

Geared index investing: Supporting your client conversations

Here's some ideas for how you can start the conversation with your clients.

CFS Geared Index Australian Share and CFS Geared Index Global Share are managed by world-leading managers, State Street Global Advisors and First Sentier Investors.

They're a low-cost solution that uses leverage to increase exposure to Australian and Global Equities.

Because these are index funds built to mirror the weight of their index – the S&P/ASX 100 and MSCI All Country World (ex-Australia) Index, respectively – CFS are able to keep the costs low

as there's no need for an investment manager to perform detailed analysis on which assets to buy and sell. They simply invest into the broad range of assets listed on their index.

CFS internally gears its investments, which means the borrowing takes place within the structure of the fund. This allows CFS to provide lower institutional lending rates and doesn't require investors to put up any additional security. And there are no margin loan approvals, credit checks or collateral required.

Dealing with questions and objections from your clients

Objection	How it might sound	Handy tips
High volatility	I'm nervous I could lose money	<ul style="list-style-type: none">• These funds are not designed to be a whole-of-portfolio solution, but rather a valuable asset you can invest in as part of a well-diversified portfolio that gives you access to opportunities to expand your exposure to equities at a low-cost.• Remind your clients that they have longer-term investment horizons and shouldn't be focused on daily ups-and-downs in the market.• Consider a dollar cost averaging approach.
High headline cost	This seems expensive	<ul style="list-style-type: none">• Gearing allows additional investment which means higher costs.• With an account balance of \$50,000 invested into the CFS geared index options, you'll pay just \$565 net pa.• Borrowing is at institutional rates which are generally lower than retail.• Passive index management approach ensures the portfolio is aligned to the index and results in fewer transactions, and thus less transactions costs incurred in the fund – which helps keep costs low.• If investment returns are higher than the cost of gearing, a geared option will generally outperform a non-g geared alternative.
Hesitant towards borrowing to invest	I don't want to owe money to anyone	<ul style="list-style-type: none">• There is no increase to your client's personal borrowing as CFS borrow on your client's behalf.• The maximum loss restricted to original investment.• There is no debt recourse to your client.

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