DNR Capital Australian Equities Investment Mandate

Investment Mandate issuer:
Mason Stevens Limited
ABN 91 141 447 207 AFSL 351578

Investment Sub-Adviser:
DNR Capital Pty Limited (DNR Capital) ABN 72 099 071 637. DNR Capital is a Corporate Authorised Representative of DNR AFSL Pty Limited, ABN 39 118 946 400 AFSL 226566.

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Mason Stevens has appointed DNR Capital Pty Limited (DNR Capital) ABN 72 099 071 637 as Investment Sub-Adviser.

Important Information

This Investment Mandate is issued by Mason Stevens Limited ABN 91 141 447 207 AFSL 351578 (Mason Stevens) as the Managed Discretionary Account (MDA) Provider of the MDA Service. Mason Stevens has appointed DNR Capital Pty Limited (DNR Capital) ABN 72 099 071 637. DNR Capital is a Corporate Authorised Representative of DNR AFSL Pty Limited, ABN 39 118 946 400 AFSL 226566.

In this document, **MDA** refers to a Managed Account provided by Mason Stevens which follows the investment strategy and parameters of a Managed Portfolio as defined in the Investment Guide section of this document.

This document is produced without consideration of the investment goals, needs or financial circumstances of any person who may read it. If you are a retail investor, you must obtain personal advice from a licensed financial adviser on whether a particular portfolio is appropriate for you given your personal goals, needs and financial circumstances.

Investment involves risk, potentially resulting in (but not limited to) delays in payment of withdrawal proceeds and the loss of income and capital invested. Past performance is not necessarily indicative of future performance. Mason Stevens, DNR Capital, and their respective directors, officers, employees, subcontractors and associates do not assure or guarantee the capital value of your investments will be maintained, or the investment performance of any investments acquired through this MDA Service.

Where there are references to data provided by third parties, neither Mason Stevens nor DNR Capital has control over that data and nor do they accept any responsibility for verifying or updating that data. Mason Stevens, DNR Capital, and their respective directors, officers, employees and associates may from time to time hold interests in investments of, or earn fees and other benefits from, corporations or investment vehicles which may be held in your portfolio.

DNR Capital consent to statements in this document attributable to them or referring to them, and have not withdrawn their consent. DNR Capital have confirmed the statements attributable to them or referring to them are not misleading or deceptive at the time of issue.

All amounts in this document are in Australian dollars and all fees are inclusive of GST net the effect of any reduced input tax credits. This document should be read in conjunction with the Mason Stevens Financial Services Guide (**FSG**), the Mason Stevens Global Investment Service Guide (**Guide**) including the Mason Stevens MDA Service Terms (which together form the Investment Mandate).

The FSG contains information on Mason Stevens and the MDA Service and is available at masonstevens.com.au/fsg. This document is incorporated by reference into the Guide which contains important information on the fees and costs you pay when you establish an account with Mason Stevens and use the MDA Service. It also contains information on how to operate your account and how to contribute into your account once it is opened. It is available at masonstevens.com.au/investorguide. If you are unable to access the online information, your adviser or Mason Stevens can provide the information free of charge.

About the relevant parties 1

1.1 About DNR Capital

Founded in 2001, DNR Capital is an independent Australian investment management company that delivers client-focused, quality, investment solutions to institutions, advisers and individual investors. It is a pioneer in the delivery of individually and separately managed accounts in the Australian market and aims to deliver investment out-performance.

DNR Capital is a signatory to the Principles for Responsible Investment (PRI).

1.2 Investment team

The following members of the investment team are responsible for management of the Managed Portfolio(s):

Jamie Nicol

Jamie has over 25 years' experience in the financial services industry. He is a senior member of the DNR Capital Investment Committee and is also responsible for investment strategy, portfolio construction and stock selection, investment process enhancement and management of the investment team. His sector responsibilities include financials (excluding property), metals and mining, commercial industrials and professional services.

Prior to establishing DNR Capital, Jamie held senior roles in company research and analysis for two major stockbroking firms, as well as for Westpac, Mergers and Acquisitions (Australia and South Pacific). He commenced his career at PricewaterhouseCoopers (formerly Coopers & Lybrand), in the areas of audit and tax.

Jamie has a Bachelor of Business Accounting (Distinction) from Queensland University of Technology, a Bachelor of Economics from The University of Queensland and is a member of the Australian Institute of Chartered Accountants and is a Fellow of the Australian Institute of Chartered Accountants.

Scott Bender

Scott has over 22 years' experience in the funds management industry. He joined DNR Capital in 2002 and is a senior member of the Investment Committee.

Scott is responsible for the investment research of the property, healthcare, gaming and beverage sectors. He is also actively involved in the portfolio management decision-making process. Scott has a specialist understanding of the property sector and has had sole responsibility for managing the property trust portfolio since 2006. Scott is actively involved in the development and refinement of the investment process, in particular the development of the quantitative models used to screen stocks.

Prior to joining DNR Capital in 2002, Scott worked as an associate equity analyst with Deutsche Bank in the UK and has also held roles in Australia and in the UK as an equity analyst and trading representative for institutions including JP Morgan and Macquarie. Scott has a Bachelor of Commerce from The University of Queensland, a Graduate Diploma in Applied Finance and Investment, and is a CFA charter holder.

1.3 Investment committee

The DNR Capital Investment Committee meets monthly and is responsible for reviewing Managed Portfolio performance and constituents, the economic overview and security specific reports. While the ultimate decision rests with the investment team, the Investment Committee provides a mechanism of accountability.

The Investment Committee is made up of investment team plus two consultants. The responsibilities, experience and qualifications of the two consultants of the DNR Capital Investment Committee are detailed below:

Justine Hickey

Justine has been involved with DNR Capital since 2005 as a non-executive, chairing the Board and sitting on the Investment and SRI Committees. Justine has over 27 years experience in investment and funds management as an equities portfolio manager and in senior management. Justine is a professional non-executive director and currently sits on the boards of Equipsuper Fund and Hastings Infrastructure. Previously she was a director of the Rio Tinto Super Fund, GPT Metropolitan Office Fund, Australian Ethical Investment Ltd, Flagship Investments Ltd and an expert member of Sunsuper's Investment Committee.

Justine takes an active interest in the not for profit sector and is a director of RSPCA QLD and chair of YET Foundation. In previous roles, Justine was Head of Equities at Suncorp Investment Management in Brisbane until 2004 and prior to that a Portfolio Manager at Flemings Investment Management (now JP Morgan) in London. Justine has a Bachelor of Commerce, is a Graduate, Australian Institute of Company Directors, Fellow of FINSIA and Associate, CFA Institute. She is also a member of the Responsible Investment Association of Australasia (RIAA).

Mark Hancock

Mark has over 32 years' experience in the securities and funds management industry. As Managing Director of Precept Investment Actuaries Pty Ltd, he is the principal investment consultant to DNR Capital for the Australian Equities Income Portfolio. His qualifications and valuable experience see him retained in a number of advisory roles by major Australian investment firms and financial services entities. He specialises in the assessment of listed businesses in the financial services industry.His previous experience includes eight years as principal consultant with Loftus Capital Partners Limited and five years with NRMA as investment manager.

Mark is a qualified actuary and has been a Fellow of the Institute of Actuaries of Australia since 1987. He has a Bachelor of Arts majoring in Actuarial Studies. Mark is a guest lecturer in Finance at Macquarie University.

2.1 The Managed Portfolio

The following pages contain descriptions for the Managed Portfolio that is available through this Investment Mandate.

The Managed Portfolio is managed in accordance with an agreement between the Investment Sub-Adviser and the MDA Provider. With advice from your financial adviser you may choose to invest in the following Managed Portfolios:

- DNR Capital Australian Equities High Conviction Managed Portfolio
- DNR Capital Australian Equities Socially Responsible Managed Portfolio
- DNR Capital Australian Equities Managed Portfolio

DNR Capital determine the initial asset allocation for and also manages the ongoing asset allocation of the Managed Portfolio. The investment parameters for the portfolio are detailed in this document.

The parameters set out for the Managed Portfolio are not absolutely fixed at all times. The Investment Sub-Adviser targets these parameters, but variations may develop from time to time due to events including corporate actions, market share price movements, index changes and delays in rebalancing due to the Investment Sub-Adviser minimising turnover of your investments. The timing of additional investments in your Managed Portfolio may also lead to short-term different balances of cash and securities. Mason Stevens will give you reasonable notice of any significant change to these parameters.

It is at the sole discretion of the MDA Provider to accept investments and redemptions below the minimum investment amount, and there is no guarantee that the portfolio objective of the Managed Portfolio will be achieved. The Managed Portfolio may invest in a range of investments which include managed funds, LICs, LITs, and ETFs. An estimated range for the indirect cost ratio (ICR) for the Managed Portfolios has been provided to allow for variances in potential future portfolio allocations. The ICRs may be updated from time to time via a notice on the Mason Stevens website, under Continuous Disclosure Updates and Information.

2.2 DNR Capital Australian Equities High Conviction Managed Portfolio

Investment strategy and process

The Investment Sub-Adviser believes a focus on quality will enhance returns when it is combined with a thorough valuation overlay. DNR Capital seeks to identify quality companies that are mispriced by overlaying a quality filter, referred to as the 'Quality Web', with a strong valuation discipline.

The stock selection process has a strong bottom-up discipline and focuses on investing in quality companies at reasonable prices.

The portfolio construction process is influenced by a topdown economic appraisal and also considers the risk characteristics of the portfolio such as stock and sector correlations.

The investment strategy of the DNR Capital Australian Equities High Conviction Managed Portfolio results in a portfolio that is high conviction and invests for the medium-to-long term.

DNR Capital incorporates ESG considerations into this Managed Portfolio through a scoring system. This score is derived from assessment which utilises data from external data providers as well as DNR Capital's own assessment and has key regard to tail risks that could impact valuation. The ESG score forms part of a broader assessment of a business's overall quality attributes. The process of monitoring the ESG considerations requires a subjective judgement as to the effect on a security's future financial performance. It should however be noted that decisions about whether to buy, hold or sell investments for the Managed Portfolio is based primarily on traditional financial analysis.

Feature	Description	
Name	DNR Capital Australian Equities High Conviction Managed Portfolio	
Investment Sub-Adviser	DNR Capital	
Investment universe	Equity securities listed or about to be listed on the Australian Stock Exchange and Cash	
Investment objective	To outperform the S&P/ASX200 Accumulation Index by 4% p.a. (before fees) over a rolling three-year period	
Benchmark	S&P/ASX200 Accumulation Index	
Investment management fee	0.80%	
Minimum number of investments	15	
Maximum number of investments	30	
Minimum cash weighting	2%	
Maximum cash weighting	20%	
Maximum individual security weighting	15%	
Rebalancing	Investment Sub-Adviser discretion	
Minimum initial investment	$35,000	
Minimum additional investment	$10,000	
Minimum withdrawal	$10,000	
Suggested investment timeframe	5 years	
Asset Allocation	Asset Class	Allocation Range %
	Australian equities	80 - 98%
	Cash	2 - 20%

2.3 DNR Capital Australian Equities Socially Responsible Managed Portfolio

Investment strategy and process

The Investment Sub-Adviser believes a focus on quality will enhance returns when it is combined with a thorough valuation overlay. DNR Capital seeks to identify quality companies that are mispriced by overlaying a quality filter, referred to as the 'Quality Web', with a strong valuation discipline. The stock selection process has a strong bottom-up discipline and focuses on investing in quality companies at reasonable prices.

The DNR Capital Australian Equities Socially Responsible Portfolio takes into account environmental, social and ethical (ESG) considerations for the purpose of selecting, retaining or realising the investments in the Managed Portfolio.

In constructing and managing this Managed Portfolio, DNR Capital considers investment in companies that have been researched and assessed using the environmental, social and ethical (ESG) screening process described below.

Each company is screened and assessed against DNR Capital's negative screens which include:

- Pornography—production, distribution and sale of pornography as a core business.
- Gaming—core business of owning or operating a gaming related business or manufacture and supply of gaming equipment and systems.
- Armaments—supply and distribution of weapons components to Defence Forces or any other business/individual.
- Tobacco—manufacture and distribution of tobacco related products.

If a negative screen does not exclude a company, then the company will be scored and assessed relative to the S&P/ASX 200 having regard to DNR Capital's positive ESG screens. The scoring system assigns a company one point for each consideration the company meets (in deciding whether a company meets a consideration, DNR Capital relies on information provided by an external service provider). Scores are tallied and then expressed as a percentile for comparative purposes.

There is a preference for companies scoring in the upper half of the S&P/ASX 200 average, i.e. the 51st percentile.

Other positive attributes that influence inclusion in the Managed Portfolio are companies that provide environmental technologies and renewable energy, waste disposal services, healthcare products or services, public transport, social infrastructure, environmental solutions, IT solutions and education.

The Managed Portfolio is formally reviewed monthly. Any investment that no longer meets the ethical (or financial) criteria is generally removed from Managed Portfolio as soon as possible. The portfolio construction process is influenced by a topdown economic appraisal and also considers the risk characteristics of the portfolio such as stock and sector correlations. The investment strategy of the DNR Capital Australian Equities Socially Responsible Model Portfolio results in a portfolio that is high conviction and invests for the medium-to-long term.

The DNR Capital Australian Equities Socially Responsible Model Portfolio is certified by RIAA (Responsible Investment Association Australasia) – Responsible Investment Certification Program.

Feature	Description	
Name	DNR Capital Australian Equities Socially Responsible Managed Portfolio	
Investment Sub-Adviser	DNR Capital	
Investment universe	Equity securities listed or about to be listed on the Australian Stock Exchange and Cash	
Investment objective	To outperform the S&P/ASX200 Accumulation Index by 4% p.a. (before fees) over a rolling three-year period	
Benchmark	S&P/ASX200 Accumulation Index	
Investment management fee	0.80%	
Minimum number of investments	15	
Maximum number of investments	30	
Minimum cash weighting	2%	
Maximum cash weighting	20%	
Maximum individual security weighting	15%	
Rebalancing	Investment Sub-Adviser discretion	
Minimum initial investment	$35,000	
Minimum additional investment	$10,000	
Minimum withdrawal	$10,000	
Suggested investment timeframe	5 years	
Asset Allocation	Asset Class	Allocation Range %
	Australian equities	80 - 98%
	Cash	2 - 20%

2.5 DNR Capital Australian Equities Income Managed Portfolio

Investment strategy and process

The Investment Sub-Adviser believes a focus on quality will enhance returns when it is combined with a thorough valuation overlay. DNR Capital seeks to identify quality companies that are mispriced by overlaying a quality filter, referred to as the 'Quality Web', with a strong valuation discipline. DNR Capital seeks to be high conviction and to invest for the medium-to-long term.

The stock selection process has a strong bottom-up discipline and focuses on investing in quality companies at reasonable prices.

The DNR Capital Australian Equities Income Managed Portfolio also has a preference for companies that have high and sustainable dividend capability, strong profit to cash conversion, and relatively assured earnings growth.

Companies that generate franking credits predominate. The portfolio construction process is influenced by a topdown economic appraisal and also considers the risk characteristics of the portfolio such as stock and sector correlations.

The investment strategy of the DNR Capital Australian Equities Income Managed Portfolio results in a portfolio that is high conviction and invests for the medium-tolong term.

DNR Capital incorporates ESG considerations into this Managed Portfolio through a scoring system. This score is derived from assessment which utilises data from external data providers as well as DNR Capital's own assessment and has key regard to tail risks that could impact valuation. The ESG score forms part of a broader assessment of a business's overall quality attributes. The process of monitoring the ESG considerations requires a subjective judgement as to the effect on a security's future financial performance. It should however be noted that decisions about whether to buy, hold or sell investments for the Managed Portfolio is based primarily on traditional financial analysis.

Feature	Description	
Name	DNR Capital Australian Equities Income Managed Portfolio	
Investment Sub-Adviser	DNR Capital	
Investment universe	Equity securities listed or about to be listed on the Australian Stock Exchange and Cash	
Investment objective	To outperform the S&P/ASX200 Industrials Accumulation Index (before fees) and deliver higher levels of income relative to the benchmark over a rolling three-year period	
Benchmark	S&P/ASX200 Industrials Accumulation Index	
Investment management fee	0.80%	
Minimum number of investments	15	
Maximum number of investments	30	
Minimum cash weighting	2%	
Maximum cash weighting	20%	
Maximum individual security weighting	15%	
Rebalancing	Investment Sub-Adviser discretion	
Minimum initial investment	$35,000	
Minimum additional investment	$10,000	
Minimum withdrawal	$10,000	
Suggested investment timeframe	5 years	
Asset Allocation	Asset Class	Allocation Range %
	Australian equities	80 - 98%
	Cash	2 - 20%

Risk of investing 3

Before you make an investment decision, it is important that you understand the risks that can affect your investment. You must be prepared for the risk that your investment does not meet your investment objectives or you lose money on your investment.

Specific investment risks apply to all investments that may have an effect on the value of your Managed Portfolio. The risks of investing in the Managed Portfolio may include, but are not limited to, the following factors:

- Market Risk – Unexpected conditions (i.e. economic, technological or political) can have a negative impact on the returns of all investments within a particular market. General movements in local and international stock markets, prevailing and anticipated economic conditions, investor sentiment, interest rates and exchange rates could all affect the value of listed securities and the investment returns.
- Company or security specific risk – Risks which could affect the value of a specific security, such as a fall in the profit performance of a company, may impact adversely on its share price and may also affect the interest rate it has to pay to borrow funds, which in turn, can affect the value of its debt securities.
- Currency risk – If any international assets held by the Managed Portfolio is unhedged, a rise in the Australian dollar relative to other currencies will negatively impact investment values and returns. Currency markets can be extremely volatile and are subject to a range of unpredictable forces.
- Derivatives risk – A derivative is a financial instrument which has characteristics derived from an underlying asset or index. Typically the derivatives are either cash settled or are realised by being closed out with a derivative of the opposite nature. Derivatives may be used by investment managers or managed funds to protect against changes in market value of existing investments, to simulate an investment position without purchasing or selling the underlying asset, to partially or substantially manage against various risks such as credit and interest rate risks or to gear an investment or a portfolio. The use of derivatives brings additional risks. These risks include the failure of the value of derivatives to move in line with the underlying asset, a derivative position may be costly to reverse, the parties/counterparties associated with the derivative contract do not fulfil their obligations, and derivatives may be impacted by market liquidity. Derivatives which are a leveraged investment can increase your potential losses and gains in relation to movements in the price of the underlying assets. Exchange traded derivatives, including the ETOs available for the Managed Portfolio, do not remove all of the general risks of derivatives, and may have their own risks. Before investing in any derivatives instrument you must fully understand and accept the risks involved.

Other risks of investment include:

- Interest rate risk – Changes in interest rates can influence the value and returns of investment in the Managed Portfolio.
- Credit risk – Any change in the market perception of the creditworthiness of a security or the credit rating of the issuer of the security may affect the security's value.
- Investment Sub-Adviser risk – This is the risk that the Investment Sub-Adviser may not achieve their stated investment objectives or that changes in the investment team may impact on the performance of the Investment Sub-Adviser.
- Liquidity risk – The risk that the Managed Portfolio may experience difficulty in realising its assets.
- Time horizon risk – There is no assurance that in any time period, particularly in the short term, a Managed Portfolio will achieve its investment objectives. Many of the underlying assets may be volatile particularly over the short term. The Managed Portfolio is suitable for long term investors and is not designed for short term investment.
- Income risk – The level of income generated on the Managed Portfolio's investments can fall as well as rise and the tax status of such income can change.
- Asset risk – Asset risk is the risk that a particular asset or asset class in which the Managed Portfolio invests may fall in value, which may have an impact on the value of the Managed Portfolio.
- Diversification/Concentration risk – If your Managed Portfolio is concentrated into one investment or sector, a fall in that investment or sector may have a significant adverse effect on your total Managed Portfolio. Diversification is used as a strategy aimed at reducing the impact that volatility in one investment or sector will have on the performance of your overall Managed Portfolio. The Managed Portfolio will have a relatively higher concentration over time of listed securities but it is not possible to advise in advance the levels of concentration or diversification of issuers, types of investments or industry sectors.
- Inflation risk – Your investment may not keep pace with inflation. Broadly, this could mean that prices may increase more than the value of your investments in the Managed Portfolio and if this risk eventuates, you would not be able to buy as much with the value of your investments in the future as you could now.

- Investment risk – All investments have an inherent level of risk. The general expectation is that a high risk investment offers a higher expected return on investment. Investment risk may result in performance less than you expect or the loss of all of the capital invested or reduction in or no income and possible delays in repayment. Whilst it is the intention of the Investment Sub-Adviser to implement strategies designed to minimise potentiallosses, there can be no assurance that these strategies will be successful.
- Specific portfolio risk – The Investment Sub-Adviser's investment approach may result in a Managed Portfolio that differs substantially from an industry benchmark and hence the Managed Portfolio's investment returns may also differ substantially from industry benchmark returns.
- Third party risk – The MDA Provider uses information and services provided by third parties such as subcustodians and other service providers. Procedures are in place to address risks associated with outsourcing, such as having comprehensive service agreements with service providers. If a service provider advises of an error, it is corrected and if material, it will generally be communicated to you or your advisor (or both).
- Systems and technology risk – The MDA Provider relies on the integrity and reliability of the Managed Portfolio trading and administration systems used to manage your managed account. To minimise potential risks, established systems operated by experienced system providers are used. The system providers must have back-up arrangements and business continuity plans. In the event that the systems fail there may be delays in processing transactions or in accessing your investment capital and investment returns may differ from those that would have been achieved.

Please note that the risks identified are not meant to be exhaustive as it is not possible to identify every risk factor associated with investing. The appropriate level of risk for you will depend on various factors including your age, investment timeframe, other investments you may hold, and your level of risk tolerance. Investors who have concerns regarding any of the above risk factors, or any other applicable risks, are encouraged to contact their financial adviser.