Swell Global Managed Portfolio Investment Mandate

MASON STEVENS

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

Investment Sub-Adviser:
Hughes Fund Management Pty Ltd
ABN 42 167 950 236

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Mason Stevens has appointed Hughes Funds Management as Investment Sub-Adviser on the Managed Portfolios outlined in this Investment Mandate.

Swell Asset Management
Global Portfolio

Important Information

This Investment Mandate has been 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. Mason Stevens has appointed Hughes Funds Management Pty Ltd ABN 42 167 950 236 AFSL 460572 (Hughes Funds Management), as Investment Sub-Adviser on the Managed Portfolios outlined in this document. Hughes Fund Management has appointed Swell Asset Management Pty Ltd ABN 16 168 141 204 (Swell, Swell Asset Management), a Corporate Authorised Representative (CAR 465285) of Hughes Fund Management, as Portfolio Manager of the Managed Portfolio.

Mason Stevens has appointed a licensed sub-custodian to hold all client monies and financial products in accordance with regulatory requirements. A copy of the agreement under which the appointment of the subcustodian was made is available for inspection at the registered office of Mason Stevens. In this document, **MDA** refers to a Managed Account provided by Mason Stevens which is managed to follow a Managed Portfolio.

If you are considering using a managed account you must read the Mason Stevens account application and the Managed Portfolio information outlined in this document and the Mason Stevens financial services guide. If you are a retail investor, you must obtain personal advice from a licensed financial adviser on whether a managed account and a particular Managed Portfolio is appropriate for you given your personal goals, needs and financial circumstances. This document is produced without consideration of the investment goals, needs or financial circumstances of any person who may read it.

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, Swell Asset Management and Hughes Fund Management 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, Swell Asset Management or Hughes Fund Management has control over that data and nor do they accept any responsibility for verifying or updating that data. Mason Stevens, Swell Asset Management and Hughes Fund Management, 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.

Swell Asset Management and Hughes Funds Management consent to the statements in this document attributable to them or referring to them, and have not withdrawn their consent. Swell Asset Management and Hughes Funds Management 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 quoted in Australian dollars and all fees are inclusive of GST net the effect of any input tax credits and/or 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**

The Guide including the Mason Stevens MDA Service Terms is incorporated by reference into this document and contains important information on the fees and costs you pay when you establish an account with Mason Stevens and invest following the MDA. 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.

The Mason Stevens Managed Account Service 1

1.1 Introduction

ABOUT MASON STEVENS

Mason Stevens Limited is part of the Mason Stevens group of companies (Mason Stevens Group). The Mason Stevens Group is a privately-owned financial services firm based in Sydney, founded in 2010. The Mason Stevens Group specialises in offering managed accounts supported by a comprehensive investment and administration platform, as well as bespoke investment solutions to both retail and wholesale investors.

Managed Discretionary Account (MDA)

A Managed Discretionary Account allows you to invest following professionally managed portfolios of assets (**Managed Portfolios**) that follow defined investment strategies. You as the investor will delegate the day to day investment decisions for the Managed Portfolios to Mason Stevens, who may be advised by or appoint an Investment Sub-Adviser. You retain beneficial ownership of all assets within the MDA.

A Managed Portfolio may invest in the following types of assets:

- Australian and international equities
- Fixed Income securities
- Exchange Traded Funds (ETFs)
- Managed Funds
- Separately Managed Accounts (SMAs)
- Listed property funds
- Listed Investment Companies
- Cash

Unlike investing in managed funds, investors in MDAs retain the beneficial ownership of the underlying assets of the Managed Portfolios. This ultimately means that you will be entitled to any income generated from assets held in the MDA but will also be liable for any tax consequences.

In addition, there are differences between investing in a managed account and an investor holding the asset directly. The table below outlines the primary differences between the two.

Benefits of the Service

The Managed Account Service (Service) allows you to consolidate other investments which you may hold and benefit from consolidated management, execution and reporting. Investors are able to view their holdings in their accounts, any transactions and investment performance on a daily basis.

If you are a retail client you can only access the Service through a licensed financial adviser and you must be provided with personal advice. Personal advice will determine whether the Managed Portfolio offered and the Service is suitable for you. Your financial adviser will issue you with a Statement of Advice (SOA).

Suitability of this Service

Please note that the Swell Global Managed Portfolio may not be suitable for your relevant circumstances if you have provided limited or inaccurate personal information to your financial adviser. Furthermore, the Service may cease to be suitable should your relevant circumstances change. You should speak as soon as possible with your financial adviser should your circumstances change at any stage.

	MDA Service	Direct Investment
Beneficial owner	You retain beneficial ownership of all investments. You are entitled to all dividends, franking credits and distributions. The underlying investments are registered in the name of the Custodian appointed by the MDA Provider.	You retain beneficial ownership of all investments. You are entitled to all dividends, franking credits and distributions. The investments are usually registered in your name via CHESS or other market settlement system.
Corporate actions	Since the investments are registered in the Custodian's name any notices for corporate actions are sent to the Custodian. Upon set up of your MDA Service you will be required to provide standing instructions for future corporate actions which the Custodian will implement going forward.	You receive all shareholder notifications on corporate actions directly. You are responsible for communicating with the share registry directly to provide instructions on each actionable corporate action.
Administration	The Custodian structure removes the hassle of paperwork. All contract notes, holding statements, dividend statements can be handled by the Custodian and reported directly to your online account. At the end of financial year the investor is provided with an annual report which provides information to assist them with their tax return.	All investor communication is sent directly to you. You will need to administer all your individual investments.

1.2 Parties to the Mandate

The Investment Mandate is between Mason Stevens and the investor (**you**) for your investment in your selected Managed Portfolios.

Investment Sub-Adviser

Mason Stevens have appointed Hughes Funds Management as the Investment Sub-Adviser of the Managed Portfolios.

Hughes Fund Management has delegated the following responsibilities to the appointed Portfolio Manager that include:

- to advise the MDA Provider on and manage the Managed Portfolios in accordance with the defined investment parameters outlined in this document
- to advise the MDA Provider on the composition of the investment universe for the Managed Portfolio and advise of any changed in accordance with defined investment partners.
- to advise the MDA Provider on corporate actions arising from any direct investments held across any of the Managed Portfolios.

Portfolio Manager

The Investment Sub-Adviser has appointed Swell Asset Management as the Portfolio Manager of the Managed Portfolios. Swell Asset Management is responsible for the management and investment decisions of the Managed Portfolios. Further information is detailed in the Investment Guide section of this document. Swell Asset Management is not acting in the capacity of the Investment Sub-Adviser to the Managed Portfolio.

MDA Provider

Mason Stevens is the MDA Provider and Administrator of the Service. Mason Stevens' responsibilities include:

- establishing your Managed Account
- maintaining records of investments in your Managed Portfolios and providing you with up-to-date online reporting
- implementing transactions in accordance with your instructions or delegated authority
- changes to the Managed Portfolios as instructed by the Investment Sub-Adviser
- implementing corporate actions in response to Investment Sub-Adviser advice
- arranging the settlement of investments in your Managed Portfolios
- recording and crediting income on investments held in your Managed Portfolios, and
- supervising compliance of the Investment Sub-Adviser with the Managed Portfolios.

Custodian

Mason Stevens is licensed by the Australian Securities and Investments Commission (ASIC) to provide custodial and depository services to clients. Mason Stevens appointed a licensed sub-custodian to hold client monies and all financial products. Our primary sub-custodian is:

Citibank N.A. New York and Citigroup Pty Limited.

About the relevant parties 2

2.1 About Swell Asset Management

Swell Asset Management was established in February 2014 and is a Corporate Authorised Representative (CAR 465285) of Hughes Fund Management and to date has been running only one portfolio. Swell Asset Management is a boutique investment manager based in Queensland that focuses on high quality businesses, long term investment horizons and capital preservation.

2.2 Investment Process

Swell's investment strategy and philosophy is focused on generating superior risk adjusted returns. Their investment process is fundamental, bottom up, collating and analysing publicly available information to draw unique insights into the companies in which they invest. They use research to constantly test the investment thesis on each company in the portfolio. This enables them to gain a deep understanding of the company and the industry. Their long term focus allows them to capitalise on long term price inefficiencies. Behavioural finance theory is an important component of their research effort.

Research metrics do not vary based on region, size or any other business parameter. Each element of the investment process is essential to understanding the underlying economics of the business. They do not subscribe to any external research however may review papers and reports available on Bloomberg following completion of their own research.

2.2 Investment Team

Swell Asset Management is responsible for advising the MDA Provider on the management and performance of the Managed Portfolios available for investment through this Investment Mandate. The establishment and management of the Managed Portfolios are supervised by an Investment Team comprising the following members:

LACHLAN HUGHES CFA
Chief Investment Officer/Chief Executive Officer

Lachlan founded Swell Asset Management in 2014 after more than a decade investing in public equity markets. He is the CEO and CIO, with responsibility for investment decisions of the Swell Global Portfolio. Previously Lachlan was a Senior Analyst with NovaPort Capital. During his tenure, the team achieved a return of 23.56% per annum over the period from 2009 to 2013, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 15.42% and earning the Lonsec Fund Manager of the Year (Rising Star) award in 2012.

Prior to that Lachlan was a corporate lawyer with King & Wood Mallesons (Sydney), The Bank of New York (London) and Allco Finance Group. Lachlan earned the right to use the CFA designation granted by the CFA Institute in 2010. His professional qualifications include a Bachelor of Commerce (Finance) and a Bachelor of Laws.

ALEX CLUNIES-ROSS CFA
Head of Research

Alex commenced his career with Swell in August 2015 and developed many of the technical models and quantitative screens used to manage Portfolio investments and research. Alex directs investment team research projects in addition to his responsibilities for allocated investments in the Swell Global Portfolio.

Alex earned the right to use the CFA designation granted by the CFA Institute in 2021. He holds a Bachelor of Commerce (Finance) from Griffith University where he was an inaugural member of the Griffith University Student Investment Fund.

SALLY FANG CFA
Senior Investment Analyst

Sally joined the investment team in January 2020. She is responsible for allocated Portfolio investments as well as analysis of companies being considered for inclusion, and guides ESG research. While completing her studies Sally gained valuable research experience through intern positions in the UK, China and Australia.

Sally earned the right to use the CFA designation granted by the CFA Institute in 2022. She holds a Bachelor of Economics and Finance from the University of Hong Kong and a Masters in Investment and Wealth Management (Distinction) from Imperial College Business School, London, where she was director of strategic communications for the Imperial College Student Investment Fund.

3.1 The Managed Portfolio

The investment universe for the Swell Global Managed Portfolio consists of large and midcap companies listed in developed markets. Within this universe, the investment team seeks above average businesses with durable competitive advantage.

Your financial adviser may also tailor a portfolio for you using this Managed Portfolio. The Managed Portfolio is managed in accordance with an agreement between Investment Sub-Adviser and the MDA Provider.

3.2 Investment Strategy and Process

The portfolio investment strategy is to invest in 10 to 20 high quality international companies with a time horizon of five to seven years. This timeframe is consistent with an average business cycle, thereby removing the element of timing and its impact on investment outcomes. Swell have the flexibility to allocate up to 25% of the portfolio in cash allowing them to protect investor capital. The strategy exploits two major market inefficiencies:

- Time arbitrage: Exploiting pricing inefficiencies with long term investment decisions
- Hidden value: Unearthing insights through deep proprietary fundamental analysis

To date the portfolio has experienced outperformance in both rising and falling markets. Swell believe the portfolio benefits from a flight to quality in the bad times while their disciplined approach to security section contributes to outperformance in a rising market.

Swell's investment philosophy is focused on generating superior risk adjusted returns. This philosophy guides their investment decisions and is underpinned by four principles. These include:

- Quality: Exceptionally managed companies with a clearly articulated strategy for creating value over the long term.
- Value: Acquisition of companies at discounts to their conservatively estimated intrinsic value
- Conviction: Concentrated approach to portfolio construction allocating meaningful weights to each holding.
- Horizon: Invest in high quality companies that can be held for more than three years.

3.3 Rebalancing and Asset Weightings

The MDA Provider and the Investment Sub-Adviser will periodically review the assets held for your selected Managed Portfolios to ensure that weightings are consistent with the underlying Managed Portfolio's investment strategy as advised by the Investment Sub-Adviser. If the actual holdings in your portfolios do not align with the reference target set, your portfolios are rebalanced as closely as possible. A rebalance may not occur every time your portfolios are reviewed and remains at the MDA Provider's discretion based on the Investment Sub-Adviser's advice.

Following a rebalance, the assets held in your MDA may be different from the target sets of your chosen portfolios. If a rebalance or an investment instruction relevant to your portfolios requires a trade of less than the minimum trade size at market or less than an odd lot (in certain international markets), then this trade generally does not occur.

You should also be aware that each Managed Portfolio has a minimum investment amount which is set taking into consideration the investment strategy and the number and types of assets held in the Managed Portfolio. In some cases, investing the minimum investment amount may not be sufficient for you to acquire every asset in the Managed Portfolio. If you have close to the minimum amount allocated to a Managed Portfolio, this may result in holdings in an asset that would be less than the minimum market trade size, and therefore it may not be executed. All of the above may increase the differences between the investment performance of your portfolios and that of your chosen underlying strategies.

3.4 Portfolio Parameters

Feature	Description	
Name of protfolio	Swell Global Managed Portfolio	
Investment Sub-Adviser	Hughes Funds Management Pty Ltd	
Portfolio Manager	Swell Asset Management Pty Ltd	
Investment Management Fee	1.25% p.a.	
Performance Fee	15% of the Outperformance over the Benchmark	
Indirect Cost Ratio (ICR)	Nil	
Investment universe[1]	Global equities listed in developed countries and cash	
Benchmark	MSCI World Net Total Return Index (AUD)	
Investment objective[2]	The portfolio seeks long term capital growth by investing in global listed equities, in companies considered by the Portfolio Manager to be of high quality.	
Target Return	9% p.a. after fees over rolling 3 year periods	
Asset Allocation[3]	**Asset class**	**Allocation range %**
	International Equities	75-98
	Cash	2-25
Investment strategy and approach	The portfolio investment strategy seeks a concentrated selection of high quality global companies purchased at a discount to their conservatively estimated intrinsic value. Swell Asset Management applies extensive fundamental analysis to its selection of securities including quantitative and qualitative research techniques. The portfolio has the flexibility to hold up to 25% of the portfolio in cash.	
Designed for	This portfolio is suitable for investors seeking capital growth and some income via exposure to high quality global companies with a process focused on capital preservation over the investment horizon. The recommended investment horizon is five to seven years. Investors should be able to accept the risk of price fluctuations particual rly over periods less than the minimum investment timeframe, and also be able to accept that capital preservation is not guaranteed.	
Rebalancing frequency	At the discretion of the Portfolio Manager	
Minimum initial investment[4]	$25,000	
Minimum additional investment	$12,500	
Minimum redemption/withdrawal amount[5]	$12,500	
Suggested investment timeframe	5 years +	
Minimum number of securities	10	
Maximum number of securities	20	
Maximum single security weight (%)	15% on acquisition	

1 Please note these parameters are not absolutely fixed at all times. The Investment Sub-Adviser targets these parameters, but variations may develop from time to time due to events including corporate actions, market share price movements, index changes and delays in rebalancing due to the Investment Sub-Adviser minimising turnover of your investments. The timing of additional investments in your Managed Portfolio may also lead to short-term different balances of cash and securities. Mason Stevens will give you reasonable notice of any significant change to these parameters.

2 There is no guarantee that this objective will be achieved.

3 The day to day allocation of assets aims to be within the allocation ranges stated but is indicative only. At any point in time the actual allocation may be very different from the ranges stated.

4 It is at the sole discretion of the MDA Provider to accept investments and redemptions below the minimum investment amount.

5 Subject to maintaining a minimum account balance of $25,000. Please refer to the *Managing your MDA* section in the Guide section for further information.

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 you 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 MDA 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 risks 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 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 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. 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 managed 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.