HIGH STREET
ASSET MANAGEMENT

LEVERAGE EXPLAINED

AUGUST 2022

HS HIGH STREET ASSET MANAGEMENT

WHAT IS LEVERAGE?

Financial leverage uses borrowed money to invest and is generally recommended for experienced investors. Investors must have a high tolerance for short-term volatility as it multiplies returns, both gains and losses. It is calculated as follows:

Leverage utilised = total assets / (total assets – total borrowings)

The decision to use leverage hinges on the anticipated spread between expected total returns and borrowing costs. Given the use of leverage, we target defensive characteristics to exploit the spread over the longer-term and to guard against exaggerated short-term volatility.

*Additional information may be requested from Jo-Ann@hsam.co.za.