

The DomaCom Fund – Case Studies

Funding an Investment Across Your Client Base



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FRACTIONAL INVESTING

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# Case Study 8: Funding an investment across your client base

- You have been presented with a property opportunity that you feel would be suitable for a group of your clients and are considering a way to fund the purchase that may provide a solution across your client base
- Within your practice you have a combination of accumulator clients for whom you feel a leveraged/ geared property exposure would be appropriate as well as retiree clients for whom you are seeking income opportunities
- Higher risk investment options are under consideration for retiree clients given a very low interest rate environment
- Asset allocation and portfolio diversification are core risk mitigation tools you use in the construction of client portfolios and therefore want to avoid single asset investing for any one client

# Case Study 8: Funding an investment across your client base

- With this in mind you decide to use the DomaCom Fund to syndicate the funding of this property opportunity via:
  - For accumulator clients a property campaign, and;
  - For retiree clients a mortgage backed loan campaign
- Given that you as the financial adviser are facilitating the funding for this investment you are able to arrange an appropriate interest rate that the 'borrowers' will pay and the mortgage backed loan investors will receive
- You decide on a rate of 5.50% (5.25% over the overnight RBA Cash Rate\*) which you believe is an appropriate rate for:
  - A non-recourse loan over a completed property
  - With a maximum LVR of 60% into a positively geared property
  - Security is a first registered mortgage

• \*As at 30/6/20 RBA Overnight Cash Rate 0.25%

## Case Study 8: Funding an investment across your client base

- The property sub-Fund that is created to purchase the property in question will pay an interest rate of 5.50% to the loan sub-Fund with loan investors receiving a net return of 5.06%
- The outcome for you as the adviser and your clients is that by funding the investment in this manner you have provided a suitable investment outcome for both your accumulator and retiree clients

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