

# Schroders Managed Account Service Investment Mandate



## For BR Investment Partner Clients Only

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

Investment Sub-Adviser:

Schroder Investment Management  
Australia Limited  
ABN 22 000 443 274 AFSL 226 473

Date Issued: April 2024

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Mason Stevens has appointed Schroder Investment Management Australia Limited, ABN 22 000 443 274 AFSL 226 473 , as Portfolio Manager on the Managed Portfolios outlined in this Investment Mandate.

# Schroders

### Important Information

This Investment Mandate is issued by Mason Stevens Limited ABN 91 141 447 207, AFSL 351578 (Mason Stevens). Mason Stevens is the Managed Discretionary Account (MDA) Provider of the MDA Service.

In this document, **MDA** refers to a Managed Account provided by Mason Stevens which follows the investment strategy and parameters of a Managed 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 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, Schroder and their respective directors, officers, employees, sub-contractors 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 the managed account under any Managed Portfolio.

Where there are references in this document to data provided by third parties, none of Mason Stevens or Schroder has control over that data and nor do they accept any responsibility for verifying or updating that data.

Mason Stevens, Schroder 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 account under any Managed Portfolio.

Schroder consent to the statements in this document attributable to them or referring to them, and have not withdrawn their consent. Schroder 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](https://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](https://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.

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## 1.1 Schroders Australia

Established in 1964, Schroder Investment Management Australia Limited is a wholly owned subsidiary of UK-listed Schroders plc and today employs over 100 people and has assets under management of over A\$30 billion, as at 30 June 2023.

Based in Sydney and Melbourne, Schroders Australia manages assets for institutional and wholesale clients across Australian equities, fixed income, private equity, multi-asset, global equities, private debt, insurance linked securities and securitised credit. Schroders believes in the potential to gain a competitive advantage from in-house global research and that rigorous research can translate into superior investment performance. We believe that internal analysis of investment securities and markets is paramount when identifying attractive investment opportunities. Proprietary research provides a key foundation of our investment process and our worldwide network of analysts is one of the most comprehensive research resources dedicated to funds management.

## 1.2 About BR Investment Partners

BRIP is the investment arm of BlueRock and was established in 2022. BRIP is responsible for the investment management and portfolio construction duties for the BRIP portfolios.

## 1.3 Investment Committee

### Martin Conlon - Head of Australian Equities

Martin is Head of Australian Equities and involved in the portfolio construction process for Australian Equity Core and Opportunities portfolios, while also retaining analytical responsibilities for Accounting Software, Chemicals/ Fertiliser, Diversified Financials & Food Retailing sectors. Martin joined Schroders in 1994 and was promoted to Head of Australian Equities in October 2003. Prior to joining Schroders, he was an accountant at Ernst & Young. He holds a Bachelor of Economics from Macquarie University, a Graduate Diploma in Applied Finance and Investment and is a qualified Chartered Accountant.

### Andrew Fleming – Deputy Head of Australian Equities

Andrew is Deputy Head of Australian Equities and involved in the portfolio construction process for Australian Equity Core and Opportunities portfolios, in addition to analytical responsibilities for the Agriculture, Building Materials, Education, Banks, Steel & Waste sectors. Andrew joined Schroders in July 2007. Prior to joining Schroders, Andrew was Head of Australian Equities at Credit Suisse Asset Management. He holds a Bachelor of Commerce and Bachelor of Arts from the University of Queensland and a Master of Economics from Macquarie University.

### Justin Halliwell - Head of Research

Justin is Head of Research and is involved in the portfolio construction process for Australian Equity Core and Opportunities portfolios. Justin has analytical responsibilities for Bulk Mining, Coal, Copper, Diversified Mining, Energy Markets, Iron Ore, Metals, Nickel, Oil & Gas sectors. He joined Schroders in 1996, commencing in the London office as an assistant fund manager to the UK Equity team, before relocating to Sydney in 1998. He holds a Bachelor of Science in Economics and Accounting and a Masters in Economics and Finance from the University of Bristol.

### Ben Chan – Portfolio Manager

Ben is a Portfolio Manager and is involved in the portfolio construction process for the Australian Equity SMA portfolios. Ben also assumes analytical responsibilities across the Steel, Infrastructure, Industrial and Transport sectors within the team. Ben started at Schroders in 2022 and was formally a Portfolio Manager at Evans and Partners responsible for their suite of Australian equity SMAs. Ben also held a position as Executive Director at Merrill Lynch and primary analyst in the building materials space. He holds a Bachelor of Civil Engineering and Commerce and holds the Chartered Financial Analyst (CFA) designation.

### Adam Alexander – Portfolio Manager

Adam is a Portfolio Manager and is involved in the portfolio construction process for the Australian Equity SMA portfolios. Adam is also responsible for researching Accounting software, consumer discretionary, Payments and Retail Property trusts. Adam joined Schroders in 2022 from Evans and Partners, where he was working as a portfolio managers for the Australian equity SMAs. Adam was previously an Executive Director at Goldman Sachs and Head of the Retail and Consumer industries research team. He holds a Bachelor of Commerce from the University of Melbourne and a Graduate Diploma in Applied Finance and Investment and is a member of Chartered Accountants Australia New Zealand.



## 2.1 Investment Philosophy

### Investment Philosophy

Schroders is a bottom-up, fundamental, active manager of Australian Equities, with an emphasis on stocks that are able to grow shareholder value in the long term. The investment process focuses on the long-term quality of the business and the average returns achieved through a full business cycle, not the near-term earnings momentum. This long term focus normally results in a relatively low momentum bias in either direction as the process is largely ambivalent to short term earnings direction.

## 2.2 Investment Process

### Stock coverage

Schroder's provides direct coverage for all S&P/ASX 200 Index stocks. With a sizable team and a focused investment universe, each company is assigned to an analyst. The Head of Research oversees the allocation process for new listings, aligning with industry and sector lines where feasible. Periodic reallocations maintain balanced workloads and facilitate diverse coverage perspectives over time. Pre-allocated stock discussions, managed by the Head of Research, aim to regularly validate valuations, targeting 3-4 discussions per week outside the reporting season.

### Understanding the business model and industry dynamics

Schroder's approach to understanding business models and industry dynamics involves an in-depth analysis of how a business generates revenue, drawing insights from annual reports, presentations, industry data, expert interviews, and on-site visits. Schroder's examines historical financial information for all business divisions, focusing on revenues, margins, capital utilization, cash conversion, and value creation. Key factors driving industry profitability changes, structural threats, and opportunities are also assessed. This historical context informs the future outlook.

### External Meetings

Our external meeting activity is designed to augment our understanding of every business, and incrementally improve our valuation process. Regular external meetings with companies, industry specialists, competitors, regulators, policymakers etc., are specifically aimed at refining our forecasts for the overall industry operating environment, revenue, margins, capital employed and dimensioning risks and opportunities.

### Financial Modelling

All companies within our universe are subject to detailed financial analysis using a standardised company financial model and database upload format. The model consists of a detailed profit & loss statement, cash flow statement, balance sheet and forecast assumptions. Assumptions for macro variables such as interest rates, currencies and commodity prices where consistency across companies is crucial are centrally stored and accessed by all models. Analysts retain the flexibility to add additional information they believe pertinent to any company; however, key elements of the template are designed to eliminate errors and ensure internal consistency. The objective of all financial models is to capture our best estimates of the cashflow picture to maturity and arrive at a view of mid-cycle, or sustainable earnings.

### Discount rates and the path to company valuation

We use a building block approach when calculating the discount rate with the major elements being our best estimate of the sustainable risk-free rate and an equity risk premium. Assuming a stream of cashflows is accurately forecast, a lower discount rate/higher multiple means a lower return. Two assumptions are standardised when determining the discount rate.

- » Business stability
- » Business duration

### Other elements of business value

In addition to valuing the cashflow in the forecast period and the longer-term value of the enterprise, there often elements of value, both positive and negative, which are not adequately captured in cashflow valuations.

These include;

- » Debt
- » Financial and insurance valuation
- » Data science
- » Database capture



## Portfolio Construction

The portfolio optimiser (optimiser) is the primary tool utilised in portfolio construction and is vital in translating the company valuations prepared by analysts and validated by the full investment team into an investment portfolio. Having invested significant resource in the valuation process, we believe it is crucial this is not overridden by 'gut feel'. The solver employed in the optimiser is a standard polynomial optimization, with inputs all drawn from the valuation database.

Recognising that the investment strategy has different risk characteristics due to its concentrated nature, there is necessarily greater use of discretion in determining position sizes in the SMA, within fixed risk parameters.

These risk parameters include limits on:

- Maximum number of stock positions
- Minimum levels of sector diversification
- Maximum individual stock and sector exposures

Portfolio construction is carried out on a team basis however final decisions and accountability rest with Portfolio Managers in the case of the SMA portfolios.

Portfolio weights are in line with the benchmark with sector limits at +/- 6% relative to the benchmark (ex-Financial securities) and max holding weights for individual securities at +/- 4% (ex-Financial securities) .



## 2.3 PORTFOLIO PARAMETERS

### Schroder Concentrated Australian Equity Managed Portfolio

#### - For BR Investment Partner Clients

Feature	Description									
Portfolio Name	Schroder Concentrated Australian Equity Managed Portfolio (BR)									
Investment Sub-Advisor	Schroders Investment Management									
Inception Date	February 2024									
Investment objective	To outperform the S&P/ASX 200 Accumulation Index over the medium term. Aims to deliver alpha through fundamental stock analysis and valuation.									
Investment Strategy and Approach	The investment strategy centres around a style-neutral approach with a focus on large-cap investments while remaining benchmark-aware. Decision-making is guided by a rigorous bottom-up fundamental analysis, ensuring a comprehensive evaluation of individual assets. A minimum of 75% of the Portfolio will be made of ASX100 securities.									
Benchmark Return	S&P/ASX 200 Accumulation Index									
Minimum number of securities	18									
Maximum number of securities	26									
Asset Allocation	<table border="1"> <thead> <tr> <th></th> <th>Allocation range</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Australian Equities</td> <td>90% - 98%</td> <td>95%</td> </tr> <tr> <td>Cash (minimum 2% cash)</td> <td>2% - 10%</td> <td>5%</td> </tr> </tbody> </table>		Allocation range	Target	Australian Equities	90% - 98%	95%	Cash (minimum 2% cash)	2% - 10%	5%
	Allocation range	Target								
Australian Equities	90% - 98%	95%								
Cash (minimum 2% cash)	2% - 10%	5%								
Investment universe	Australian Equities and Cash									
Maximum single security or fund weighting	15%									
Minimum single security or fund weighting	1%									
Minimum suggested timeframe	7+ years									
Minimum initial investment \$	\$20,000									
Minimum additional investment \$	\$10,000									
Minimum withdrawal	\$10,000									
Rebalance frequency	Sub-adviser discretion									
Investment manager fee	0.615%									
Indirect Cost Ratio	Nil									
Performance fee	Nil									



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 your money on your investment.

Specific risks apply to all investments that may have an effect on the value of your Managed Portfolio. The risks of investing in 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 underlying assets arising from investments in overseas markets.

Other risk of investment include:

- » Interest rate risk - Changes in interest rates can influence the value of returns of investment in the Managed Portfolio.
- » Credit risk - Any change in the market perception of the credit worthiness of a security or the credit rating of the issues of the security may affect the security's value.
- » 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 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 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 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 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. Producers 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 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.

