Mason Stevens Foundation ETF Managed Account Service Investment Mandate

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

Investment Sub-Adviser:
Mason Stevens Asset Management Pty Limited
ABN 92 141 447 654

Date Issued: August 2025

Contents

About Mason Stevens Asset Management.....2

Investment Guide 3

Risks of investing.....10

Contact Details

Mason Stevens Limited
Level 26, 420 George Street
Sydney NSW 2000
T: 1300 988 878
E: wealth@masonstevens.com.au
W: masonstevens.com.au

Mason Stevens has appointed Mason Stevens Asset Management Pty Limited (MSAM) as Investment Sub-Adviser 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) as the Managed Discretionary Account (MDA) Provider of the MDA Service. Mason Stevens has appointed Mason Stevens Asset Management Pty Limited (MSAM), ABN 92 141 447 654, as Investment Sub Adviser on the Managed Portfolios outlined in this document. MSAM is a Corporate Authorised Representative (CAR 461312) of Mason Stevens.

In this document, **MDA** refers to a Managed Account provided by Mason Stevens which follows the investment strategy and parameters of a 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 Investment Option 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, MSAM, and their respective directors, officers, employees, subcontractors and associates do not assure or guarantee the capital value of your investments will be maintained, or the investment performance of any investments acquired through this MDA Service.

Where there are references to data provided by third parties, neither Mason Stevens nor MSAM has control over that data and nor do they accept any responsibility for verifying or updating that data. MSAM 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 Investment Options.

MSAM consent to statements in this document attributable to them or referring to them, and have not withdrawn their consent.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

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

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

About Mason Stevens Asset Management 1

1.1 About Mason Stevens Asset Management

MSAM is the investment management arm of the Mason Stevens Group. MSAM was established to provide investors with the opportunity to access professionally managed investment strategies and funds that are typically reserved for institutions and professional investors.

MSAM work with a range of clients including financial advisers, financial intermediaries, family offices and selected wholesale investors in the delivery of tailored investment solutions.

MSAM's management team has many years of senior management and transactional experience in the banking, finance and investment sectors, spanning multiple business cycles and across a range of asset classes, combined with a track record of successfully managing their own wealth.

For information on the Mason Stevens' investment management team, please visit the Mason Stevens website at https://www.masonstevens.com.au/about-us/meet-theasset-management-team/.

Important Information on Derivatives

You should be aware that the Investment Sub-Adviser may use an investment strategy that utilises derivatives within one or more of the Managed Portfolios outlined below. If you are a retail client as defined by the Corporations Act you must be given a Statement of Advice from your financial adviser which covers the features, costs and risks of investing in products that may use derivatives. Please refer to the Investment Risks section of this document for further information on derivatives and margining risks.

Where ASX-listed Exchange Traded Options (ETOs) are used you should read the Product Disclosure Document (PDS) issued by the relevant broker or clearing house. The PDS is an important document that is designed to assist you in deciding whether the use of ETOs are appropriate to your circumstances and further highlights the potential risks associated with investing. The MDA Provider is not the issuer of the PDS and a copy of the PDS can be obtained from your financial adviser. Additional information on ASX-listed derivatives, including warrants, can be found on the ASX website at www.asx.com.au. For derivatives listed on international exchanges or Over-the-Counter (OTC) products please consult your financial adviser for copies of any relevant disclosure documentation.

2.1 Investment Philosophy

At the heart of our investment philosophy lies a commitment to disciplined, evidence-based decision making, and thoughtful diversification. We embrace a Wisdom of Crowds approach to portfolio construction, meaning we gather long term capital market forecasts from a network of experts, recognising that no single expert, organisation or methodology can reliably predict the future with precision. By doing so, we aim to reduce the risk of forecast error and inform a resilient and well-structured investment strategy.

In the short-to-medium term, we believe in active management - providing it is anchored in rigorous, high-quality research and analysis. Our approach is shaped by the belief that there are two primary drivers of market behaviour, namely: the direction of economic growth and inflation, and their interaction. We use a probabilistic approach to identify the prevailing regime(s); one that combines the strengths of quantitative models and qualitative judgement, and, in turn, identify tactical investment opportunities within and across asset classes, with the goal of enhancing long-term, risk-adjusted returns.

Finally, while we accept there is a need for standardised investment benchmarks, we reject the notion that those benchmarks represent the optimal portfolio for every client - or that we alone hold all the best investment ideas. Innovation and open-mindedness are embedded in our DNA, and we actively seek out new perspectives and work closely with our business partners to challenge assumptions, refine strategies, and tailor solutions. Our goal is to ensure that each end client receives a best practice investment experience – one that aligns with their unique needs, goals and circumstances.

The investment philosophy for the strategy is founded on the following principles:

Wisdom of Crowds

When it comes to long term forecasting, no single expert, organisation or methodology can reliably predict the future with precision. The inputs for our strategic asset allocation modelling are based on the collective opinion of a group of experts, which we access directly through a large and global network of institutional grade investment industry partners. By doing so, we aim to reduce the risk of forecast error associated with any one set of capital market assumptions and inform a resilient and well-structured investment strategy. We then use these assumptions to construct model portfolios for a given mix of growth assets and/or real return objectives.

The Wisdom of Crowds ethos also applies to our Dynamic Asset Allocation capability where no single piece of research holds sway over any short to medium term investment decision.

Two things matter

Portfolio construction is not a set-and-forget exercise. The prevailing market and economic conditions can deviate substantially from the long-term assumptions used to derive a portfolio's strategic asset allocation. A good example of this is interest rates, which have historically averaged in the low-to-mid single digits in developed economies but can also, for several years at a time, be close to zero or range in the high single digits. Deviations such as this can have profound consequences on a portfolios return prospects; not only over the short to medium term but also the long term through lost compounding if investors do not navigate them carefully. This is one of the reasons we believe in the value of active management, which can also take a more opportunistic lens to capitalise on shifts in market and economic conditions to enhance returns throughout the investment journey. To that end, our research, which has been validated by industry peers, shows that most of these periods of deviation and opportunity can be distilled down to two key drivers: the direction of economic growth and inflation. The combination of the two is a market regime which has historically conferred a risk-reward advantage to some sectors, themes and styles and a disadvantage to others. Through Dynamic Asset Allocation (DAA), we seek to capitalise on these regime-driven asymmetries with the goal of enhancing long-term, risk-adjusted returns.

Probabilities drive active decisions

Acknowledging uncertainty is central to our DAA approach. We rely on probabilistic assessments of market regimes which we generate through a combination of proprietary internal and externally sourced quantitative models, alongside qualitative expertise and judgement. These probabilities inform not only the amount of risk we are willing take but also the specific tilts we are interested in taking; be it at an asset class or stock selection level. The probabilistic framework also ensures that no one regime or bias dominates our active risk taking. Consideration is always being given to the 'what if we're wrong?' scenario(s), ensuring we allocate capital in a measured way that gives us the best chance of generating strong risk-adjusted returns over the long term.

Thoughtful diversification

We believe that thoughtful diversification requires market leading access and analytics, and we leverage our unique ability to access a global network of top-tier fund managers and a broad spectrum of locally and internationally listed securities. Yet, what good is access without knowing which exposures are appropriate and how to integrate them effectively into a portfolio? This is the critical piece of the diversification puzzle and, to address this, we harness market-leading portfolio construction software that provides us and our clients with comprehensive portfolio analytics and refinement capabilities. This technology provides a full look-through of portfolio holdings and a detailed breakdown of the factors influencing risk and return, helping us identify and mitigate hidden concentrations of risk. It also safeguards against common portfolio construction pitfalls such as under or over-diversification, which are often overlooked by less sophisticated systems. This approach empowers us to assess risk accurately and make informed, real-time portfolio adjustments with confidence.

A flexible and modular approach

We understand the importance of accommodating diverse investor preferences and the value that both active and passive management can bring. While our portfolios typically incorporate a blend of both strategies, we recognise that there is no single path to achieving strong risk-adjusted returns. Returning to the foundational principles of portfolio theory, the concept of a singular 'optimal' portfolio is something of a misnomer. In reality, there are multiple combinations of asset class weights and holdings that can deliver similarly robust outcomes for a given risk profile. Our advanced investment technology allows us to rigorously test these combinations, enabling a flexible and modular approach to portfolio construction. This adaptability ensures we can tailor portfolios to meet individual objectives without compromising on performance or risk discipline.

2.2 Investment process

a) Strategic Asset Allocation

Strategic Asset Allocation (SAA) defines the overall framework of a portfolio. It establishes how a portfolio will be positioned over the medium to long term with respect to the mix of Growth and Defensives assets, and the mix of individual asset classes within those Growth and Defensive classifications. Growth assets typically include equities, property, infrastructure, and may include alternative assets such as commodities, hedge funds and private equity. Defensive assets primarily include government bonds, investment grade credit, cash, and may include less risky forms of alternative assets such as private credit. Having established the pool of available investments, the SAA process then focuses on constructing portfolios that align with diverse client needs, goals, risk tolerances, and investment horizons.

We use a Wisdom of Crowds approach to derive our returns and volatility. By adopting this method, we aim to minimise the forecasting error inherent in any single forecasting technique. Additionally, our access to a diverse range of expert opinions on macroeconomic and individual market conditions enables us to implement this approach effectively. We aggregate the expected return and volatility inputs into a simple average, while retaining the discretion to adjust these values based on any high conviction house views held by the Mason Stevens CIO. It is important to note that this discretion is only used on rare occasions and with careful consideration.

We generate our own correlation matrix to ensure the assumptions are appropriate. While return and volatility assumptions are plentiful, sourcing correlation assumptions for alternative assets can be more challenging. We also find that they can also be prone to larger dispersion across external managers, and larger year-over-year variations. Rather than rely on external sources, we felt it would be more prudent to internalise this calculation for greater alignment with regards to our preferred alternatives holdings. Alternatives constitute a sizeable portion of our Flagship portfolio holdings, both in absolute terms and relative to peers, hence it is important that we are modelling them accurately.

In calculating correlations, we adopt a longest available approach and are guided by the empirical relationships that have existed between asset classes.

We run a review of the current strategic asset allocations (SAA) and associated inputs (return and risk forecasts) on an annual basis. This review will be conducted in the first quarter of each calendar year in line with when most providers update their forecasts.

The SAA portfolio construction process is run with the new inputs and comparisons are made with the current SAA portfolio structures. The results of this analysis are presented to the Investment Committee for consideration and decisioning on whether to make a formal change to the current SAA.

b) Dynamic Asset Allocation

Our approach to Dynamic Asset Allocation (DAA) is predicated on the belief that market cycles are primarily driven by two things: the direction of economic growth and inflation. The combination of the two is a market regime which has historically conferred a risk-reward advantage to some sectors, themes and styles and a disadvantage to others. Through Dynamic Asset Allocation (DAA), we seek to capitalise on these regime-driven asymmetries with the goal of enhancing long-term, risk-adjusted returns.

To do this, we rely on probabilistic assessments of market regimes which we generate through a combination of proprietary internal and externally sourced quantitative models, alongside qualitative expertise and judgement. These probabilities inform not only the amount of risk we are willing to take but also the specific tilts we are interested in taking; be it at an asset class or factor level. The probabilistic framework also ensures that no one regime or bias unjustifiably dominates our active risk taking. Consideration is always given to the 'what if we are wrong?' scenario(s), ensuring we allocate capital in a measured way that gives us the best chance of generating strong risk-adjusted returns over the long term.

We also consider a range of other indicators to identify active opportunities, improve market timing and manage risk. These indicators include but are not limited to proprietary measures of momentum, investor, business and market sentiment and valuations, based on rigorous quantitative analysis. In addition, we consume various research reports from reputable asset managers, sell-side analysts and research houses, which we augment with our own fundamental research.

Our DAA framework is further enhanced using market-leading portfolio analytics software: Jacobi Analytics. This technology provides a full look-through of portfolio holdings and a detailed breakdown of the factors influencing risk and return, helping us identify and mitigate hidden concentrations of risk. It also safeguards against common portfolio construction pitfalls such as under or over-diversification. We also employ scenario analysis which can be customised based on the prevailing economic and market environment or to test left or right tail risk theories.

These capabilities and processes are central to our mission of delivering superior long-term, risk-adjusted returns. Above all, we approach each day with curiosity, humility, and a commitment to continuous improvement —ensuring every client benefits from a best-practice investment experience.

Sleeve-based DAA

We approach Dynamic Asset Allocation (DAA) from a total portfolio perspective, guided by four distinct market regimes. Using a combination of rigorous quantitative models and qualitative insights, we assess the probability of each regime prevailing. Based on these assessments, we identify the most compelling active investment opportunities, drawing from four dedicated sleeves—each tailored to represent one of the four regimes and aligned with their respective probabilities. This modular framework lets us assess portfolio risks and opportunities dynamically and with a forward-looking lens, moving beyond the constraints of traditional asset-class-centric approaches and avoiding hidden overlaps.

At a more granular level, decisions at an individual sleeve level can be framed as follows:

- Growth sleeve – the equity/beta share expands when “growth-up / inflation-stable” probability exceeds 60 %; credit share expands when the “growth-up / inflation-falling” probability rises.
- Defensive sleeve – shifts from duration (sovereigns) to cash & floaters as “inflation-up” risk climbs.
- Inflation-Protection sleeve is funded when both growth and inflation odds rise (stagflation case), drawing equally from Growth and Defensive sleeves to keep overall risk on target.
- Diversifier sleeve is designed to either balance the abovementioned tilts or react to market conditions opportunistically.

A key strength of this sleeve architecture is that each sleeve has a clearly defined and easily articulated role—whether it's return generation, capital defence, purchasing power preservation, or shock absorption. This clarity makes the connection between DAA insights and portfolio implementation both intuitive and actionable. By integrating data-driven regime signals with this purpose-built structure, the portfolio remains dynamic—able to adjust as regime probabilities evolve—while also maintaining robustness, as each component is engineered to fulfil its economic function across a diverse and evolving set of market conditions.

c) Manager Selection

The manager selection process seeks to identify high quality active managers with strong track records of alpha generation and/or risk mitigation. This process also looks to identify suitable ETF managers to help implement the best investment outcome possible.

Due diligence process for manager selection will have 3 main components:

1. External research house screen
2. Quant screen for performance and risk metrics
3. Manager meeting

Managers will receive an aggregated score based on these 3 main components which will be used to determine whether MSAM will buy, sell or hold. Any manager that is put forward for consideration to be added into the portfolio will need to be agreed upon by the MSAM Investment Committee. A full research note will be prepared and presented to the MSAM Investment Committee when this occurs.

d) Portfolio construction

Within each asset class, the investment goal is to maximise risk-adjusted return against the relevant benchmark. For each investment that will be considered for addition into the portfolio, MSAM will produce forecasted return and volatility figures, which will then be used as inputs into the optimisation process to arrive at the final portfolio weights.

2.4 Portfolio Parameters

Mason Stevens Foundation ETF Conservative Managed

Feature	Description	
Portfolio Name	Mason Stevens Foundation Conservative Managed Portfolios	
Investment Sub-Advisor	Mason Stevens Asset Management	
Inception Date	September 2023	
Investment objective	Focus on capital preservation and reducing downside risk.	
Investment Strategy and Approach	To achieve the stated investment objective through diversified exposure to a mix growth and defensive assets.	
Benchmark Return	Morningstar Australia Conservative Target Allocation NR AUD Index	
Minimum number of securities	5	
Maximum number of securities	30	
Asset Allocation	**Allocation range**	**Target**
Australian Equities	4% - 34%	14%
International Equities	0% - 30%	22%
Australian Fixed Income	17% - 47%	29%
International Fixed Income	11% - 41%	29%
Alternatives	0% - 10%	0%
Property	0% - 15%	0%
Infrastructure	0% - 21%	4%
Cash (minimum 2% cash)	2% - 17%	2%
Investment universe	ETFs, Listed Managed Funds, LIC, LIT, and Cash	
Maximum single security or fund weighting	30%	
Minimum suggested timeframe	2 years+	
Minimum initial investment $	$25,000	
Minimum additional investment $	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Investment Sub-Adviser discretion	
Investment manager fee	0.15%	
Indirect Cost Ratio	Up to 0.30%	
Performance fee	Nil	

Mason Stevens Foundation ETF Balanced Managed Portfolio

Feature	Description	
Portfolio Name	Mason Stevens Foundation Balanced Managed Portfolio	
Investment Sub-Advisor	Mason Stevens Asset Management	
Inception Date	September 2023	
Investment objective	Focus on capital growth potential.	
Investment Strategy and Approach	To achieve the stated investment objective through diversified exposure to a mix growth and defensive assets.	
Benchmark Return	Morningstar Australia Balanced Target Allocation NR AUD Index	
Minimum number of securities	5	
Maximum number of securities	30	
Asset Allocation	**Allocation range**	**Target**
Australian Equities	12% - 42%	22%
International Equities	7% - 37%	28%
Australian Fixed Income	6% - 36%	19%
International Fixed Income	2% - 32%	19%
Alternatives	0% - 10%	0%
Property	0% - 20%	5%
Infrastructure	0% - 21%	5%
Cash (minimum 2% cash)	2% - 17%	2%
Investment universe	ETFs, Listed Managed Funds, LIC, LIT, and Cash	
Maximum single security or fund weighting	30%	
Minimum suggested timeframe	3 years+	
Minimum initial investment $	$25,000	
Minimum additional investment $	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Investment Sub-Adviser discretion	
Investment manager fee	0.15%	
Indirect Cost Ratio	Up to 0.30%	
Performance fee	Nil	

Mason Stevens Foundation ETF Growth Managed Portfolio

Feature	Description	
Portfolio Name	Mason Stevens Foundation Growth Managed Portfolio	
Investment Sub-Advisor	Mason Stevens Asset Management	
Inception Date	September 2023	
Investment objective	Focus on capital growth with emphasis on identifying and taking advantage of emerging sector thematics.	
Investment Strategy and Approach	To achieve the stated investment objective through diversified exposure to a mix growth and defensive assets.	
Benchmark Return	Morningstar Australia Growth Target Allocation NR AUD Index	
Minimum number of securities	5	
Maximum number of securities	30	
Asset Allocation	**Allocation range**	**Target**
Australian Equities	23% - 53%	30%
International Equities	16% - 46%	38%
Australian Fixed Income	0% - 25%	9%
International Fixed Income	0% - 23%	9%
Alternatives	0% - 10%	0%
Property	0% - 20%	6%
Infrastructure	0% - 21%	6%
Cash (minimum 2% cash)	2% - 17%	2%
Investment universe	ETFs, Listed Managed Funds, LIC, LIT, and Cash	
Maximum single security or fund weighting	30%	
Minimum suggested timeframe	3-5 years+	
Minimum initial investment $	$25,000	
Minimum additional investment $	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Investment Sub-Adviser discretion	
Investment manager fee	0.15%	
Indirect Cost Ratio	Up to 0.30%	
Performance fee	Nil	

Mason Stevens Foundation ETF High Growth Managed Portfolio

Feature	Description	
Portfolio Name	Mason Stevens Foundation High Growth Managed Portfolio	
Investment Sub-Advisor	Mason Stevens Asset Management	
Inception Date	September 2024	
Investment objective	Focus on capital growth with emphasis on identifying and taking advantage of emerging sector thematics.	
Investment Strategy and Approach	To achieve the stated investment objective through diversified exposure to a mix growth and defensive assets.	
Benchmark Return	Morningstar Australia Aggressive Target Allocation NR AUD Index	
Minimum number of securities	5	
Maximum number of securities	30	
Asset Allocation	**Allocation range**	**Target**
Australian Equities	32% - 62%	38%
International Equities	24% - 54%	48%
Australian Fixed Income	0% - 10%	0%
International Fixed Income	0% - 10%	0%
Alternatives	0% - 10%	0%
Property	0% - 21%	6%
Infrastructure	0% - 21%	6%
Cash (minimum 2% cash)	2% - 17%	2%
Investment universe	ETFs, Listed Managed Funds, LIC, LIT, and Cash	
Maximum single security or fund weighting	30%	
Minimum suggested timeframe	5 - 7 years	
Minimum initial investment $	$25,000	
Minimum additional investment $	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Investment Sub-Adviser discretion	
Investment manager fee	0.15%	
Indirect Cost Ratio	Up to 0.30%	
Performance fee	Nil	

Risk of investing 3

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

Specific investment risks apply to all investments that may have an effect on the value of your Managed Account. The risks of investing in the Investment Option 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 Investment Option'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. Any foreign currency risk exposure may or may not be hedged, and if hedged may only be hedged partially. Foreign currency derivative positions are typically closed out at the end of each quarter. This may impact your ability to fully redeem and close the Investment Option during the quarter, as active foreign currency derivative positions must be closed out first before closing the Investment Option.
- **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 Investment Option, 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 Investment Option 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 Investment Options. While Mason Stevens allocates derivatives to its clients in its records, as with other investment, the derivatives may be aggregated in the accounts of subcustodians 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).

Other risks of investment include:

- **Interest rate risk** – Changes in interest rates can influence the value and returns of investment in the Investment Option.
- **Credit risk** – Any change in the market perception of the creditworthiness of a security or the credit r ating 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 Investment Option may experience difficulty in realising its assets.
- **Over-hedging risk** – The risk that the currency hedging position is for an amount that is greater than the underlying value of the foreign currency denominated bond.

- **Time horizon risk** – There is no assurance that in any time period, particularly in the short term, an Investment Option will achieve its investment objectives. Many of the underlying assets may be volatile particularly over the short term. The Investment Option is suitable for long term investors and is not designed for short term investment.
- **Income risk** – The level of income generated on the Investment Option'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 Investment Option invests may fall in value, which may have an impact on the value of the Investment Option.
- **Diversification/Concentration risk** – If your Investment Option is concentrated into one investment or sector, a fall in that investment or sector may have a significant adverse effect on your total Investment Option. 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 Investment Option. The Investment Option 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 Investment Option 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's investment approach may result in an Investment Option that differs substantially from an industry benchmark and hence the Investment Option's investment returns may also differ substantially from industry benchmark returns.
- **Third party risk** – The MDA Provider uses information and services provided by third parties such as subcustodians and other service providers. Procedures are in place to address risks associated with outsourcing, such as having comprehensive service agreements with service providers. If a service provider advises of an error, it is corrected and if material, it will generally be communicated to you or your advisor (or both).
- **Systems and technology risk** – The MDA Provider relies on the integrity and reliability of the Investment Option 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.