



# New opportunities in fractional platforms

Fractional investing is the process of breaking down high value assets, like property, into bite-sized pieces so small investors can access the same direct assets as sophisticated investors

**LEADING THE** way in Australia, DomaCom has combined a technology platform with a common legal structure to achieve a model with the same attributes as any other managed fund but with several added features that benefit investors and advisers.

Among these features is a more flexible vehicle that aids diversification, improves liquidity and breaks through some of the restrictive rules that inhibit different types of investors like SMSFs, seniors and family units. Good examples of these are the sole purpose test and the downsizer legislation not to mention eliminating the need for a LRBA.

As with any investment, the key to success in the fractional model is selecting investments that are fair value, and thoroughly vetted.

DomaCom allows investors and their advisers to choose where they want to invest and who they may want to share it with, and provided it passes an independent and well documented due diligence process, DomaCom does not argue the choice.

Once the asset has passed due diligence it is acquired and unitised in a segregated sub-fund and a tenant is sought – this can be a unit holder.

Investors share the acquisition costs as well as future expenses and income and the future capital value, in proportion with their investment.

The fractional model works in a similar way to how stock exchanges fractionalise companies into shares, but with different assets. In the case of DomaCom, it also comes with an online secondary market complete

with buy/sell and market depth screens.

What does fractional investment offer? The opportunities are broader than one might at first think. The obvious is residential property and that comes in many guises; house and land, apartments, developments, aged care, affordable housing and NDIS accommodation. Each has a specific risk/return profile and some bring with them a social observance, which may be important to investors.

One unique model is DomaCom's Rental Property Accelerator where developer rebates are shared between investors and tenants. Immediate uplift for investors and an equity stake that helps secure tenants who may be out of the market.

Commercial property is almost boundless so you can

use your imagination there, and then there are green investments like renewable energy (more of an income investment) and rural farmland (capital growth and income), the long-term growth of which is also leaving many young farming families out of the market.

When thinking about strategies, one of the most significant is SMSFs that want to invest in direct property with some debt. The fractional model enables this to occur without an LRBA or Bare Trust in sight. How? The sub-fund holding the property takes on the debt.

Being part of a retail managed fund, the sub-fund passes on the tax benefits, income (net of repayments) and capital growth to the investors.

The fractional model can be turned to any number

of assets including first mortgage secured debt, giving advisers the chance to handle both sides of a property transaction to satisfy the income and growth targets of their clients.

While we can go on about opportunities, there are two singular areas with enormous potential in Australia. The seniors home equity release market and a soon to be launched Islamic home financing model.

The seniors cohort is large and growing, much of it unfunded through superannuation but potentially well-funded through home ownership. Australia's only financial product in this space is the fractional model by DomaCom.

Seniors Equity Release can provide a lump sum, a regular payment plan and/or an approved downsizer contribution – strategies for seniors.

This model is the tool to facilitate intergenerational planning that can expand the advice industry's footprint.

Islamic home ownership is less than half that of other Australians due to their laws of faith that prohibit paying interest – there goes traditional mortgage banking. Funding home ownership with this group in return for capital growth and rental income solves this problem and opens the door to vast planning opportunities for advisers. The liquidity in this market are the tenants who can buy out investors without needing loans.

The fractional model can satisfy a wide range of investment objectives and advisers are invited to explore these.

Contact DomaCom via [www.domacom.com.au](http://www.domacom.com.au) or [sales@domacom.com.au](mailto:sales@domacom.com.au), or call 1300 365 930.



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# The future of investment platforms where opportunities are only limited by your imagination

## Giving clients access to fractional investment in property-based assets for income and capital growth

### Create client syndicates or access public syndicates diversified across the platform in:

- Residential property
- Affordable housing for essential workers
- Rental property accelerator
- NDIS housing
- Rural farmland
- Renewable energy projects
- Commercial property
- First security mortgage loans
- Seniors home equity release

### Extend your client reach and enhance your service offering with strategic solutions for:

- SMSFs
- Seniors
- First home buyers/investors
- Intergenerational planning
- Equity mortgage loans
- Islamic finance



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FRACTIONAL INVESTING

### FURTHER INFORMATION

If any of these products or strategies are of interest and you would like further information or a discussion on how you might access and use these products please contact:

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