New Horizons Managed Account Service Investment Mandate

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

Investment Sub-Adviser:
New Horizons Financial Services Pty Ltd
ABN 63 638 401 117 AFSL 522392

Date Issued: January 2024

Contents

Contact Details

Mason Stevens Limited
Level 26, 420 George Street Sydney
NSW 2001
T: 1300 988 878
E: wealth@masonstevens.com.au
W: masonstevens.com.au

New Horizons
Level 2, Suite 204, 111 Harrington St
Sydney, NSW, 2000
T: 1300 208 850
E: contact@newhorizonsfs.com.au
W: newhorizonsfs.com.au

Mason Stevens has appointed New Horizons Financial Services Pty Ltd 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 New Horizons Financial Services Pty Ltd (New Horizons) ABN 63 638 401 117 AFSL 522392, as Investment Sub-Adviser on the 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 Managed 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 Managed Portfolio is appropriate for you given your personal goals, needs and financial circumstances.

Investment involves risk, potentially resulting in (but not limited to) delays in payment of withdrawal proceeds and the loss of income and capital invested. Past performance is not necessarily indicative of future performance. Mason Stevens and New Horizons 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 New Horizons has control over that data and nor do they accept any responsibility for verifying or updating that data. Mason Stevens, New Horizons and their respective directors, officers, employees and associates may from time to time hold interests in investments of, or earn fees and other benefits from, corporations or investment vehicles which may be held in your Managed Portfolio.

New Horizons consent to statements in this document attributable to them or referring to them, and have not withdrawn their consent. New Horizons 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 New Horizons Financial Services 1

1.1 About New Horizons Financial Services

New Horizons Financial Services (New Horizons) was founded in July 2020. New Horizons is an investment advisory firm that partners with advisers to provide them with the necessary resources and investment solutions to improve the quality of advice to clients.

Investment Team

The following members of the New Horizons investment team are responsible for advising the management of the Managed Portfolios:

THOMAS EUVRARD
Head of Advice New Horizons

Thomas previously worked at National Australia Bank for 7 years. Thomas has run an advice practise for the past 3 years and has an extensive background in both giving advice and working for a licensee. As part of the MLC Advice team, Thomas was responsible for the liaison and development of new features within Xplan for the wider NAB/MLC licensees including Garvan, Apogee and Meritum among others. Thomas was also assigned to helping support existing advisers in the day to day operations of running a successful Financial Planning practise.

MICHAEL WOOD
Director New Horizons

Michael has had a passion for Financial Planning and assisting people to reach their financial goals since completing his Bachelor of Commerce at Victoria University of Wellington in 1997 and his Advanced Diploma in Financial Planning. Michael has been a Financial Planner in Australia since 1999. Prior to opening Hudson Advisory Group he was a Financial Planner for Saxby Bridge Pty Ltd in Melbourne.

After dealing with both high net worth and retail clients for over 8 years, in late 2007 Michael decided to use both his academic knowledge and experience with his wide range of Australian clients to open his own business, Hudson Advisory Group Pty Ltd.

ALEXANDER EUVRARD
Director New Horizons

Alexander has diverse experience across a wide range of roles in the financial services industry. This includes working as a senior investment consultant with Bespoke Investment in London, a specialised investment firm operating in both the UK and European markets. Alexander has also had roles as an international property consultant with MiNC Property Managers (Dubai), as a corporate funds administrator with Standard Life Investment in Scotland, as well as with AM Corporation and Libertas Financial Planning in Australia.

Alexander has been a Director of My Dealer Services since 2009 and is also a Director of Havana Financial Services. He has a Bachelor of Business (UTS).

ANDREW DOHERTY
Asset Consultant and Investment Committee member

Andrew Doherty, MBA, MEc, Director of AssureInvest, is an experienced investment professional and innovative business solutions practitioner with more than two decades of experience in financial services. Prior to establishing AssureInvest, Andrew spent 14 years at Morningstar Australasia where, as Head of Equities, he led the equities and credit securities research team in Australia and New Zealand. Andrew was responsible for Morningstar's outperforming equities portfolio management, investment strategy and investment consulting services along with development of research processes.

As well as his extensive experience in growing businesses, Andrew's strengths are in integrating companies and in developing products and teams. Andrew was a key contributor to the growth of Aspect Huntley to its current position as leading provider of independent investment research and information, purchased by Morningstar in 2006. Earlier roles included at investment banks JP Morgan and Deutsche Bank in London and fixed income investment manager for Credit Suisse Asset Management in Sydney. Presently, Andrew also lectures and tutors as part of the Master of Applied Finance course at Kaplan Professional Education.

Andrew's qualifications include Master of Business Administration degree from Australian Graduate School of Management and Bachelor and Master of Economics degree from Macquarie University. Andrew is supported at New Horizons by a carefully selected team of financial professionals.

2.1 Managed Portfolio objective

The objective of the Managed Portfolios is to provide a return above the stated benchmark through a diversified portfolio of ETFs and Listed Managed Funds.

2.2 Investment philosphy

New Horizons investment philosophy is to build portfolios with a focus on capital preservation, building wealth, and seeking to limit drawdowns within the portfolios. New Horizons will look to achieve this by favoring quality companies, which exhibit growth potential over the long term.

2.3 Portfolio construction

New Horizons adopts a core satellite approach in portfolio construction. The core portion of the portfolio will comprise of ETFs, while the satellite portion will be comprised of Active ETFs (also known as Listed Managed Funds). The allocation to the core and satellite portions of the portfolio is driven by the Strategic Asset Allocation (SAA) and Tactical Asset Allocation (TAA) process.

The starting SAA weights for the portfolios is based on industry standard asset allocations. Leveraging these starting SAA weights, New Horizons will make adjustments to these weights as required. Adjustments to SAA weights are based off of long term forecasts for asset class returns, with the goal of maximizing return for each asset class based on the level of risk being taken. It is noted that New Horizons takes a long term view on SAA, typically a 20 year investment horizon is applied. As such, while analysis is completed to forecast and monitor long term asset class returns on an ongoing basis, changes to SAA weights will occur infrequently.

New Horizons recognises that taking such a long term view on SAA may lead to short term opportunities being missed. They recognise that over the short term, mispricings in the market can arise due to a multitude of factors which can induce irrational investor reactions – these factors including macroeconomic factors such as monetary policy, regulatory change, political risk etc. In order to capitilise on shorter term factors in the market, New Horizons will apply a tactical overlay on the portfolios. It is noted that New Horizons take a medium term view, typically a 5 year investment horizon, when formulating their views on TAA.

Once SAA and TAA have been determined by New Horizons, they will then begin the security selection process to identify suitable ETFs and Listed Managed Funds that fit under each asset class. In selecting suitable securities for the portfolios, New Horizons will consider the following factors;

- Selection of ETFs and Listed Managed Funds issued by a reputable product issuer, will avoid smaller issuers
- Liquidity
- Low management fees
- Low tracking error
- Rated by a reputable research house
- Minimum 1 year track record

2.4 Portfolio Parameters

New Horizons Defensive Managed Portfolio

Feature	Description	
Portfolio name	New Horizons Defensive Managed Portfolio	
Investment Sub-Adviser	New Horizons Financial Services Pty Ltd	
Inception date	December 2020	
Investment objective	Achieve a return of 1% above the benchmark.	
Investment strategy and approach	To build a diversified portfolio with a focus on capital preservation, building wealth and limiting downside risk. A 10% restriction applies to unlisted managed funds to maintain the model's cost-effectiveness.	
Benchmark return	Morningstar Australia Moderate Target Allocation NR AUD Index	
Target return	Morningstar Australia Moderate Target Allocation NR AUD Index + 1%	
Indicative number of securities	5 - 30	
Asset allocation	**Allocation range**	**Target**
Australian Equities	3% - 23%	13%
International Equities	2% - 22%	12%
Australian Fixed Income	22% - 42%	32%
International Fixed Income	13% - 33%	23%
Alternatives	0% - 10%	5%
Property	0% - 10%	0%
Infrastructure	0% - 10%	0%
Cash	2% - 20%	15%
Investment universe	ETFs, Listed Managed Funds, Unlisted Managed Funds and Cash	
Maximum single security or fund weighting	25%	
Minimum suggested timeframe	1 year	
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 (ICR)	0.37%	
Performance fee	Nil	

New Horizons Balanced Managed Portfolio

Feature	Description	
Portfolio name	New Horizons Balanced Managed Portfolio	
Investment Sub-Adviser	New Horizons Financial Services Pty Ltd	
Inception date	December 2020	
Investment objective	Achieve a return of 1% above the benchmark.	
Investment strategy and approach	To build a diversified portfolio with a focus on capital preservation, building wealth and limiting downside risk. A 10% restriction applies to unlisted managed funds to maintain the model's cost-effectiveness.	
Benchmark return	Morningstar Australia Growth Target Allocation NR AUD Index	
Target return	Morningstar Australia Growth Target Allocation NR AUD Index + 1%	
Indicative number of securities	5 – 30	
Asset allocation	**Allocation range**	**Target**
Australian Equities	15% - 40%	30%
International Equities	15% - 40%	30%
Australian Fixed Income	4% - 24%	14%
International Fixed Income	1% - 21%	11%
Alternatives	0% - 10%	0%
Property	0% - 20%	10%
Infrastructure	0% - 10%	0%
Cash	2% - 15%	5%
Investment universe	ETFs, Listed Managed Funds, Unlisted Managed Funds and Cash	
Maximum single security or fund weighting	25%	
Minimum suggested timeframe	4 – 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 (ICR)	0.40%	
Performance fee	Nil	

New Horizons High Growth Managed Portfolio

Feature	Description	
Portfolio name	New Horizons High Growth Managed Portfolio	
Investment Sub-Adviser	New Horizons Financial Services Pty Ltd	
Inception date	December 2020	
Investment objective	Achieve a return of 1% above the benchmark.	
Investment strategy and approach	To build a diversified portfolio with a focus on capital preservation, building wealth and limiting downside risk. A 10% restriction applies to unlisted managed funds to maintain the model's cost-effectiveness.	
Benchmark return	Morningstar Australia Aggressive Target Allocation NR AUD Index	
Target return	Morningstar Australia Aggressive Target Allocation NR AUD Index + 1%	
Indicative number of securities	5 – 30	
Asset allocation	**Allocation range**	**Target**
Australian Equities	35% - 55%	40%
International Equities	35% - 55%	48%
Australian Fixed Income	0% - 10%	0%
International Fixed Income	0% - 10%	0%
Alternatives	0% - 10%	0%
Property	0% - 20%	10%
Infrastructure	0% - 10%	0%
Cash	2% - 12%	2%
Investment universe	ETFs, Listed Managed Funds, Unlisted Managed Funds and Cash	
Maximum single security or fund weighting	25%	
Minimum suggested timeframe	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 (ICR)	0.44%	
Performance fee	Nil	

Risks 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 MDA. The risks of investing by following the strategy and parameters of the Managed Portfolios may include, but are not limited to, the following factors:

» Market risk – Unexpected conditions (i.e. economic, technological or political) can have a negative impact on the returns of all investments within a particular market. General movements in local and international stock markets, prevailing and anticipated economic conditions, investor sentiment, interest rates and exchange rates could all affect the value of listed securities and the investment returns.

» Company or security specific risk – Risks which could affect the value of a specific security, such as a fall in the profit performance of a company, may impact adversely on its share price and may also affect the interest rate it has to pay to borrow funds, which in turn, can affect the value of its debt securities.

» Currency risk – If the Managed Portfolio’s investments in international assets are unhedged, a rise in the Australian dollar relative to other currencies will negatively impact investment values and returns. Currency markets can be extremely volatile and are subject to a range of unpredictable forces. It is not the Investment Sub-Adviser’s intention to hedge the foreign currency exposure of the Managed Portfolio arising from investments in overseas markets.

» 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 its 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 MDA. 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 following 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’s investment approach may result in a Managed Portfolio that differs substantially from an industry benchmark and hence your MDA which follows that Managed Portfolio might have investment returns which 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 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 backup 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.