the value of your investments increase, so do your potential returns.

BENEFIT FROM POSSIBLE TAX ADVANTAGES

There are a number of potential tax benefits associated with margin lending, these include: interest deductibility; prepayment of interest; reduced capital gains tax liabilities; increased franking credits.

BUSINESS OR INVESTMENT LOAN

You may be able to borrow cash against your existing investments to: maintain business liquidity and cash flows or purchase equipment, assets and machinery for a business purpose.

[1] "Margin Lending Terms and Conditions" dated 8 April 2020, version 1.

3. How Margin Lending Works

You may use the facility to invest in shares, other listed securities and managed funds and we will hold those investments as security against your margin loan. You may also use the margin loan for any business or investment purposes that we approve. The maximum amount that you may be permitted to borrow or "gear" is determined by the type and value of investments you purchase or lodge as collateral, the movement in the market value of your investments as well as the credit limit applied to your facility.

We lend against shares, other listed securities and managed funds. Each investment will have a 'margin percentage', which is the percentage of the value of the security up to which we may lend, also referred to as the loan-to value ratio or LVR. We are entitled to amend the margin percentages at any time. Where you hold shares or units in more than one company or managed fund, there could be more than one margin percentage applicable, so we will provide you with a 'maximum LVR' for your portfolio, which is the percentage of the value of your portfolio up to which we may lend. When we refer to your 'margin value', we are referring to the maximum dollar amount we may be prepared to lend you, calculated by multiplying the relevant margin percentage or maximum LVR (as applicable) by the market value of the relevant investments. Regardless of the applicable margin percentage or maximum LVR, you cannot borrow more than your credit limit.

The amount outstanding under your margin loan may rise above the margin value if the market value of your investments falls, and you may be asked to reduce your margin loan. You can reduce your margin loan by depositing funds into your margin facility or selling some or all of your investments. You can also increase the margin value of your investments by lodging additional securities with us as collateral. Your margin loan must not exceed the approved credit limit. Where this occurs, we may instruct you to reduce the margin loan within a specified time period following the credit limit breach. You may apply for an increase at any time throughout the term of your margin loan by completing the credit limit increase form available on our website.

EXAMPLE

You establish a margin loan using your existing investments of $100,000 as collateral, and we approve a maximum LVR of 75% (which equates to a margin value of $75,000) and a credit limit of $70,000. You elect to borrow $50,000 (which is within your credit limit and permitted margin value) and use those funds to purchase an additional $50,000 of shares, increasing the value of your investment portfolio to $150,000. The current gearing level of your investments would be 33.33% (you have borrowed $50,000 against your investments of $150,000).

For more information on how margin lending works, visit www.moneysmart.gov.au, a website operated by or on behalf of the Commonwealth. You may also use the calculator on our website to assist you in determining your borrowing capacity for existing investments or other borrowing scenarios and to simulate your borrowing capacity assuming various changes to your existing investments.

We may in our absolute discretion require you to repay part or all of a margin loan, or provide additional collateral, at any time by giving you 5 Business Days' notice, even if your margin loan is not in credit limit breach or in margin call and no event of default has occurred.

Details of the rights and obligations that you as a borrower and holder of a margin loan have, as well as other features of the margin loan, are set out in the Agreement. We recommend that you read the terms and conditions of the Agreement. A copy of the Agreement can be obtained from our website, by contacting your financial adviser or by contacting us via the contact information provided in this PDS.

You can view our Approved Securities List at www.morganstanley.com.au/marginlending (click on Resources > Approved Securities List), or obtain a copy by contacting our Product Services Team on 1800 062 794. The Approved Securities List may change between the time you read this PDS and the day when you sign the Application Form.

4. What is a Margin Call?

A margin call occurs when the margin loan under the facility exceeds the margin value plus any buffer. A margin call may occur due to a reduction to a margin percentage or maximum LVR by us or removal of an investment from our Approved Securities List, being an investment we treat as security.

Alternatively, adverse market movements causing a decline in the value of your investments may result in a margin call.

A 5% buffer is provided to margin percentages of ASX listed securities and a 10% buffer for managed funds to allow for market volatility. We may change the buffer percentage at our discretion without notice to you.

Once a margin call is triggered, we will take reasonable steps to notify you and your financial adviser. You are required to bring your facility into an acceptable gearing level by 3 p.m. on the business day following the margin call (or such earlier time specified by us).

To meet a margin call you will need to do any of the below, or a combination of:

- Deposit additional funds to the value of the margin call, reducing your margin loan;
- Provide additional approved securities. This would increase the portfolio market value and hence decrease the current LVR. If this decreases the current LVR below the margin call LVR, this would meet the margin call requirement; and/or
- Sell sufficient investment/s, to reduce the current LVR.

If you do not meet a margin call within the specified time period we may sell sufficient investments held by you to bring your loan back to an acceptable gearing level. You must be contactable at all times in case of a margin call. In certain circumstances (for example if we cannot contact you, or if the S&P/ASX 200 falls or the market value of a security forming part of the collateral falls as described below), we will be entitled to sell your investments without notice.

At our discretion, we may sell some or all of the collateral to ensure the margin loan is reduced to an amount which is not, and will not in the reasonably foreseeable future be, greater than the margin value if the S&P/ASX 200 falls by 10% or more in any 24-hour period or by 15% or more over two consecutive business days, or if the market value of a security forming part of the collateral falls by 10% or more in any 24-hour period.

MARGIN CALL EXAMPLE

In this example assume that there is a portfolio value of $100,000 with a $70,000 loan. All stocks held in the portfolio have an 80% LVR, this makes up the margin value as seen below.

Opening Values

A	**Portfolio Market Value**	$100,000
B	**Loan Balance**	$70,000
C	**Current LVR/Gearing Level** (A / B)	70%
D	**Margin Value / LVR**	80%
E	**Buffer**	5%
F	**Margin Call LVR** (D + E)	85%
G	**Portfolio Lending Value** (D x A)	$80,000
	Available Funding/(Margin Call) (G – B)	$10,000

In the event of a negative 20% market movement, the result would be the below:

Post Market Movement Values

A	**Portfolio Market Value**	$80,000
B	**Loan Balance**	$70,000
C	**Current LVR/Gearing Level** (A / B)	87.5%
D	**Margin Value / LVR**	80%
E	**Buffer**	5%
F	**Margin Call LVR** (D + E)	85%
G	**Portfolio Lending Value** (D x A)	$64,000
	Available Funding/(Margin Call) (G – B)	($6,000)

With the impact of the negative market movement the current LVR increased to 87.5% which is above the margin call LVR of 85%. The margin lending facility is now in margin call of $6,000 and we will take reasonable steps to notify you of your obligation to reduce the gearing by depositing funds, selling investments or lodging additional approved securities.

Note that the margin call of $6,000 is the amount required to bring the portfolio back below the buffer in line with the margin value.

EXAMPLE 1: ELECT TO DEPOSIT FUNDS

To address the margin call, you have elected to deposit funds by completing a cash transfer into your margin loan account. A transfer of $6,000 is completed within 24 hours of receiving margin call notification. This transfer reduces your loan balance down to $64,000 and the current LVR to 80%.

It should be noted that in this example the minimum margin call amount of $6,000 was transferred. In this case, if for example, there was a further negative market movement of 6% the following day, another margin call would occur.

EXAMPLE 2: ELECT TO SELL INVESTMENTS

To address the margin call, you have elected to sell investments by discussing with your financial adviser the investment/s and the amount you would like to sell. In this example as we have assumed all stocks held in the portfolio have an 80% LVR, and hence the minimum amount you are required to sell to meet the margin call would be $30,000. This sale would reduce your portfolio market value to $50,000 and bring the loan balance down to $40,000, with the current LVR then being 80%.

This $30,000 sale of investment/s would be an example of the potential action that Morgan Stanley Wealth Management could take if no action has occurred to clear a margin call or in response to large market movements.

It should be noted that as with example 1, the minimum margin call amount has been met. Again if there was a further negative market movement the following day, another margin call could occur.

Note that in all of the examples above, it has been assumed that there was no further market movement, interest expense, or security LVR changes outside of what has been explicitly called out.

5. The Risk of Losing Money

There are risks associated with borrowing against the value of your investments and securing that borrowing with those investments. You should obtain independent advice to determine if such borrowing is appropriate to you and your particular financial and taxation circumstances. In deciding whether to borrow money on this basis, you should be aware of the risks which we have disclosed in this PDS and the Agreement. This PDS only highlights some of the risks involved in borrowing against your investment portfolio.

ADVERSE MARKET MOVEMENTS

Your security value (and therefore the value of your collateral) will change with movements in the market value of your investment portfolio. Fluctuations within your investment portfolio may result in a margin call.

REDUCTION IN MARGIN PERCENTAGE OR MAXIMUM LVR AND/ OR REMOVAL OF AN INVESTMENT FROM OUR APPROVED SECURITIES LIST

Under our terms and conditions, we may review and amend our Approved Securities List from time to time. This may result in a reduction to a margin percentage of a particular investment or maximum LVR, or removal of that investment from the Approved Securities List. This will reduce the security value of your investment portfolio and may result in a margin call.

INCREASED BORROWING COSTS

Our interest rates are determined by market conditions. We may increase rates from time to time which will increase your borrowing costs. If interest is capitalised to your loan, this will in effect reduce the available finance to you and increase the overall gearing level. It is possible interest payments may exceed the returns available from your investment portfolio.

LOSS OF YOUR INVESTMENTS

If you fail to meet a margin call, rectify a credit limit breach or repay amounts you owe us by the time specified or if certain market events occur, we may sell the security you have provided, including your investments. Our right to recover an amount owing is not limited to our security rights against your investment portfolio. We are entitled to recover the full amount owing from you personally. We will normally exercise our right to enforce our security interest over your investments by selling your securities (if necessary) to recover the amount owing. If there is a shortfall, you will remain personally liable for the shortfall and we are entitled to recover that amount from you.

RISK OF A DEFAULT EVENT

You should be aware that if a default event occurs, as defined in the Agreement, one example being a failure to meet a margin call, then we may exercise our rights to, amongst other things, sell, appropriate or otherwise deal with the secured assets held pursuant to the Agreement, including exercising our right to terminate the Agreement and exercising our right to set off.

CASH FLOW/TIMING RISK

You may not receive the income or the benefit of any available tax deductions at the time you are required to pay interest charges. Therefore a possible timing mismatch in terms of making an interest payment before you receive the tax benefit is possible. Additionally, the interest rate payable and level of income from investments may fluctuate. You should ensure that you will have adequate income or resources at all times to meet any interest payments and margin calls that you are required to make.

CHANGE IN REGULATORY ENVIRONMENT

Your margin loan, investments, margin value and other aspects connected with your margin loan may be adversely affected by future changes in legal, regulatory and compliance requirements. This includes a change in taxation laws which may have a negative effect on the tax position for you in respect of your margin loan.

GUARANTEE

If you plan to have a guarantor guarantee your facility, you should ensure your guarantor considers carefully whether guaranteeing the performance of your obligations is appropriate to the guarantor and the guarantor's particular financial circumstances.

There are a number of ways to potentially manage and reduce the risks associated with margin lending:

- Don't borrow the maximum amount available
- Maintain a diversified portfolio of quality investments
- Pay interest regularly
- Credit dividends into your margin loan

For further information on margin lending, visit https://moneysmart.gov.au/how-to-invest/borrowing-to-invest.

6. The Costs

INTEREST

Both fixed and variable interest rate margin loans are offered. For variable rate margin loans interest is calculated daily on the loan amount owing and is charged monthly in arrears. For fixed rate margin loans interest must be paid in advance for the entire term of the margin loan. For variable rate margin loans you may wish to pay interest on a monthly basis to maintain the gearing level of your facility and reduce the risk of a margin call or credit limit breach. If interest is capitalised to your facility (rather than being paid by you) this will decrease your finance available and increase the potential risk of a margin call or credit limit breach. In the event of default, a higher rate of interest may be applied.

FEES

There are no establishment fees unless you are applying as a company or trust applicant. An annual account-keeping fee may apply to your margin lending account. For variable rate margin loans an early repayment fee may apply if you repay your loan within four months of the initial draw down date. For fixed rate margin loans an early repayment fee may apply if you repay your loan before the end of the term (additional break fees may also apply). Generally, there are no transaction fees with the exception of direct debit dishonour fees and off market transfer fees. Where permitted by law, your financial adviser may also charge fees for advice and investment transactions.

You should read the important information about our current interest rates and details of applicable fees before making a decision. Go to the Resources tab at www.morganstanley.com.au/marginlending. For our current interest rates, click on "Interest Rates" and for fees, click on "Fees." The material relating to our current interest rates and applicable fees may change between the time you read this PDS and our interest rate and fee schedules, and the day when you sign the Application Form.

COMMISSIONS

Morgan Stanley may pay a commission to your financial adviser based upon the drawn down value of your margin loan where permitted by law. Where this is applicable, see the statement of advice provided to you by your financial adviser.

The applicable interest rates, fees, costs and commissions charged or paid can be unilaterally changed by us.

7. How to Apply

You may apply directly or through your financial adviser. Before applying we recommend you obtain independent financial, legal and taxation advice to see if margin lending is suitable for you.

To apply you must be over 18, a company or a trust. Margin lending is not available to superannuation funds.

- Download the PDS at www.morganstanley.com.au/marginlending (go to the Services tab) or contact us on 1800 062 794
- Read the Agreement and terms and conditions
- Complete the Application Form

If you require further information on how to apply for a margin loan including depositing funds into your account, lodging investments as secured assets, buying and selling shares and investing in managed funds, please contact our Product Services Team on 1800 062 794 or visit our website.

If you have any concerns about the service provided to you, you can contact Morgan Stanley on 1800 008 161 and provide details of your complaint to the Compliance Manager. You may send a written complaint to the Compliance Manager, Morgan Stanley Wealth Management, Level 26 Chifley Tower, 2 Chifley Square, Sydney NSW 2000 providing all relevant details of your complaint. We will confirm in writing that your complaint has been received. A detailed explanation of our dispute resolution process is provided in our Financial Services Guide ("FSG"). You may obtain a copy of our FSG by contacting us via the contact information provided on the back page of this PDS.

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