

Aoris Managed Portfolio Disclosure Document



Managed Portfolio Disclosure Document issuer:

Diversa Trustees Limited (Trustee)
ABN 49 006 421638, AFSL 235153,
RSE Licence No L0000635,
in its capacity as Trustee of
Mason Stevens Super (Fund),
an APRA-regulated fund
ABN 34 422 545 198

Date Issued: May 2024

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Mason Stevens Asset Management Pty Ltd
ABN 92 141 447 654 (MSAM) as the
investment manager of the Portfolios has
appointed Aoris Investment Management Pty
Ltd, ABN 11 621 586 552, AFSL 507281 as
Portfolio Manager on the Managed Portfolios
outlined in this Managed Portfolio Disclosure
Document.

AORIS

Important Information

This document contains important information about the Schrodgers Managed Portfolios and is incorporated by reference into the Mason Stevens Super Product Disclosure Statement (**PDS**). It should be read in conjunction with the Mason Stevens Super Additional Information Guide. These documents are available from your financial adviser or masonstevens.com.au/super

As at the date of issue the information contained in this document and the PDS is correct under superannuation laws and regulations which may change from time to time. In the event of a material change to information in this document or the PDS the Trustee will notify existing members either via the website or in writing within the time frames required by law. Updated information is available online at masonstevens.com.au/super

The information contained in this document and the associated PDS is general information only and has been prepared without taking into consideration your investment objectives, circumstances, or your personal financial situation or needs. This document is not intended to be and should not be construed in any way as investment, legal, taxation or financial advice. Before acting on the information in this document you should consider seeking financial advice tailored to your own objectives, circumstances, financial situation and needs.

The Trustee may change the terms and conditions of the Fund as permitted under the Trust Deed. The Trustee may also add, change or close any investment choice or insurance option and this may include making changes to asset allocations, benchmarks and investment strategies without prior notice to you.

The Trustee is required to disclose certain Trustee and Fund information and documentation on its website (diversa.com.au/trustee), including but not limited to the trust deed, the PDS, the most recent annual report and the names of each material outsourced service provider to the Fund.

All 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. An investment in the Fund is neither a deposit nor liability of Mason Stevens Group of companies, Mason Stevens or the Trustee or any of their associated entities. Fund members and their financial advisers can access account and investment information, as well as make transactions through Mason Stevens' secure online portal. Mason Stevens Asset Management (MSAM) is the investment manager of the Fund. Mason Stevens Limited ABN 91 141 447 207 AFSL 351578 is the Sponsor and Promoter of the Fund, and also the custodian of all Fund assets and has appointed Citibank N.A. New York and Citigroup Pty Limited as primary sub-custodian. FNZ Australia Limited ABN 67 138 819 119 (Administrator) is the administrator of the Fund.

Contact Details

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Portfolio Parameters

Aoris International Portfolio

Feature	Description								
Portfolio Name	Aoris International Portfolio								
Investment Sub-Advisor	Aoris Investment Management								
Inception Date	May 2024								
Holding Limit	Up to 20% of your portfolio (members are required to maintain their minimum cash balance as stated in the Mason Stevens Super Additional Information Guide).								
Investment objective	To achieve an investment return of 8–12% per annum after deducting fees throughout a market cycle spanning 5–7 years.								
Investment Strategy and Approach	<p>The Aoris International Portfolio is a high conviction portfolio of profitable businesses that grow in value over time with high returns on capital, conservative balance sheets and judicious management. The Aoris investment approach places importance on avoiding the disaster zone or bottom 20% of the equity market. For this reason, the strategy avoids many areas and sectors of the market that are cyclical in nature (Financials, Mining companies, Utilities etc).</p> <p>Aoris believes that avoiding big losers has a more powerful impact on investment returns than the typical approach of seeking out the big winners. Aoris seeks diversification by owning a small number of quality businesses that serve many different end markets. Aoris also integrates ESG considerations into its process.</p>								
Benchmark Return	MSCI AC World Accumulation Index ex Aust (AUD)								
Minimum number of securities	10								
Maximum number of securities	15								
Asset allocation	<table border="1"> <thead> <tr> <th>Allocation range</th> <th>Target Weight</th> </tr> </thead> <tbody> <tr> <td>Australian Equities</td> <td>90% - 98%</td> </tr> <tr> <td>Cash (minimum 2% cash)</td> <td>2% - 10%</td> </tr> <tr> <td></td> <td>2%</td> </tr> </tbody> </table>	Allocation range	Target Weight	Australian Equities	90% - 98%	Cash (minimum 2% cash)	2% - 10%		2%
Allocation range	Target Weight								
Australian Equities	90% - 98%								
Cash (minimum 2% cash)	2% - 10%								
	2%								
Investment universe	International Equities and Cash								
Maximum single security or fund weighting	10%								
Minimum suggested timeframe	5-7 years								
Minimum initial investment \$	\$20,000								
Minimum additional investment \$	\$10,000								
Minimum withdrawal	\$10,000								
Rebalance frequency	Sub-adviser discretion								
Investment manager fee	1.1%								
Indirect Cost Ratio	Nil								
Performance fee	Nil								
SRM	7								



About the relevant parties

Aoris Investment management

Established in 2017, Aoris Investment management is a global equity boutique known for its unique approach as both a business and an investment firm. They emphasize simplicity, focus, and specialization, committing to a single investment strategy executed with excellence. This deliberate and unconventional approach is designed to ensure long-term investment success for their clients.

Investment Committee

Stephen Arnold – Managed Director and CIO

Stephen is a highly experienced international investor with 29 years of experience in offshore markets. Before establishing Aoris Investment Management in 2017, he served as Head of International Equities at Evans & Partners, managing \$1 billion in client assets. During his tenure, he consistently delivered top decile investment returns. Prior to this, Stephen held senior positions at Goldman Sachs Asset Management in London, overseeing a \$5 billion global equity portfolio. He also gained experience at Platinum Asset Management and Bankers Trust Australia earlier in his career. Stephen holds a Bachelor of Business from UTS and is a CFA charterholder.

Alfred Tadros – Portfolio Manager

Alfred has been investing and managing portfolios in global equity markets for over 14 years. His journey began at Portland House Group in London, where he co-managed a concentrated, quality-focused portfolio for nearly 13 years. Before delving into investing, Alfred held positions in strategy consulting, corporate finance, and institutional banking for a decade. Upon returning to Australia, he served as a senior global equities analyst for JBWere, specialising in global technology and consumer companies. Alfred holds a Master of Commerce from the University of New South Wales and a Bachelor of Economics from the University of Sydney. He became a CFA charterholder in 2001.

Delian Entchev – Portfolio Manager

Delian is a seasoned equity analyst with over ten years of experience analysing equities. He started his career at UBS, focusing on Australian building materials and utilities. Later, he joined Watermark Funds Management, where he covered various sectors in a long/short strategy. Most recently, Delian served as a generalist investment analyst for the Hayberry Global Fund. He holds a Bachelor of Commerce degree with majors in finance and accounting from the University of New South Wales, and he also studied at the Wharton School of the University of Pennsylvania.

Investment Philosophy

Investment Philosophy

Aoris' investment philosophy is conservative, fundamental, and evidence-based, prioritising loss avoidance over seeking high-risk "home runs." Unlike conventional equity investors who often prioritise expected growth, Aoris places a greater emphasis on risk, considering it an expression of quality.

Investment Process

Investment Universe

Aoris' authorised universe of investable securities are all global equities outside of Australia.

Liquidity

As a first step Aoris considers liquidity, and as such exclude stocks that have an average daily trading value of less than AUD20 million, which generally correlates with companies with a market capitalisation of less than AUD3 billion.

Industry exclusions

Aoris then excludes several industries based on key investment criteria:

1. Banks and insurance companies: Avoided due to inherent leverage, opacity, cyclicity, and regulatory constraints.
2. Energy and mining companies: Excluded for their cyclical nature, poor return on capital, and dependence on commodity prices.
3. Utilities and telecommunication companies: Skipped due to heavy regulation, large workforces, and pension obligations.
4. Healthcare companies subject to government regulation: Avoided because of regulatory uncertainty and the influence of government purchasing power.

Excluding these sectors allows Aoris to focus on industries that align better with their investment philosophy and criteria.



Key dimensions

Aoris then screens for 3 key dimensions

1. **Profitability:** Aoris seeks businesses with consistent value growth, demonstrated by earning returns on invested capital exceeding their cost of capital. These businesses should have the ability to reinvest generated cash for attractive returns, emphasising durability and resilience, even during economic downturns.
2. **Capital structure strength:** Aoris avoids businesses with significant financial leverage to mitigate potential problems that could arise during periods of stress. Aoris aims for capital structures resilient to financial strain, ensuring shareholder capital remains intact and critical investments are sustained.
3. **Management capital allocation:** Aoris prioritises management's role as custodians of shareholder capital. Rather than specific decisions like dividend payments or acquisitions, Aoris focuses on management's mindset, discipline, and track record in achieving favourable returns and avoiding actions that erode shareholder wealth.

Portfolio Construction

Qualitative research

Aoris's methodology entails conducting independent, primary research. This includes developing financial models using source documents such as annual reports and 10Ks, spanning a minimum of ten years of historical data. Aoris thoroughly examines company annual reports, transcripts of analyst presentations, and earnings calls.

Aoris conducts initial and in-depth research on companies to develop a focus list consisting of A-List, B-List, and the final portfolio. This list undergoes regular updates annually.

Aoris' research efforts are aimed at understanding a company's competitive strengths, particularly in generating attractive returns on invested capital, and assessing the sustainability of these competitive advantages. Factors considered include:

- Market share within relevant markets
- Pricing power
- Distribution channels and customer engagement
- Customer and employee retention
- Product differentiation

Aoris not only evaluates the size of the competitive "moat" but also its trajectory. Aoris seeks to invest in companies with large and durable moats that are strengthening over time, avoiding those with diminishing competitive advantages.

Buy/Sell discipline

New additions to the portfolio must originate from the A-list, meeting all quality criteria, and have been closely monitored for a significant duration. Initial investment occurs when the company's stock trades at a discount to intrinsic or fair value, typically at an initial size of 4%.

Aoris decreases a stock's portfolio weight as the discount to intrinsic value diminishes, removing it entirely when the discount approaches zero. Alternatively, Aoris may sell if they reassess the company's quality/risk attributes and find them below our minimum thresholds. For example, if a company loses market share or experiences diminished pricing power, Aoris will sell regardless of valuation.

Decisions on portfolio changes are discussed at the investment committee (IC). A scheduled meeting will help prevent delay and inaction where changes are required, and any member of the IC is empowered to call an ad-hoc meeting. The IC will discuss and vote on all decisions to add or remove a stock from the Portfolio. All analysts who have been with Aoris for six or more months will be voting members of the IC. The PM's recommended course of action can be over-ruled if opposed by all other IC members.

Stock weights and turnover.

At Aoris, the primary factor guiding stock weights is the discount to our intrinsic value, where a larger discount corresponds to a higher weight in the portfolio. Additionally, Aoris considers the duration of our familiarity and analysis of a new stock, with shorter study periods resulting in lower weights assigned to the stock within the portfolio, all other factors being equal.

Aoris anticipates an annual portfolio turnover rate of approximately 30-40% per annum%. On average, Aoris intends to execute a trade for the portfolio once per month.



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 and max holding weights for individual securities at +/- 4%.

How the investment manager manages risk

The investment manager is unable to eliminate all investment risk, but does analyse, manage and aim to reduce the impact of risks by actively monitoring investment markets and portfolios and through the use of carefully considered investment guidelines.

Labour standards and environmental, social and ethical considerations

The Trustee does not take into account labour standards, environmental, social or ethical considerations when making the investments available. The approach in relation to any consideration of labour, environmental, social or ethical standards as part of the investment decision making process for the portfolio is left by the Trustee to the individual discretion of the investment manager. This investment strategy does not directly measure or incorporate labour, environmental, social or ethical standards as part of the investment decision-making process.

The investment manager is aware that these issues can influence social, business and investor outcomes. In certain circumstances they may consider these issues when making an investment decision. The investment manager's consideration of labour, environmental, social or ethical considerations are in its own right and not on behalf of the Trustee.

Execution of strategy

Mason Stevens Limited and its associated entities have been appointed by the Trustee to provide various services in relation to the Fund, including promoter, investment management and custody services. Mason Stevens and the Administrator are responsible for implementing the investment instructions of the investment manager by buying and selling assets, taking into consideration timing, trading costs (such as transaction fees and currency costs, if applicable) and the mandate of the portfolio. In certain circumstances Mason Stevens has the right to vary the Investment Option. By investing in this Investment Option, you instruct Mason Stevens and the Administrator to buy and sell assets on your behalf through the Investment Option as advised by the investment manager.

Risks

Before you consider investing in this portfolio, it's important you understand the risks that can affect your investments. A summary of key risks is in the PDS.

See the 'Risks' section in the PDS. Please note this is not an exhaustive list of all the risks. The risks relevant to this portfolio reflect the underlying investments. For information about risks regarding your personal situation, please speak to your adviser.

Trade notifications

When the investment manager trades, or rebalances the portfolios, Mason Stevens (through the Service) may send you an advice notifying you of the trades being undertaken. This is called a trade notification. The rebalance and reallocation of Investment Options may occur regularly and you may receive a trade notification each time a rebalance or reallocation occurs.

