M Value Capital Managed Account Service Investment Mandate

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

Investment Sub-Adviser:
M Value Capital Pty Ltd
ABN 11 623 907 639 CAR 126303

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Contact Details

Mason Stevens Limited
GPO Box 5003
Sydney NSW 2001
T: 1300 988 878
E: wealth@masonstevens.com.au
W: masonstevens.com.au

M Value Capital
Level 6, 12 Creek Street
Brisbane QLD 4000
T: 0403 315 507
W: mvaluecapital.com

Mason Stevens has appointed M Value Capital Pty Ltd ABN 11 623 907 639 CAR 1263037 as Investment Sub-Adviser on the Investment Options outlined in this Investment Mandate. M Value Capital Pty Ltd is a Corporate Authorised Representative of Global Prime Partners (Australia) Pty Ltd ABN 57 140 275 869 AFSL 364411

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 M Value Capital Pty Ltd (MVC) ABN 11 623 907 639 CAR 1263037, 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, MVC 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, nor MVC has control over that data and nor do they accept any responsibility for verifying or updating that data. Mason Stevens, MVC 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.

MVC consent to statements in this document attributable to them or referring to them, and have not withdrawn their consent.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

MVC is a private investment partnership managing the savings of the principal's family and a small group of families and charitable organisations aligned with our values and investment philosophy. The company was founded in March 2018.

1.2 Investment Committee

MVC 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 MVC 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.

The establishment and management of the portfolios are supervised by an experienced Investment Committee comprising the members listed below.

STUART McKINNON
Founder and Portfolio Manager

Stuart has over 23 year's experience in private investment management. This experience has seen him work with International Investment Banks and Global Consulting Firms (PwC, Citi, Goldman Sachs, Macquarie Bank) and Boutique Investment Managers with an emphasis on equities research and Portfolio Management. Stuart specialises in 'Value-Investing' and has a strong track-record of success. His investment management selections and commentary are respected and followed by some of Australia's largest, most influential Family Offices and High Net-Worth Investors. Stuart is active in several not-for-profit organizations as a member of their Leadership groups and as an advocate for their community awareness and fundraising. Stuart has degrees in Law and Business, Post-Graduate Applied Finance and executive studies at Columbia University and Stanford, specialising in 'Value Investing' and which are now being further examined via PHD studies in a Doctoral thesis.

Members by invitation

MVC 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

MVC hold the belief that markets are chaotic, evolving, asymmetric complex random adaptive systems with few winners and highly skewed outcomes. This is why MVC's core investment philosophy is to focus on value, which is purchasing a quality business for less than its intrinsic value. A byproduct of this is MVC will typically be contrarian in nature when identifying investment opportunities.

2.2 Investment Process

MVC adopt a 4-step investment process.

1. Search strategy
2. Valuation
3. Strategic research review
4. Risk management

Search Strategy

» He who shall search shall find,

» Circle of Competence/ Circle of interest,

» Identify inefficiencies,

» Unappreciated, Unloved, Unfashionable, Obscure, otherwise ignored or out of favour,

» What is special/unique about it? What's it got that makes us want to own it?

» Scarce? Longevity?

» Why are we on the right side of the transaction?

Fundamental Research Process

» Market price expectations vs. our assessment of intrinsic value,

» Strategic approach to valuation,

» Management: partner with like-minded individuals,

» Capital Cycle analysis,

» Expert Network/ Unique Scuttlebutt,

» Behavioural introspection,

» Large, well understood Margin of safety, and

» Why are we one the right side of the transaction?

Portfolio Strategy Composition

» Structured strategy-set offering varied investment opportunities across the market and capital cycles,

» Strategic approach to diversification,

» Structural Liquidity Advantage,

» Probabilistic thinking,

» Observant of market cycles,

» Why are we one the right side of the transaction?

Risk Management With Risk Management the foundation of every thought, we give ourselves ample chances not to invest, and at every stage of our process we ask ourselves: why are *we* on the right side of the trade?

1. Search Strategy

Seek to identify out of favour businesses by seeking inefficiencies and expectation gaps. Some factors that MVC will look for:

» Underweighting of near-certainty, Low volatility, Lower growth

» Strategic Pivot and Inflection Points,

» Skilled long-term capital allocators in otherwise unattractive industry/business

» Reviled or crass businesses, low-income-focused,

» Problematic peer pigeonholing (no discernible peers),

» Female-centric (most analysts are males),

» Short-term news impairments,

» No sell-side coverage, Small capitalization, Lesser followed markets in Asia, Europe,

» Capital Cycle Shifts: Cyclical becomes MT secular, Industry consolidation shifts quality of economics,

» Latent pricing power below replacement cost,

» Spin-offs

After the investment universe is screened for these factors, a preliminary analysis is completed. Typically at this point, over 85% of businesses are discarded. The remainder of the businesses are placed onto the Watch List where MVC will closely monitor in preparation to potentially add these businesses into the portfolio at an opportunistic time.

2. Valuation

MVC believe a key to outperformance when valuing companies is the ability to identify expectation gaps in the market's pricing of businesses versus their own qualitative assessments.

As a result, the focus of MVC's quantitative valuation process is on the economic value of a business, rather than just its accounting value. Traditional accounting metrics such as cash flow, expected return, capex, and debt-to-equity ratios are considered, however greater emphasis is placed on determining the competitive advantages a business has and how this drives its intrinsic value.

3. Strategic research review

The review is conducted from the perspective of a business owner and aims to qualitatively evaluate primary data. This will include conducting the following:

- Industry review
  - secular versus cyclical and the impact of technological disruption (over-reactions and early identification)
- Business and industry economics
  - stripping the business down to its core unit and incremental economics and investigating the elements of customer behavior
- Company Strategic Competition Analysis
- Investigating company issues and history
- Management and Governance
  - Identifying management teams that think from the perspective of an owner or founder, and thus are interests are aligned with investors

Reviews may involve meeting with company executives, with a view to gauge the management credibility and character rather than just to seek a business update.

The final step is to conduct a stringent check to see if personal biases and behavioral introspection have impacted the investment process. MVC employ elements of research and behavioral finance to conduct this check.

4. Risk management

The focus of MVC's risk management process is to minimise portfolio drawdowns. This will primarily be managed through quantifying and understanding the margin of safety for each investment. The margin of security is in reference to when a portfolio manager is able to purchase securities at a price sufficiently below underlying value to allow for human error, bad luck, or extreme volatility in a complex, unpredictable and rapidly changing world.

Portfolio parameters 3

MVC WHOLESALE GLOBAL PORTFOLIO

Name	MVC Wholesale Global Portfolio	
Investment Sub-Advisor	M Value Capital Pty Ltd	
Availability	This Investment Option is open to wholesale clients only, as defined by the Corporations Act. Investors must provide an accountant's certificate confirming their status as a wholesale client.	
Inception Date	September 2022	
Investment objective	The Portfolio aims to generate reasonable absolute returns, with a greater focus on business survivability and the durability of business performance than growth, in the short term.	
Investment Strategy and Approach	MVC invests in mis-priced expectations of business quality. They seek this quality in the unique traits inherent to a particular subset of genuinely valuable, enduring "Mittelstand" enterprises. The Portfolio aims to generate reasonable absolute returns, with a greater focus on business survivability and durability of business performance than growth, in the short-term. In this patient manner, MVC target superior compound returns over the long-term/across multiple business cycles with below average levels of risk (which MVC define as permanent loss of capital).	
Benchmark Return	6%	
Minimum number of securities	10	
Maximum number of securities	40	
Asset Allocation	**Allocation Range**	**Target**
Australian Equities	0% - 50%	0%
International Equities	5% - 98%	95%
Cash (minimum 2% cash)	2% - 50%	5%
Investment universe	International listed securities, Australian listed securities and cash.	
Maximum single security or fund weighting	25%	
Minimum suggested timeframe	5-7 years	
Minimum initial investment $	$100,000	
Minimum additional investment $	$10,000	
Minimum withdrawal	$10,000	

Name	MVC Wholesale Global Portfolio
Rebalance frequency	Sub-Adviser discretion
Investment manager fee	0.8712%
Indirect Cost Ratio	Nil
Performance fee	20% The percentage Performance Fee is payable on the amount of outperformance of the benchmark and is subject to a high-water mark. Any underperformance of the benchmark is carried forward to future performance fee calculation periods and must be made up before a performance fee is payable again. Where underperformance of the benchmark is carried forward to a future performance fee calculation period, the amount of underperformance carried forward will be added onto the benchmark return of that future performance fee calculation period, and this will form the high-water mark for the portfolio. 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.

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.