Mason Stevens Wholesale Flagship Investment Mandate

For wholesale/sophisticated investors only

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: April 2025

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Mason Stevens has appointed Mason Stevens Asset Management Pty Limited (MSAM) as Investment Sub-Adviser on the Investment Options 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 Investment Options 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 works 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 masonstevens.com.au/about-us/meet-the-investment-specialists/

Investment Guide 2

2.1 Investment Philosophy

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

- Evidence-based Decision Making: Utilise a rigorous, data-driven, and systematic approach to identify and evaluate investment opportunities across asset classes, geographies, and industries. Seeking to limit behavioural biases in decision making to increase the likelihood of success.
- Diversification: Diversifying investments across private and public markets, geographies, and asset classes remains a constant in high quality portfolio construction. Ensuring true diversification on a look-through basis is a specific focus in their portfolio analytics.
- Wisdom of Crowds: MSAM believe that a combination of multiple, educated, and independent judgments is more accurate than using a single, individual expert. This is not to advocate for following the crowd, but rather that getting a diversity of high-quality views will statistically reduce their risk of forecast error.
- Active and Passive Management: MSAM believe both active and passive managers can play a significant role in how they implement portfolios. They will only use active managers where they have been able to identify a manager's clear competitive advantage and evidence of the ability to produce superior risk-adjusted alpha over time.
- Portfolio construction and risk management: MSAM use a modular approach when constructing portfolios. Risk management principles are embedded in all aspects of active management. The investment process starts with a robust Strategic Asset Allocation construction methodology utilising MSAM's Wisdom of Crowds approach in deriving MSAM's Capital Market Assumptions (CMA). This continues with a robust Dynamic Asset Allocation process which considers the state of the business cycle, valuation, and sentiment/technical indicators. Within asset classes, MSAM's manager selection process involves proprietary quantitative and qualitative assessments for each candidate investment opportunity. Finally, MSAM's portfolios are carefully structured to ensure diversification and consistency with the probabilities associated with their macro-economic outlook.
- Responsible Investing: MSAM believe it is important to consider Environmental, Social, and Governance (ESG) factors as key components of the investment process, through the lens of risk management. Where an ESG approach maintains a high degree of diversification, it has been shown to reduce risk and enhance returns over the longer term.

2.2 Investment process

a) Strategic Asset Allocation

The SAA process has been built by MSAM, and begins with the formulation of Capital Market Assumptions which are then used to develop the long-term SAA weights.

A Wisdom of Crowds approach is taken to generate expected return and volatility forecasts. MSAM will leverage the following external providers to obtain their capital market assumptions which will form a basis for MSAM's SAA model, the list of asset managers is not exhaustive:

- Lonsec
- Blackrock
- JP Morgan Asset Management
- AQR
- Callan
- PGIM
- Northern Trust
- State Street
- Invesco

The forecasts of the external providers are combined by taking the median of the forecast values. This is done for both the expected returns and the volatilities. For asset correlations MSAM use long-run (10-year) estimates sourced from Lonsec.

The SAA portfolio construction process uses a constrained mean-variance optimisation model to produce model portfolio weights across the range of available asset classes. The objective of the portfolio construction process is to produce a portfolio with a maximised return/risk trade-off, subject to a set of constraints including a global constraint defining how much of the model portfolio exposure is allocated to growth assets and asset class constraints that provide a lower bound for cash, and the ratio of Australian to International Fixed Income exposure.

The complete list of constraints is:

- Exposures must add to 100% (no leverage).
- No short selling (long-only portfolio).
- Growth asset exposure constrained (progressively) from 0% to 98% of the model portfolio. This produces an efficient frontier of models that can be mapped to various risk appetites.
- Individual asset class minimum weight constraints are included in the model construction process to ensure final models are investable, e.g., the minimum exposure to Cash equals 2% of each portfolio, and for models with allocations to growth assets of 50% and above, MSAM set a minimum exposure of 5% to Infrastructure and Property. For the Fixed Income assets, MSAM set a constraint that ensures Australian Fixed Income assets represent a minimum of 40% of the exposure to Fixed Income assets overall. The construction process generates the following efficient frontier.

b) Dynamic Asset Allocation

MSAM's Dynamic Asset Allocation process is utilised when returns and/or risk in markets or a particular asset class are materially different than long-run expectations. These shorter-term views are typically expected to play out over a 6-month – 2-year time horizon. The key pillars of our DAA process are:

- Market Regime: The direction of both inflation and growth have a material influence on how asset classes and sectors perform over the short-medium term. In identifying which inflation and growth regime the market is moving into MSAM look to increase/ decrease the overall growth/defensive allocation as well as exposures to particular asset classes.
- Valuation: Identifying extremes in valuations further refines MSAM's asset allocation. Considering a range of valuations metrics from both a relative and absolute level informs overweight and underweight positioning.
- Technicals and Sentiment: MSAM consider a range of technical and sentiment indicators to better understand short-term market dynamics and precision with their trade implementation.
- Ongoing Review: All DAA positions are reviewed weekly by the Investment Management team and formally monthly via MSAM's Investment Committee.

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 the 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.

Portfolio Parameters 3

Mason Stevens Wholesale Conservative Flagship Multi-Asset Managed Portfolio

Feature	Description	
Investment Sub-Advisor	Mason Stevens Asset Management	
Availability	The Managed Portfolio 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	January 2024	
Investment objective	To match or exceed the Morningstar Australia Conservative Target Allocation NR AUD Index, net of fees and cost.	
Investment Strategy and Approach	The portfolio aims to provide a return above the benchmark through diversified exposure across asset classes and a focus on income generating assets. The portfolio will invest in both listed and unlisted investment opportunities. Importantly, the portfolio may invest into strategies which have limited liquidity. This may result in a requirement of up to 3 months to fully exit all investments within the portfolio.	
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%	18%
Australian Fixed Income	10% - 40%	23%
International Fixed Income	6% - 26%	23%
Alternatives	0% - 27%	16%
Property	0% - 15%	2%
Infrastructure	0% - 21%	2%
Cash (minimum 2% cash)	2% - 17%	2%
Investment universe	Managed funds, 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	Sub-adviser discretion	
Investment manager fee	0.30%	
Indirect Cost Ratio	0.52%	
Performance fee	Nil	

Mason Stevens Wholesale Balanced Flagship Multi-Asset Managed Portfolio

Feature	Description	
Investment Sub-Advisor	Mason Stevens Asset Management	
Availability	The Managed Portfolio 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	January 2024	
Investment objective	To match or exceed the Morningstar Australia Balanced Target Allocation NR AUD Index, net of fees and cost.	
Investment Strategy and Approach	The portfolio aims to provide a return above the benchmark through diversified exposure across asset classes and a balanced focus on income generation and capital growth. The portfolio will invest in both listed and unlisted investment opportunities. Importantly, the portfolio may invest into strategies which have limited liquidity. This may result in a requirement of up to 3 months to fully exit all investments within the portfolio.	
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	8% - 38%	20%
International Equities	3.5% - 33.5%	24%
Australian Fixed Income	0.5% - 30.5%	14%
International Fixed Income	0% - 27.5%	14%
Alternatives	2.5% - 32.5%	18%
Property	0% - 20%	4%
Infrastructure	0% - 21%	4%
Cash (minimum 2% cash)	2% - 17%	2%
Investment universe	Managed funds, ETFs, listed managed funds, LIC, LIT, and cash	
Maximum single security or fund weighting	30%	
Minimum suggested timeframe	5 years	
Minimum initial investment $	$25,000	
Minimum additional investment $	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Sub-adviser discretion	
Investment manager fee	0.30%	
Indirect Cost Ratio	0.69%	
Performance fee	Nil	

Mason Stevens Wholesale Growth Flagship Multi-Asset Managed Portfolio

Feature	Description	
Investment Sub-Advisor	Mason Stevens Asset Management	
Availability	The Managed Portfolio 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	January 2024	
Investment objective	To match or exceed the Morningstar Australia Growth Target Allocation NR AUD Index, net of fees and cost.	
Investment Strategy and Approach	The portfolio aims to provide a return above the benchmark through diversified exposure across asset classes and a greater focus on capital growth. The portfolio will invest in both listed and unlisted investment opportunities. Importantly, the portfolio may invest into strategies which have limited liquidity. This may result in a requirement of up to 3 months to fully exit all investments within the portfolio.	
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	15% - 45%	24%
International Equities	9% - 39%	31%
Australian Fixed Income	0% - 20.5%	5%
International Fixed Income	0% - 19.5%	5%
Alternatives	8% - 38%	23%
Property	0% - 20%	5%
Infrastructure	0% - 21%	5%
Cash (minimum 2% cash)	2% - 17%	2%
Investment universe	Managed funds, ETFs, listed managed funds, LIC, LIT, and cash	
Maximum single security or fund weighting	30%	
Minimum suggested timeframe	7 years	
Minimum initial investment $	$25,000	
Minimum additional investment $	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Sub-adviser discretion	
Investment manager fee	0.30%	
Indirect Cost Ratio	0.72%	
Performance fee	Nil	

Mason Stevens Wholesale High Growth Flagship Multi-Asset Managed Portfolio

Feature	Description	
Investment Sub-Advisor	Mason Stevens Asset Management	
Availability	The Managed Portfolio 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	January 2024	
Investment objective	To match or exceed the Morningstar Australia Aggressive Target Allocation NR AUD Index, net of fees and cost.	
Investment Strategy and Approach	The portfolio aims to provide a return above the benchmark through diversified exposure across asset classes and predominately focused on capital growth. The portfolio will invest in both listed and unlisted investment opportunities. Importantly, the portfolio may invest into strategies which have limited liquidity. This may result in a requirement of up to 3 months to fully exit all investments within the portfolio.	
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	21% - 51%	28%
International Equities	15% - 45%	40%
Alternatives	5% - 35%	18%
Property	0% - 21%	6%
Infrastructure	0% - 21%	6%
Cash (minimum 2% cash)	2% - 17%	2%
Investment universe	Managed funds, ETFs, listed managed funds, LIC, LIT, and cash	
Maximum single security or fund weighting	30%	
Minimum suggested timeframe	7 years	
Minimum initial investment $	$25,000	
Minimum additional investment $	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Sub-adviser discretion	
Investment manager fee	0.30%	
Indirect Cost Ratio	0.74%	
Performance fee	Nil	

Risk of investing 4

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 Investment Option. The risks of investing in the Investment Options 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 any international assets held by the Investment Options 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.
- 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 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).

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 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 Investment Option 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 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 potentiallosses, 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 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 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 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.