

# Initium Managed Account Service Investment Mandate



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

Investment Sub-Adviser:  
Initium Capital Pty Ltd  
ABN 26 644 439 592 AFSL 527072

Date Issued: January 2024

## Contents

About the relevant parties.....	2
Portfolio Parameters.....	4
Risks of investing.....	7

Mason Stevens has appointed Initium Capital Pty Ltd, ABN 26 644 439 592, AFSL 527072 as Investment Sub-Adviser on the Managed Portfolios outlined in this Investment Mandate.

INITIUM  
CAPITAL

### 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, Initium 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, Initium has control over that data and nor do they accept any responsibility for verifying or updating that data.

Mason Stevens, Initium 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.

Initium consent to the statements in this document attributable to them or referring to them, and have not withdrawn their consent. Initium 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](https://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](https://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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## 1.1 About Initium

Initium Capital was founded in September 2020 by Bo Zhuang and Victor Huang. Initium began by providing advice to Ultra-High-Net-Worth (UHNW) and Family Office clients before transitioning to managing their own managed fund in 2022.

### Investment Philosophy

Each portfolio will adopt a core + satellite investment methodology. The Core of each portfolio will comprise between 50-95% of investment exposures and will largely rely on a quality driven investment process to select low cost-index-like securities and financial products to buy-and- hold adhering to a passive investment methodology.

Satellite allocations will make up between 5-50% of investment exposures which adopt an overarching thematic philosophy consisting of both passive and actively managed financial products. The satellite allocations will consist of ETFs, managed funds and direct equities with an Australian and US bias.

### Core Management Style

Given the passive investment style used to managed core exposures – there will be a long-term outlook on the performance of core assets. As such, core allocations will rebalance less frequently (+6-monthly) and less significantly than satellite allocations resulting in low portfolio turnover targeting <15% of FUM.

This style of portfolio management we describe as tilting.

The Core of the portfolios will tilt on spectrum of risk-on to risk off assets in accordance with the macroeconomic outlook of the investment manager and Investment Committee.

## Core Selection Process

Assets of in the Core allocations will comprise of low-cost index-like assets meeting the below criteria:

<b>Minimum Morningstar Medallist Rating</b>	Silver
<b>Minimum AUM for ETFs and Managed Funds</b>	500M AUD
<b>Minimum Market Cap for Equities</b>	1B
<b>Minimum Credit Rating</b>	BBB
<b>Minimum Research Rating*</b>	Investment Grade or higher
<b>Maximum Management Fee</b>	0.55%

\*For Australian Unlisted Managed Investment Schemes only

Other securities and financial products may be considered and included to the portfolios at the discretion of the Investment Committee

### Satellite Management Style

Satellite allocation will predominantly adopt an active investment style pursuant to a thematic investment philosophy. Thematic investing is a forward-looking investment approach that seeks to capitalise on megatrends and long-term structural change.

Given the active investment style used to managed satellite exposures – there will be a medium-term outlook on the performance of satellite assets. As such, satellite allocations will rebalance more frequently (Quarterly at minimum) and more significantly than core allocations. This will result in higher portfolio turnover than core allocations.



## Satellite Selection Process

The Investment Committee will formulate and put forth investment themes to be considered for satellite allocations. Initium Capital and its nominated portfolio managers will leverage quantitative and qualitative research to analyse each investment- such as Morningstar Adviser Research Centre. Initium Capital, in their discretion, incorporate the themes into satellite allocations of each portfolio whilst abiding Strategic Asset Allocation framework.

Satellite allocations will comprise of both listed and unlisted assets available on Mason Stevens whilst meeting the below criteria:

<b>I. Minimum Morningstar Medallist Rating</b>	Bronze
<b>II. Minimum AUM for ETFs and Managed Funds</b>	200M AUD
<b>III. Minimum Market Cap for Equities</b>	250M
<b>IV. Minimum Credit Rating</b>	BBB
<b>V. Minimum Research Rating</b>	Investment Grade

\*For Australian Unlisted Managed Investment Schemes only

Other securities and financial products may be considered and included to the portfolios at the discretion of the Investment Committee

## Strategic Asset Allocation Process

The portfolio construction process is adhering to a SAA framework. The objective here is to set an SAA which maximises return for each risk level. In determining the ideal SAA, will first assess the SAA weights of peers within the industry for each of the various risk buckets. From there, will adjust the SAA weights based on the analysis of a number of quantitative and qualitative variables which is overlaid with Portfolio Managers fundamental macro-economic outlook.

The below inputs are modelled by the portfolio managers when arriving at macro-economic outlook:

- » Inflation rates
- » Interest rates
- » Interest rate differentials (IRDs) – 10-2 Year Treasury Yield Spreads
- » GDP
- » PMI
- » Retail Sales
- » Net Exports
- » Average Equity P/E
- » Commodity Prices
- » Residential Home sales and Prices

Once a macro-economic outlook is established – strategic asset allocation framework will be implemented in the selection of assets within the Core + Satellite design of each portfolio.

The below strategic asset allocation framework will be implemented across each managed portfolio. The portfolios can be categorised into 3 Investor Risk-Profiles:

- » Moderately Conservative
- » Balanced
- » High Growth

The risk profile determines the strategic asset allocation between growth and defensive assets.



## Initium Mod-Con Managed Portfolio

Feature	Description	
<b>Portfolio Name</b>	Initium Mod-Con Managed Portfolio	
<b>Investment Sub-Advisor</b>	Initium	
<b>Inception Date</b>	January 2024	
<b>Investment objective</b>	To provide enhanced returns above the index through a portfolio of ETFs and direct equities over a period of 2 or more years, net of fees and costs.	
<b>Investment Strategy and Approach</b>	Initium will utilise a core-satellite approach with larger holding to core defensive ETFs, Managed Funds and listed bonds over a period of 2 or more years, net of fees and costs.	
<b>Benchmark Return</b>	Morningstar Australia Conservative Target Allocation NR AUD Index	
<b>Indicative number of securities</b>	2 - 30	
Asset Allocation	Range	Target
Australian Equities	5% - 30%	15%
International Equities	5% - 30%	15%
Australian Fixed Income	20% - 60%	25%
International Fixed Income	20% - 60%	25%
Alternatives & Other	0% - 20%	2%
Property	5% - 40%	10%
Infrastructure	0% - 15%	6%
Cash (minimum 2% cash)	2% - 18%	2%
Total		100%
<b>Investment universe</b>	Equities, Managed funds, ETFs, Fixed Income securities, LITs, LICs	
<b>Maximum single security or fund weighting</b>	70%	
<b>Minimum suggested timeframe</b>	1 Year	
<b>Minimum initial investment \$</b>	\$10,000	
<b>Minimum additional investment \$</b>	\$10,000	
<b>Minimum withdrawal</b>	\$10,000	
<b>Rebalance frequency</b>	At the discretion of the Investment Sub-Advisor	
<b>Investment manager fee</b>	0.35%	
<b>Indirect Cost Ratio</b>	0.28%	
<b>Performance fee</b>	Nil	



## Initium Balanced Managed Portfolio

Feature	Description																														
<b>Portfolio Name</b>	Initium Balanced Managed Portfolio																														
<b>Investment Sub-Advisor</b>	Initium																														
<b>Inception Date</b>	January 2024																														
<b>Investment objective</b>	To provide enhanced returns above the index through a portfolio of ETFs, Managed funds and direct equities over a period of 2 or more years, net of fees and costs.																														
<b>Investment Strategy and Approach</b>	Initium will utilise a core-satellite approach with lesser weighting to defensive assets and increasing allocations to thematic allocations with some direct equity exposure.																														
<b>Benchmark Return</b>	Morningstar Australia Balanced Target Allocation NR AUD Index																														
<b>Indicative number of securities</b>	2 - 30																														
<b>Asset Allocation</b>	<table border="1"> <thead> <tr> <th></th> <th>Range</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Australian Equities</td> <td>15% - 60%</td> <td>25%</td> </tr> <tr> <td>International Equities</td> <td>15% - 60%</td> <td>16%</td> </tr> <tr> <td>Australian Fixed Income</td> <td>15% - 60%</td> <td>20%</td> </tr> <tr> <td>International Fixed Income</td> <td>15% - 60%</td> <td>20%</td> </tr> <tr> <td>Alternatives &amp; Other</td> <td>0% - 20%</td> <td>2%</td> </tr> <tr> <td>Property</td> <td>5% - 30%</td> <td>10%</td> </tr> <tr> <td>Infrastructure</td> <td>0% - 15%</td> <td>5%</td> </tr> <tr> <td>Cash (minimum 2% cash)</td> <td>2% - 30%</td> <td>2%</td> </tr> <tr> <td>Total</td> <td></td> <td>100%</td> </tr> </tbody> </table>		Range	Target	Australian Equities	15% - 60%	25%	International Equities	15% - 60%	16%	Australian Fixed Income	15% - 60%	20%	International Fixed Income	15% - 60%	20%	Alternatives & Other	0% - 20%	2%	Property	5% - 30%	10%	Infrastructure	0% - 15%	5%	Cash (minimum 2% cash)	2% - 30%	2%	Total		100%
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<b>Minimum withdrawal</b>	\$10,000																														
<b>Rebalance frequency</b>	At the discretion of the Investment Sub-Advisor																														
<b>Investment manager fee</b>	0.35%																														
<b>Indirect Cost Ratio</b>	0.25%																														
<b>Performance fee</b>	Nil																														



## Initium High Growth Managed Portfolio

Feature	Description																														
<b>Portfolio Name</b>	Initium High Growth Managed Portfolio																														
<b>Investment Sub-Advisor</b>	Initium																														
<b>Inception Date</b>	January 2024																														
<b>Investment objective</b>	To provide enhanced returns above the index through a portfolio of ETFs, Managed funds and direct equities over a period of 2 or more years, net of fees and costs.																														
<b>Investment Strategy and Approach</b>	Initium will utilise a core-satellite approach with Core allocation to index-like ETFs / Funds with higher weighting to thematic and some direct equities both Australian and US.																														
<b>Benchmark Return</b>	Morningstar Australia Aggressive Target Allocation NR AUD Index																														
<b>Indicative number of securities</b>	2 - 30																														
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<b>Rebalance frequency</b>	At the discretion of the Investment Sub-Advisor																														
<b>Investment manager fee</b>	0.35%																														
<b>Indirect Cost Ratio</b>	0.31%																														
<b>Performance fee</b>	Nil																														
<b>SRM</b>	7																														



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 on 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-Adviser's intention to hedge the foreign currency exposure of the underlying assets arising from investments in overseas markets.

Other risk 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.

