

# Valor Asset Management Managed Account Service Investment Mandate



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

Investment Sub-Adviser:  
Valor Asset Management Pty Ltd  
ABN 81 150 590 453, AFSL 405402

Date Issued: October 2024

Mason Stevens has appointed  
Valor Asset Management Pty Ltd  
ABN 62 150 928 591 (Valor Asset  
Management) as Investment Sub-  
Adviser for the Investment Options  
outlined in this Investment Mandate.



VALOR ASSET MANAGEMENT

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### 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. Valor Asset Management is a Corporate Authorised Representative (CAR 1250037) of Valor Financial Group Pty Ltd ABN 81 150 590 453 AFSL 405402.

In this document, **MDA** refers to a Managed Account provided by Mason Stevens which follows the investment strategy and parameters of an Investment Option 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, Valor Asset Management and Valor Financial Group (collectively, Valor) 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 Valor has control over that data and nor do they accept any responsibility for verifying or updating that data. Valor 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.

Valor consent to statements in this document attributable to them or referring to them, and have not withdrawn their consent. Valor Asset Management and Valor Financial Group 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](http://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](http://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 Valor Asset Management Managed Account Service

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## 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 separately 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 (**Investment Options**) that have defined investment strategies. You as the investor will delegate the day to day investment decisions for the Investment Options to Mason Stevens, who may be advised by or appoint an Investment Sub-Adviser. You retain beneficial ownership of all assets within the MDA.

An Investment Option 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
- » Currency and Currency Derivatives

Unlike investing in managed funds, investors in MDAs retain the beneficial ownership of the underlying assets of the Investment Options. 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 Investment Option 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 Valor Asset Management Account Service 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
<b>Beneficial owner</b>	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.
<b>Corporate actions</b>	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.
<b>Administration</b>	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 you for your investment in your selected Investment Options.

### Investment Sub-Adviser

Mason Stevens has appointed Valor Asset Management as the Investment Sub-Adviser of the Investment Options.

Valor Asset Management's responsibilities include:

- » to advise the MDA Provider on and manage the Investment Option in accordance with the defined investment parameters outlined in this document;
- » to advise the MDA Provider on the initial asset allocations for the Investment Options and of any changes to the asset allocations within the Investment Options;
- » to advise the MDA Provider on the composition of the investment universe for the Investment Options and advise of any changes in accordance with the defined investment parameters;
- » to advise the MDA Provider on corporate actions arising from any direct investments held across any of the Investment Options.

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



## 2.1 About Valor Asset Management

The word “valor” is derived from Latin meaning “value” or “worth”. The word was later adapted to stand for the courage to do the right thing. With this in mind, Valor Asset Management strives to find value for its clients by investing in quality assets globally.

Valor Asset Management is part of Valor Financial Group. Valor Financial Group (VFG) was established in 2011 by Rob Shears who has over 15 years’ experience in the financial services industry. VFG provides investment advice to both retail and wholesale clients.

VFG was established to offer long term investment solutions that aim to deliver returns across market cycles. VFG takes a global approach to investing, acknowledging that domestic opportunities represent a small percentage of world markets and therefore a wider range of investment opportunities exist for its clients offshore.

## 2.2 Investment Committee

Valor Asset Management is responsible for advising the MDA Provider on the management and performance of the Investment Options available for investment.

The Investment Committee’s purpose is to:

- » assess the performance and forecasts of domestic and global investment markets;
- » assess political, economic and demographic influences on domestic and global investment markets;
- » provide guidance on selected investments, asset classes and/or investment managers within the Investment Option; and
- » provide guidance on perceived investment risks and actions seeking to address these investment risks. The establishment and management of the Investment Options are supervised by an experienced Investment Committee comprising the following members:

### Rob Shears

Rob Shears is the principal adviser of VFG and has been providing investment advice for 15 years. He is a Certified Financial Planner and member of the Financial Planning Association. Rob’s role in the Investment Committee is investment selection, research and analysis, asset allocation and portfolio construction. Rob previously worked under the Western Pacific Financial Group license and established Valor Financial Group in 2011.

### Andrew Kuah

Andrew has been a key member of the VFG advice and investment team for 10 years and holds a Masters of Commerce in Accounting and Finance plus the Diploma of Financial Planning. Andrew’s role in the investment committee is compliance, risk management and investment analysis.

### Tim Davies

Tim has over 20 years experience in financial markets working for Australian and international banks. He has worked with numerous large corporations structuring their currency needs and has detailed knowledge of the significant component that this plays when allocating capital.

Tim’s role on the investment committee is to monitor the application of the investment philosophy, monitor compliance and provide analysis on the effect of currency on the portfolios construction.

### Members by invitation

Valor Asset Management may periodically invite qualified experts in various fields to have input into the committee or to be a temporary member of the Investment Committee on an invitational basis. These members may include:

- » Asset class specialists;
- » Technical market analysts; and
- » Independent research providers.



## 3.1 The Investment Options

The following pages contain descriptions for each of the Investment Options that are available through this Investment Mandate.

Each Investment Option is managed in accordance with an agreement between the Investment Sub-Adviser and the MDA Provider. With advice from your financial adviser you may choose to invest in the following Investment Options:

- » Valor Conservative Investment Option
- » Valor Balanced Investment Option
- » Valor Assertive Investment Option
- » Valor Growth Investment Option

Valor Asset Management determine the initial asset allocation for and also manages the ongoing asset allocation of these Investment Options. The investment parameters for the portfolios are detailed in this document.

The parameters set out for each Investment Option 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 Investment Option may also lead to short-term different balances of cash and securities. Valor has a dynamic asset allocation and may vary significantly from the neutral asset allocation shown in the parameters. Mason Stevens will give you reasonable notice of any significant change to these parameters.

The Investment Sub-Adviser can implement transactions to protect your portfolio against unwanted movement in currency exchange rates, a strategy also known as hedging. This is managed through foreign currency instruments which include options, swaps and forwards.

Valor will employ a dynamic currency hedging strategy. It will look to reduce the currency hedging as the Australian dollar rises.

Valor portfolios can be hedged using forwards and rolling swaps up to the maximum 50% of the total portfolio value. It will generally use 3-month rolling currency swaps to hedge the portfolio.

Valor will maintain a cash level to support the currency hedging. Valor may also trade currency options for other hedging purposes depending on the level of the currency and the volatility of the currency. These options may be in addition to the currency forwards and swaps.

Where they are used, currency options are funded from the cash balance of your Investment Option. The premiums and the positions of these holdings are maintained on a register that is separate from your account. This means your positions in the currency options will not be reflected on your reporting or included in any performance calculation

for your Investment Option or account. In addition to the annual report you will receive for your account at the end of each financial year, we will issue you with a separate annual report with respect to the positions of the currency options held by you.

Your adviser may choose to add and maintain your positions in the currency options as an external asset for purposes of reporting on your overall account. If you wish to close your account, the currency options need to remain in your account until expiry or until the option is exercised by the Investment Sub-Adviser. You will forfeit any upside to the currency options (if any) when they are exercised after closure of your account, or if they expire after closure of your account.

It is at the sole discretion of the MDA Provider to accept investments and redemptions below the minimum investment amount, and there is no guarantee that the portfolio objective of each Investment Option will be achieved. The Investment Options may invest in managed funds, REITs, ETFs and/or LICs. An estimated range for the indirect cost ratio (ICR) of each Investment Option has been provided to allow for variances in potential future portfolio allocations. The ICRs may be updated from time to time via a notice on the Mason Stevens website, under Continuous Disclosure Updates and Information.

## 3.2 Investment philosophy

Valor Asset Management has a unique safety-first investment philosophy. The concept of safety first is derived from aviation safety principles. The framework is built to reduce the probability of permanent loss of capital.

Valor uses a multifaceted value approach with safety-first techniques such as checklists, margin of error in calculations and multiple backup procedures.

Within the safety-first principles are the standard operation procedures, which include three main investment strategies:

- » Wide moat businesses
- » Significantly undervalued businesses
- » Reversion to the mean strategies

By applying these three standard procedures to invest, Valor looks to invest through the various investment cycles.

## 3.3 Investment process

### Individual security assessment

The core investments:

Valor Asset Management has always focused on a core “wide moat” group of investments. The list of these companies changes slowly over time. Valor will only buy a security when the price of the security is below our assessment of its intrinsic value. Individual investments are only considered for investment if they pass our seven filter checklist:

- » a deep understanding of the business
- » identification of a long term, sustainable competitive advantage
- » exceptional management
- » capital independent
- » appropriate employee incentives
- » an appropriate point in the cycle, and
- » a rational price.

Valor use the checklist process to work through these filters methodically in order to process the enormous amounts of information required to make a decision to invest.

The satellite investments:

Valor at times finds securities that are exceptionally underpriced. Investing in these securities is a secondary consideration to its core wide moat investments and it will diversify more into these investments.

Valor also studies long-term investment cycles to look to position portfolios appropriately. Long-term debt cycles can warn of potential risk ahead and it looks to position portfolios to reduce exposure to certain assets at late cycle periods.

#### Asset Allocation

Valor Asset Management does not allocate to specific asset classes, sectors or geographical regions simply to “have an exposure”. Rather, Valor focus primarily on long term market cycles, including debt cycles, and from this point determine our exposure limits to various geographies and investment markets. Valor Asset Management believes that from time to time investment markets and individual securities exhibit price dislocations that can be taken advantage of. Valor Asset Management’s asset allocation policy is designed with the flexibility to allocate capital to particular markets and individual securities in these situations. When Valor Asset Management believes asset prices are overpriced, Valor will hold a higher amount of cash and fixed income, with the aim of preserving an investor’s capital.

#### Risk management

Valor Asset Management defines risk as the probability of permanent loss. As such, Valor invest in a manner that focuses on capital preservation rather than managing market volatility.

Valor may use financial products such as derivatives in the aim of minimising the downside risk associated with the underlying investments or to manage currency fluctuations. The types of instruments used include ASX-listed Exchange Traded Options (ETOs), Over-the-Counter (OTCs) derivatives and currency options, currency swaps and forwards. Valor Asset Management aims to reduce the impact of investment risk by actively monitoring investment markets and by deploying a carefully considered approach to investment and derivative strategies. However, Valor Asset Management is unable to eliminate all investment risk within any of the investment strategies used including the risks of using derivatives.

### 3.4 Rebalancing and asset weightings

The MDA Provider and the Investment Sub-Adviser will periodically review the assets held for your selected Investment Options to ensure that weightings are consistent with the underlying portfolios’ 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 Investment Option has a minimum investment amount which is set taking into consideration the investment strategy and the number and types of assets held in the Investment Option. In some cases, investing the minimum investment amount may not be sufficient for you to acquire every asset in the Investment Options. If you have close to the minimum amount allocated to an Investment Option, 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.

### Important Information on Derivatives

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

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

### 3.5 Valor Conservative Investment Option

#### Portfolio objective

The portfolio will invest predominantly in cash and fixed income securities, with a small to medium allocation in growth assets. The portfolio will seek to generate returns from a blend of income and capital growth. It may exhibit medium levels of volatility over time.

#### Portfolio parameters

Feature	Description
<b>Name</b>	Valor Conservative Investment Option
<b>Investment Sub-Adviser</b>	Valor Asset Management
<b>Investment Management Fee</b>	0.65%
<b>Indirect Cost Ratio (ICR)</b>	0.07% p.a.
<b>Investment universe</b>	Securities listed on the ASX and approved global exchanges, fixed income securities, REITs, hybrids, infrastructure securities, managed funds, term deposits, derivatives (including Exchange Traded Options (ETOs) and Over The-Counter Options (OTCs, forwards and swaps) for risk management purposes only and Cash.
<b>Target return</b>	RBA cash rate + 3%
<b>Minimum number of investments</b>	1
<b>Maximum number of investments</b>	50
<b>Minimum cash weighting</b>	2%
<b>Maximum cash weighting</b>	100%
<b>Maximum single security weighting</b>	25%
<b>Rebalancing</b>	Investment Sub-Adviser discretion
<b>Minimum initial investment</b>	\$100,000
<b>Minimum additional investment</b>	\$20,000
<b>Minimum withdrawal</b>	\$10,000
<b>Minimum ongoing balance</b>	\$10,000
<b>Suggested investment timeframe</b>	4 years +

Asset class	Neutral*	Target
Cash	25%	0%-95%
Bonds	25%	0%-95%
Equities (Domestic)	15%	0%-50%
Equities (International)	25%	0%-50%
Property	5%	0%-50%
Alternatives	5%	0%-60%



### 3.6 Valor Balanced Investment Option

#### Portfolio objective

The portfolio will invest in a blend of income and growth assets. It will seek to generate returns from long term capital growth and income. The portfolio may exhibit medium levels of volatility over time.

#### Portfolio parameters

Feature	Description
<b>Name</b>	Valor Balanced Investment Option
<b>Investment Sub-Adviser</b>	Valor Asset Management
<b>Investment Management Fee</b>	0.65%
<b>Indirect Cost Ratio</b>	0.03% p.a.
<b>Investment universe</b>	Securities listed on the ASX and approved global exchanges, fixed income securities, REIT's, hybrids, infrastructure securities, managed funds, term deposits, derivatives (including Exchange Traded Options (ETOs) and Over The-Counter Options (OTCs, forwards and swaps) for risk management purposes only and Cash.
<b>Target return</b>	RBA cash rate + 4%
<b>Minimum number of investments</b>	1
<b>Maximum number of investments</b>	50
<b>Minimum cash weighting</b>	2%
<b>Maximum cash weighting</b>	100%
<b>Maximum single security weighting</b>	50%
<b>Rebalancing</b>	Investment Sub-Adviser discretion
<b>Minimum initial investment</b>	\$100,000
<b>Minimum additional investment</b>	\$20,000
<b>Minimum withdrawal</b>	\$10,000
<b>Minimum ongoing balance</b>	\$10,000
<b>Suggested investment timeframe</b>	5 years +

Asset class	Neutral*	Target
<b>Cash</b>	15%	0%-95%
<b>Bonds</b>	15%	0%-95%
<b>Equities (Domestic)</b>	25%	0%-70%
<b>Equities (International)</b>	35%	0%-70%
<b>Property</b>	5%	0%-70%
<b>Alternatives</b>	5%	0%-60%



### 3.7 Valor Assertive Investment Option

#### Portfolio objective

The portfolio will invest a blend of growth and income assets. The primary exposure will be to growth assets, and as such is designed with the aim of delivering long term capital growth over time, with a small amount of income. The portfolio may exhibit medium to high levels of volatility over time.

#### Portfolio parameters

Feature	Description
<b>Name</b>	Valor Assertive Investment Option
<b>Investment Sub-Adviser</b>	Valor Asset Management
<b>Investment Management Fee</b>	0.65%
<b>Indirect Cost Ratio</b>	0.01% p.a.
<b>Investment universe</b>	Securities listed on the ASX and approved global exchanges, fixed income securities, REITs, hybrids, infrastructure securities, managed funds, term deposits, derivatives (including Exchange Traded Options (ETOs) and Over-The-Counter Options (OTCs, forwards and swaps) for risk management purposes only and Cash.
<b>Target return</b>	RBA cash rate + 4.5%
<b>Minimum number of investments</b>	1
<b>Maximum number of investments</b>	50
<b>Minimum cash weighting</b>	2%
<b>Maximum cash weighting</b>	100%
<b>Maximum single security weighting</b>	50%
<b>Rebalancing</b>	Investment Sub-Adviser discretion
<b>Minimum initial investment</b>	\$100,000
<b>Minimum additional investment</b>	\$20,000
<b>Minimum withdrawal</b>	\$10,000
<b>Minimum ongoing balance</b>	\$10,000
<b>Suggested investment timeframe</b>	6 years +

Asset class	Neutral*	Target
Cash	10%	0%-95%
Bonds	5%	0%-95%
Equities (Domestic)	30%	0%-85%
Equities (International)	45%	0%-85%
Property	5%	0%-85%
Alternatives	5%	0%-65%



### 3.8 Valor Growth Investment Option

#### Portfolio objective

The portfolio will invest almost exclusively in growth assets, with an ability to hold income assets as market circumstances dictate. It will seek to generate long term capital growth and income. The portfolio may exhibit high levels of volatility over time.

#### Portfolio parameters

Feature	Description
<b>Name</b>	Valor Growth Investment Option
<b>Investment Sub-Adviser</b>	Valor Asset Management
<b>Investment Management Fee</b>	0.65%
<b>Indirect Cost Ratio (ICR)</b>	Nil
<b>Investment universe</b>	Securities listed on the ASX and approved global exchanges, fixed income securities, REITs, hybrids, infrastructure securities, managed funds, term deposits, derivatives (including Exchange Traded Options (ETOs) and Over-The-Counter Options (OTCs, forwards and swaps) for risk management purposes only and Cash.
<b>Target return</b>	RBA cash rate + 5%
<b>Minimum number of investments</b>	1
<b>Maximum number of investments</b>	50
<b>Minimum cash weighting</b>	2%
<b>Maximum cash weighting</b>	100%
<b>Maximum single security weighting</b>	50%
<b>Rebalancing</b>	Investment Sub-Adviser discretion
<b>Minimum initial investment</b>	\$100,000
<b>Minimum additional investment</b>	\$20,000
<b>Minimum withdrawal</b>	\$10,000
<b>Minimum ongoing balance</b>	\$10,000
<b>Suggested investment timeframe</b>	7 years +

Asset class	Neutral*	Target
<b>Cash</b>	5%	0%-95%
<b>Bonds</b>	0%	0%-95%
<b>Equities (Domestic)</b>	35%	0%-98%
<b>Equities (International)</b>	50%	0%-98%
<b>Property</b>	5%	0%-98%
<b>Alternatives</b>	5%	0%-75%



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 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 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.

