InvestSense Managed Account Service Investment Mandate

Issuer:
Mason Stevens Limited
ABN 91 141 447 207 AFSL 351578

Investment Sub-Adviser:
InvestSense Pty Ltd ABN 31 601 876 528 CAR 1006839

Date Issued: August 2023

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Mason Stevens has appointed InvestSense Pty Ltd ABN 31 601 876 528 CAR 1006839 as Investment Sub-Adviser on the Investment Options outlined in this Investment Mandate. InvestSense Pty Ltd are a Corporate Authorised Representative of IS FSL Pty Limited (ISFSL) ABN 17 151 866 385 AFSL 408 800.

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 InvestSense Pty Ltd (InvestSense) ABN 31 601 876 528 AFSL 408 800, as Investment Sub-Adviser Managed Portfolios outlined in this document.

In this document, **MDA** refers to a Managed Account provided by Mason Stevens which follows the investment strategy and parameters of the portfolios 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, InvestSense, ISFSL 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, none of Mason Stevens, InvestSense, nor ISFSL has control over that data and nor do they accept any responsibility for verifying or updating that data. Mason Stevens, InvestSense, ISFSL 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.

InvestSense and ISFSL consent to statements in this document attributable to them or referring to them, and have not withdrawn their consent. InvestSense and ISFSL 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 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 as well as the risks of investing. 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 InvestSense

Founded in 2014 InvestSense has investment experience in financial markets across institutional and retail investment consulting, portfolio management and investment research.

1.2 Investment Committee

InvestSense is responsible for advising the MDA Provider on the management and performance of the portfolios available for investment through this Investment Mandate.

The role of the InvestSense Investment Committee is to:

» assess performance and forecasts for domestic and global investment markets

» assess political, economic and demographic influences on domestic and global investment markets

» provide guidance on asset allocation and timing of changes to asset allocations in the Investment Options

» provide guidance on selected investments within the Managed Portfolios, and

» provide guidance on perceived investment risks and actions seeking to address these investment risks.

Fil Andronaco

Fil has over 18 years' experience within the finance industry in both Sydney and the UK. Fil's role includes providing asset allocation and investment recommendations to clients of InvestSense and is part of the investment committee. Prior to InvestSense, Fil was a Senior Asset Consultant at research house van Eyk where he was responsible for providing dealer groups and financial planners with asset allocation and portfolio construction advice. This involved working with advice groups to develop and establish an investment process, and ongoing management and monitoring of the portfolios.

Prior to van Eyk, Fil worked in the UK across firms such as AXA Framlington, Northern Trust and Alliance Bernstein, in roles covering portfolio implementation and portfolio analysis. Fil was also an investment analyst at White Funds Management, a boutique funds management firm specialising in Australian equities in Sydney. At the time, Fil was part of a four-person investment team managing around $1 billion in assets covering predominately Australian equities with smaller mandates in Australian listed property andAustralian fixed Interest.

Fil holds a Bachelor of Mathematics and Finance(Honours) from the University of Wollongong and is a CFA charter holder.

Jonathan Tolub

Jonathan has over 18 years' experience in financial services in New York, London and Sydney. Jonathan's role includes providing asset allocation and investment recommendations to InvestSense clients, and is part of the investment committee.

Jonathan's previous experience as a Senior Asset Consultant with van Eyk Research involved providing dealer groups and financial planners with asset allocation and manager selection advice. In this capacity, Jonathan had primary responsibility for the management of over AUD500 million of assets under advice. During this time, Jonathan was a regular contributor to various financial services publications, including AFR's Asset magazine and The Australian.

Prior to moving to Australia, Jonathan was a Vice President with Lyxor Asset Management's fund-of-fund division in New York, where he conducted research on over 100 hedge funds in North America and Europe (including CTA global macro, equity long-short, relative value and event driven strategies).Jonathan's stint in fund manager research came after many years of trading experience that culminated in a Junior Portfolio Manager role with Societe Generale Asset Management's Alternative Investments division.

In this capacity, Jonathan advised senior portfolio managers on strategies, trades, allocation of risk and capital, conducted statistical research and testing of new trading ideas, and executed trades. During this time, Jonathan's team won the Hedge Funds Review's 2009 European Performance Award for Best Volatility Arbitrage Hedge Fund and Euro Hedge's 2008 Award for Best Convertible & Volatility Strategy. Before joining Societe Generale, Jonathan traded U.S and German treasuries for Goldenberg, Hehmeyer & Co in London and New York.

Jonathan holds a Bachelor of Science (majoring in Finance) from Yeshiva University in New York.

Jonathan Ramsay

Jonathan Ramsay has over 24 years' experience in asset consulting and funds management in the UK and Australia, where he has held senior roles including Head of Asset Consulting and Chief Investment Officer. At InvestSense, Jonathan helps clients develop and manage their own investment products and is involved in several investment committees. Jonathan is regularly requested to participate in industry events and to provide commentary to media.

Previously, at van Eyk Research, Jonathan had managed recommendations to all external clients on asset allocation, fund selection and portfolio construction. During that time, portfolio construction and management became an increasing focus, and this was ultimately the reason the team launched InvestSense. Jonathan has also been a Senior Consultant with a global asset consulting firm, has run his own independent consultancy, served as CIO for a boutique hedge fund and was Head of Investment Strategy and Risk at an Australian small companies boutique.

Jonathan holds a Bachelor of Arts from the University of East Anglia (England) with Joint Honours in French and Economics. Jonathan qualified as an Associate of the Institute of Investment Management and Research.

Members by invitation

InvestSense may periodically invite qualified experts in various fields to have input into the committee or to be a temporary member of the Investment Committee on an invitational basis. These members may include:

- Asset class specialists
- Technical market analysts, and
- Independent research providers.

Investment philosophy and process 2

2.1 Investment Philosophy

A core of InvestSense is that earnings and starting valuations are they two key drivers of share price returns over the long-term. While in the short-term it tends to be biased by momentum, analyst earnings revisions and news flow. Further, InvestSense generally do not believe that markets are efficient and that the market ebbs and flows between varying degrees of efficiency based on investor sentiment and/or investors favouring different parts of the market at certain points in time. As a consequence, securities can become mispriced or fall-in and out-of-favour with the market presenting opportunities for a patient and sometimes contrarian investor. InvestSense's process aims to construct a portfolio of attractively priced securities or those securities with reasonable earnings growth prospects for a reasonable price and holding for the long-term.

InvestSense's ethically biased portfolios follow a philosophy that puts a great emphasis on ESG considerations, not for investment considerations but rather as an ethical choice. This can lead to the portfolios at times having significant sector biases that may in turn lead to underperformance. InvestSense aim to mitigate these risk factors through their valuation driven philosophy and risk management structure, and over time bring the portfolios' performance in line with its index.

2.2 Investment Process

InvestSense's investment approach combines elements of fundamental and quantitative analysis, top down and bottom up views. The belief is that a no single investment style provides a permanent edge in delivering superior returns. In contrast a blended approach forces InvestSense to think about which tool, or combination of, is more likely to be effective under various scenarios.

The SAA process is determined through the use of an internally developed core valuation metric. The process is supported by engagement from all stakeholders, from investment committee representatives to advisers and individual clients, where their inputs are used to tweak the final SAA. InvestSense believe market vlauations tend to be indicative of final outcomes, especially for higher risk asset classes over longer periods. By taking a forward looking view of expected returns InvestSense believe they can provide investors with an understanding of expected outcomes in their portfolios and also elude to the implied risks in the market..

As indicated above valuations are very much at the core of InvestSense's approach. The SAA process also takes into account shorter-term considerations such as macro-economic/geopolitical forecasting, liquidity and momentum. However, it should be noted that the market implications of such factors tend to be again influenced by the valuation environment. These factors are more influential for more volatile asset classes such as equities with longer term investor time horizons while allocations to more defensive asset classes tend to be driven by more objective criteria (i.e. yield to maturity).

The investment process at the asset allocation level can be summarised as follows:

1. Estimate of potential long-term equilibria as discussed above
2. Medium term cash flow forecasting
3. Short-term liquidity, momentum and sentiment indicators.

InvestSense's manager selection process follows the same philosophy as the SAA process, and relies on both quantitative and qualitative analysis. To accomplish this, the manager selection process focuses on traditional manager research approaches (business, people, process) combined with extensive holdings based analysis.

Prior to meeting with any manager, InvestSense will first obtain the fund's past and current holdings to gain an understanding of what the fund is actually comprised of. InvestSense will then undertake in-depth analysis of the holdings of the fund, including stress-testing for various scenarios. The quantitative review process is required to be completed before meeting with the manager, to ensure that it is as objective and unadulterated as possible. InvestSense understand that this first step either relies to some extent on backward-looking statistics or forward looking assumptions that are forced to rely on the consensus views of the market. Therefore when the meeting with the manager occurs, InvestSense look to talk through the findings with the manager, and allow them the chance to explain their thinking and assumptions that underlie their investment strategy.

The manager selection process aims to identify strategies that invest in an ethical or socially responsible manner or invest in companies that are positively contributing to a sustainable future or positive social outcomes. Generally, these investment strategies will aim to avoid, or be biased away, from investments that are inconsistent with responsible investment considerations. For example, they would be expected to be avoiding sectors such as fossil fuels, gaming, alcohol, tobacco or defence. The manager research process is the same as our normal manager research process which covers business, people, process and a detailed holdings-based analysis with two additional factors covered:

1. Adherence to an ethical or socially responsible investment process and underlying investments. We monitor this through our regular manager research process and holdings-based analysis.
2. Performance analysis to understand what impacts (if any) the ethical or responsible investment process may have relative to broader benchmarks. We monitor this through performance comparison and attribution analysis.

Generally, it is expected that the managers selected will be signatories to the UN Principles of Responsible Investing (PRI) or members of the Responsible Investment Association of Australasia (RIAA) or demonstrate a clear commitment to avoiding stocks with negative ESG factors. These managers may also demonstrate a clear commitment to investing in stocks that provide a positive contribution to society or the environment.

In addition to understanding the performance of the strategies relative to their respective benchmarks as well as qualitative research conducted through manager meetings InvestSense also adopt a holdings based process which allows them to look through to the underlying investments. Their holdings based analysis also allows them to analyse how the portfolio “scores” from an ESG perspective at an aggregate level based on the various ESG data providers.

InvestSense’s qualitative research allows them to understand what criteria are applied and how effectively. For example, InvestSense can take a fund manager’s or ETF’s holdings and can understand how “true to label” the strategy is to their own screens and relative to other strategies.

Through manager meetings, ultimately InvestSense are aiming to understand where does the manager sit on the spectrum from a pure ethical/ESG point through to sustainable or impact investing. The distinction being is that some managers have more of a focus on “negative” screens while other place more of an emphasis on “making a difference” through investing in companies that are likely to contribute positively to sustainability, social causes or make a direct impact in the world. From a portfolio construction perspective InvestSense would aim to have a mix of managers that may place different emphasis on the spectrum of responsible investing. To that end, part of their manager due diligence aims to understand what negative screens are applied to their process and where applicable understanding what filters or identifiers are applied when selecting “positive” ethical stocks. InvestSense’s holdings based process then allows them to question the managers at an individual stock level.

Portfolio parameters

INVESTSENSE BETTER WORLD PORTFOLIO 3

Name	InvestSense Better World Portfolio 3	
Investment Sub-Advisor	InvestSense	
Inception Date	September 2022	
Investment objective	The portfolio aims to achieve a return of CPI + 3% p.a. after fees and costs over rolling 7-year periods.	
Investment Strategy and Approach	InvestSense believes that prevailing market valuations tend to be indicative of final outcomes over long-time periods. By undertaking a forward-looking view of expected returns and implied risks, InvestSense aims to understand if the market is sufficiently rewarding investors for the risks they are undertaking across different asset class. Through InvestSense's manager and security selection process, InvestSense aims to identify underlying investment strategies/managers that invest in an ethical or socially responsible manner or invest in companies that are positively contributing to a sustainable future or positive social outcomes.	
Benchmark Return	CPI + 3%	
Minimum number of securities	7	
Maximum number of securities	60	
Asset Allocation	**Allocation Range**	**Target**
Australian Equities	0% - 60%	31%
International Equities	0% - 60%	29%
Australian Fixed Income	0% - 60%	10%
International Fixed Income	0% - 60%	10%
Alternatives & Other	0% - 40%	0%
Property	0% - 30%	5%
Infrastructure	0% - 30%	5%
Cash (minimum 2% cash)	2% - 60%	10%
Investment universe	Australian equity, managed funds, ETFs and cash.	
Maximum single security or fund weighting	50%	
Minimum suggested timeframe	7 years	
Minimum initial investment $	$100,000	
Minimum additional investment $	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Sub-adviser discretion	
Investment manager fee	0.24%	
Indirect Cost Ratio	0.52%	
Performance fee	Nil	

INVESTSENSE BETTER WORLD PORTFOLIO 5

Name	InvestSense Better World Portfolio 5	
Investment Sub-Advisor	InvestSense	
Inception Date	September 2022	
Investment objective	The portfolio aims to achieve a return of CPI + 5% p.a. after fees and costs over rolling 7-year periods.	
Investment Strategy and Approach	InvestSense believes that prevailing market valuations tend to be indicative of final outcomes over long-time periods. By undertaking a forward-looking view of expected returns and implied risks, InvestSense aims to understand if the market is sufficiently rewarding investors for the risks they are undertaking across different asset class. Through InvestSense's manager and security selection process, InvestSense aims to identify underlying investment strategies/managers that invest in an ethical or socially responsible manner or invest in companies that are positively contributing to a sustainable future or positive social outcomes.	
Benchmark Return	CPI + 5%	
Minimum number of securities	7	
Maximum number of securities	60	
Asset Allocation	**Allocation Range**	**Target**
Australian Equities	0% - 80%	43%
International Equities	0% - 80%	42%
Australian Fixed Income	0% - 30%	0%
International Fixed Income	0% - 30%	0%
Alternatives	0% - 40%	0%
Property	0% - 40%	6.5%
Infrastructure	0% - 40%	6.5%
Cash (minimum 2% cash)	2% - 30%	2%
Investment universe	Australian equity, managed funds, ETFs and cash.	
Maximum single security or fund weighting	50%	
Minimum suggested timeframe	7 years	
Minimum initial investment $	$100,000	
Minimum additional investment $	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Sub-adviser discretion	
Investment manager fee	0.24%	
Indirect Cost Ratio	0.60%	
Performance fee	Nil	

Risks of investing 4

5.1 Investment Risks

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 Account. The risks of investing in the Investment Option or 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 the Managed Portfolio(s) have investments in international assets that 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 Managed Portfolio arising from investments in overseas markets.
- **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.
- **Sophisticated product risk** – The use of sophisticated financial products, such as derivatives including ETOs has the potential to cause losses that are large in proportion to the money invested in them. Such products may also have embedded leverage thereby potentially magnifying further losses. The cost of using such financial products may also reduce returns. The Managed Portfolio may also invest in the above products and their use has the potential to cause losses that are large in proportion to the money invested in them or even unlimited losses. Before investing in any derivatives instrument you must fully understand and accept the risks involved.
- **Custody and margining risk** – Mason Stevens is custodian for derivatives held for all of its clients, including for accounts which do not include these Managed Portfolios. While Mason Stevens allocates derivatives to its clients in its records, as with other investment, the derivatives may be aggregated in the accounts of sub-custodians and clearing participants of exchanges. This can lead to derivative assets which are beneficially held for a client being available to meet the margin or other exchange obligations arising due to other derivatives held for Mason Stevens in the same account. This can expose a client's assets to being lost, due to meeting those other obligations (i.e., without any default by the client). It is important to note that Mason Stevens does not today permit the purchase or sale of any derivatives within any Managed Portfolio that could result in any margining risk or a requirement to post collateral.
- **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 potential losses, there can be no assurance that these strategies will be successful.
- **Specific portfolio risk** – The Investment Sub-Adviser 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. 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.