Grey Street Partners Managed Account Service Investment Mandate

Investment Mandate issuer:

Mason Stevens Limited
ABN 91 141 447 207 AFSL 351578

Investment Sub-Adviser:

Grey Street Asset Management Pty Ltd
ABN 82 678 765 289
CAR 1310633

Date Issued: September 2024

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Mason Stevens has appointed Grey Street Asset Management Pty Ltd (GSP), ABN 82 678 765 289 a Corporate Authorised Representative (CAR 1310633) of InterPrac Financial Planning Pty Ltd, AFSL 246638, as Portfolio Manager on the Managed Portfolios outlined in this Investment Mandate.

Important Information

This Investment Mandate is issued by Mason Stevens Limited ABN 91 141 447 207, AFSL 351578 (Mason Stevens). Mason Stevens is the Managed Discretionary Account (MDA) Provider of the MDA Service.

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 Managed 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, GSP and their respective directors, officers, employees, sub-contractors 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 the managed account under any Managed Portfolio.

Where there are references in this document to data provided by third parties, none of Mason Stevens or GSP has control over that data and nor do they accept any responsibility for verifying or updating that data.

Mason Stevens, GSP 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 managed account under any Managed Portfolio.

GSP consent to the statements in this document attributable to them or referring to them, and have not withdrawn their consent. GSP 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.

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About the relevant parties 1

1.1 Grey Street Asset Management

Grey Street Asset Management trading as Grey Street Partners (GSP) is an investment management firm founded in 2024, based in Melbourne. GSP is a Corporate Authorised Representative CAR1310633 of InterPrac Financial Planning Pty Ltd AFSL 246638.

1.2 Investment Committee

Huw Davies – Portfolio Manager

Huw is a founding partner and portfolio manager of Grey Street Partners (GSP). Huw has over 20 years of extensive experience in financial services, having worked with leading global investment banks such as Morgan Stanley, HSBC and Deutsche Bank.

As a member of the Investment Committee for the GSP Global Growth Fund and GSP Global Hedge Fund, Huw is responsible for conducting due diligence on equity research and analysis, evaluating investment opportunities, investigating and assessing investment themes, and managing portfolios. He holds a Master of Banking & Finance and a Professional Diploma in Stockbroking.

Daniel Reaper – Portfolio Manager

Daniel is a founding partner and portfolio manager at Grey Street Asset Management Pty Ltd (Grey Street Partners), with nearly a decade of experience in financial services. His expertise includes wealth and funds management, with a focus on equities, derivatives, fixed income, and foreign exchange. A highly skilled investment management professional, Daniel has significant experience in global market investing across various asset classes.

As a member of the Investment Committee for both the GSP Global Growth Fund and the GSP Global Hedge Fund, Daniel's responsibilities include conducting due diligence on equity research and analysis, evaluating investment opportunities, exploring and assessing investment themes, and managing portfolios. He holds a bachelor's degree in business with a major in Economics and Finance, as well as a Master of Business Administration (MBA).

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2.1 Investment Philosophy

Screening
The investment process at Grey Street Partners (GSP) begins with a comprehensive screening of global stock markets, using a bottom-up approach with a top-down thematic overlay to identify companies poised for significant growth within favourable structural trends. Key quantitative measures in our bottom-up stock selection include:

- Revenue growth: Minimum of 15% YoY (or 10%+ if growth is accelerating).
- EPS growth: Minimum of 20% YoY and 20% annually over three years.
- ROA: Minimum of 10%.
- ROE: Minimum of 10%.
- Net debt to equity ratio: Less than 100%.

Qualitative Assessment
The short-listed stocks undergo a thorough investigation to understand each company's business model, growth drivers, and risks. This analysis includes:

- Business model and growth strategy: Deep dive into the company's business model, growth drivers, and strategic initiatives.
- Optionality: Identify potential growth options, including leveraging relationships, up-selling, cross-selling, and monetising underutilised platforms.
- Pricing power: Assess the company's ability to maintain pricing power due to necessity, strong brands, customer loyalty, or high switching costs.
- Competitive advantage (MOAT): Evaluate durable competitive advantages and defensive characteristics due to scalability, strong brands, network effects, or high switching costs.
- Revenue and earnings visibility: Assess the predictability and stability of revenue and earnings streams.
- Market position: Examine the company's industry position and competitive landscape.
- Corporate governance: Evaluate governance practices, including board composition, executive compensation, and shareholder rights.
- Catalysts: Identify potential catalysts for future growth and enhanced shareholder value, such as:
  - Strong positions in growing or disruptive markets.
  - Release of disruptive products or services.
  - Changes in corporate governance, such as new CEO or management.
  - Strong secular tailwinds.
  - Potential M&A activity.
  - Analyst/Broker research updates/upgrades.
  - Insider buying (directors purchasing shares).
  - Favourable government regulation announcements.
  - Positive changes in macro factors (interest rate changes, GDP growth, unemployment figures, consumer confidence changes).
  - Government policy announcements.

Research & Analysis
After identifying stocks that meet GSP's growth criteria and qualitative measures, GSP conducts in-depth analysis of the company's financials to gain a comprehensive understanding of its overall financial health. This stage includes:

- Balance Sheet Strength: Evaluate the company's assets, liabilities, and equity to assess financial stability and liquidity, examining the current ratio, quick ratio, and working capital position.
- Capital Structure: Analyse the mix of debt and equity financing to understand the company's financial leverage and risk profile, including the debt-to-equity ratio and interest coverage ratio.
- Operational Efficiencies: Review operational metrics to determine resource utilisation effectiveness, analysing inventory turnover, accounts receivable turnover, and asset turnover ratios.
- Operating Margins: Evaluate the company's ability to generate profit from operations by examining gross margin, operating margin, and net profit margin.
- Profitability: Assess overall profitability through metrics such as return on assets (ROA), return on equity (ROE), and return on invested capital (ROIC).
- Revenue and Earnings Visibility: Analyse the predictability and stability of revenue and earnings streams, reviewing historical trends and future projections.
- Debt Serviceability: Evaluate the company's ability to meet debt obligations by examining the debt service coverage ratio (DSCR) and the interest coverage ratio.
- Valuation: Determine the company's intrinsic value using various valuation methods, including discounted cash flow (DCF) models, peer company analysis, and market multiples.

Portfolio Construction
Portfolio construction is based on a high-conviction approach and is intended to be agnostic to indices, regions and sectors, allowing greater flexibility to align with the growth criteria of the portfolio. Position weights are determined by employing technical analysis to prioritise stocks that demonstrate strong relative price performance compared to their respective market indices.

Portfolio and Risk Management
The portfolio management strategy is built around the following portfolio parameters:

1. Cash (2% - 50%): The amount of the portfolio that is typically set aside for portfolio liquidity.
2. Tactical Asset Allocation (0% - 20%): The portion of the portfolio that allows the portfolio manager to adjust exposures in response to market anomalies, as well as to capitalise on market opportunities. This may be in the form of direct equity or ETFs.
3. Stock Allocation (50% - 98%): The portfolio of the portfolio that has undergone GSP's stock selection process and will generally consist of 20 to 40 different stocks across global markets.

As part of its risk management policy for stock selection, GSP will avoid the following factors:

- Companies where valuations are not supported by GSP's fundamental research
- Companies with poor corporate governance
- Companies with poor operational performance
- Industries with increasing government regulations
- Declining industries

Sell Discipline
Grey Street Partners applies the following sell discipline when managing their portfolio:

- Deterioration in asset quality or performance: The asset's quality or performance declines, or there is a high likelihood of future deterioration. This includes situations where future performance becomes uncertain due to factors such as outdated technology, poor operational execution, or significant shifts in industry dynamics.
- Decline in business value: The business value decreases because of management decisions, such as overpaying for acquisitions or making poor capital investments, which can erode shareholder value and impede long-term growth.
- Stretched valuation: The company's valuation becomes excessively high. If the market offers an opportunity to sell at a price where the company is unlikely to outperform the market over the next three years due to overvaluation, it is wise to consider selling.
- Triggering of stop loss: The stock reaches our pre-set stop loss level, signalling the need to reassess the position and possibly exit to avoid further losses.

2.3 PORTFOLIO PARAMETERS

GSP Global Growth Managed Portfolio

Feature	Description	
Portfolio Name	GSP Global Growth Managed Portfolio	
Investment Sub-Advisor	Grey Street Partners	
Inception Date	September 2024	
Investment objective	GSP Global Growth Model is a global equity strategy focused on generating an after fee, pre-tax return of the greater of 3% per annum above the MSCI World Net Index (AUD) or 10% per annum on an absolute basis over a rolling 5-year period.	
Investment Strategy and Approach	The GSP Global Growth Model employs a total return-focused strategy, typically investing in a concentrated portfolio of 20-40 companies. Leveraging GSP's comprehensive fundamental bottom-up research, complemented by a top-down thematic overlay, the strategy aims to identify high-quality emerging businesses with strong growth catalysts. It focuses on cash-generative businesses with robust balance sheets and capable management teams, seeking to discover these opportunities early in their lifecycle when they are often under-researched and undervalued by the market.	
Benchmark Return	10% p.a.	
Minimum number of securities	20	
Maximum number of securities	40	
Asset Allocation	**Allocation range**	**Target**
Australian Equities	0% - 98%	20%
International Equities	0% - 98%	78%
Cash (minimum 2% cash)	2% - 20%	2%
Investment universe	International Equities, Australian Equities, ETFs and Cash	
Maximum single security or fund weighting	10%	
Minimum suggested timeframe	5 - 7 years	
Minimum initial investment $	$100,000	
Minimum additional investment $	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Sub-adviser discretion	
Investment manager fee	1.10%	
Indirect Cost Ratio	0.06%	
Performance fee	15% The percentage Performance Fee is payable on the amount of outperformance of the benchmark and is subject to a high-water mark. This fee is calculated half yearly and charged to your MDA. Refer to the Additional explanation of fees, charges, and costs section in the Mason Stevens Global Investment Services Guide for further information.	

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 your money on your investment.

Specific risks apply to all investments that may have an effect of the value of your Managed Portfolio. The risks of investing in the Managed Portfolios 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 the Managed Portfolio's investments in international assets are 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. It is not the Investment Sub-Advisers intention to hedge the foreign currency exposure of the underlying assets arising from investments in overseas markets.

Other risks of investment include:

- Interest rate risk - Changes in interest rates can influence the value of returns of investment in the Managed Portfolio.
- Credit risk - Any change in the market perception of the credit worthiness of a security or the credit rating of the issues of the security may affect the security's value.
- 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 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 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 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 potential losses, 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 sub-custodians and other service providers. Producers 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 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.