

Fidelity Australian Elite Opportunities 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: August 2021

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Mason Stevens Asset Management Pty Ltd
ABN 92 141 447 654 (MSAM) as the investment
manager of the Fund has appointed FIL
Investment Management (Australia) Limited
ABN 34 006 773 575 as Investment Sub Adviser
for the managed portfolios outlined in this
Investment Mandate.



Important Information

This document contains important information about the FIL Investment Management (Australia) Limited (FIMAL) 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 and the Mason Stevens Super Investment 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 National Australia Bank Limited ABN 12 004 044 937, AFSL 230686 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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About the Managed Portfolios

PORTFOLIO PARAMETERS

FIDELITY AUSTRALIAN ELITE OPPORTUNITIES MANAGED PORTFOLIO

Feature	Description
Portfolio Name	Fidelity Australian Elite Opportunities Managed Portfolio
Investment Sub-Advisor	FIL Investment Management (Australia) Limited
Inception Date	August 2021
Holding limit	Up to 50% 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 returns in excess of the S&P/ASX 200 Accumulation Index of at least 2% p.a over the suggested minimum investment time period of five to seven years.
Investment Strategy and Approach	The model invests in a diversified selection of around 20-35 companies listed on the ASX and selected based on the manager's view of strong management, strong competitive advantages and favourable industry dynamics. The manager focuses on mid-to-long term fundamentals and seeks attractive stock mispricing of all types, while aiming to avoid a strong style bias. The portfolio is intended to be largely industry neutral and is constructed with risk and return considerations focused at the stock level.
Benchmark Return	S&P/ASX 200 Accumulation Index
Target Return	S&P/ASX 200 Accumulation Index + 2%
Minimum number of securities	15
Maximum number of securities	35
Asset allocation	Allocation range Target Weight
Australian Equities	90% - 98% 95%
Cash (minimum 2% cash)	2% - 10% 5%
Investment universe	ASX listed securities and cash
Maximum single security or fund weighting	15%
Minimum suggested timeframe	5 – 7 years
Minimum initial investment \$	\$35,000
Minimum additional investment \$	\$10,000
Minimum redemption \$	\$10,000
Rebalance frequency	Investment Sub-Adviser discretion
Investment manager fee	0.65%
Indirect Cost Ratio	Nil
Performance fee	Nil
SRM	6 – High. The estimated likelihood of a negative return is 4 to less than 6 years in 20. The standard risk measure is a way of describing the level of risk of different investment options and provides a guide on the expected number of negative annual returns over any 20-year period. It does not consider all form of investment risk. Please refer to the Mason Stevens Investment Guide for more information about the standard risk measure.

About the relevant parties

About FIL Investment Management (Australia) Limited

FIL Limited is the ultimate holding company of the group that trades as “Fidelity International”.

FIL Limited is majority owned by senior employees and charities with founding family interests making up the balance. This means that we can maintain our independence and can invest for the long-term, while ensuring that the interests of our senior staff are very closely aligned with the interests of the company. We believe that this has significant benefits for our clients.

FIL Investment Management (Australia) Limited (FIMAL) is the investment sub-advisor for this portfolio. FIMAL is wholly owned by FIL Asia Holdings Pte Limited, which is wholly owned by FIL Limited.

Investment Process

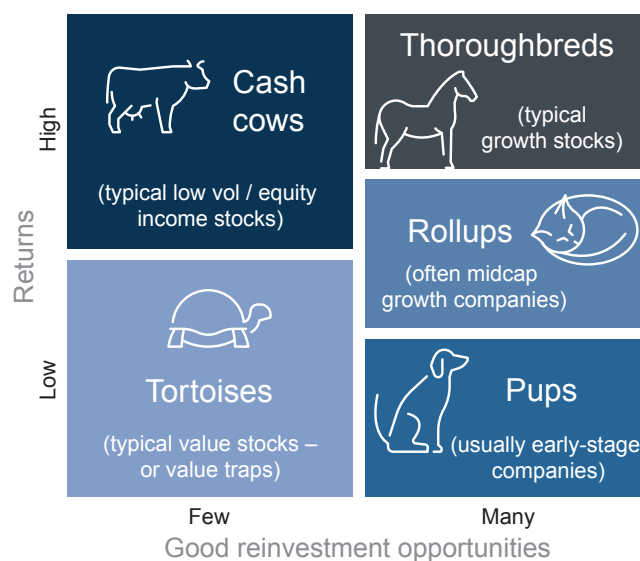
Idea Generation

The investment process begins with FIMAL Analysts’ company researching stocks in S&P ASX 300 Index as the investment universe. These analysts communicate with the wider research network of Fidelity investment professionals worldwide for a global perspective on a stock and provide investment recommendations without the restriction of a house style. This research coverage of about 200 stocks is the starting point. The analysts’ coverage will also point to other companies within the value chain which may prove to have investment merit. The portfolio manager makes a point of meeting with a very broad range of companies in order to build an understanding of the business models on offer and to identify any of interest.

While the portfolio manager is benchmark-aware, they are not restricted to investing only in those positions that are in the index. The portfolio is built through a bottom up security selection process that is focused on stock specific value creation. In doing so, the portfolio manager evaluates all investment opportunities that are available to them and can choose positions that are not in the benchmark. These may include off benchmark stocks and stocks that will be listing through an IPO process (Initial Public Offering).

Stock Selection

In assessing prospective holdings, the portfolio manager firmly believes that company microeconomics drive value creation, so the foundation for identifying a stock mispricing is to understand the economics of the business. Conceptually, company economics fall into five major types, depending on their returns and reinvestment profiles:



Source: Fidelity International, 2021.

The portfolio manager uses the analysts’ inputs and company meetings to determine for each stock’s its:

- » value creation trajectory, i.e. its returns profile and cash utilisation, and hence its broad “type”
- » balance sheet characteristics
- » management quality
- » ESG characteristics
- » valuation history
- » medium term mispricing, i.e. the gap between its current price and a future valuation plus expected dividend
- » any liquidity constraints
- » attractiveness relative to stocks of the same sector and type

Based on these inputs, the portfolio manager develops an investment thesis for the stock and will look to include into the portfolio stocks with a compelling thesis.

The portfolio manager will exit a position when the thesis is fully priced in, or if there is a change in the underlying thesis, and/or if there are better opportunities elsewhere in the market.

Portfolio Construction

The portfolio manager uses portfolio construction to put the portfolio in the ASX's sweet spot. Given the concentration within the Australian index, the optimal active money has historically been around 40-45%. Note that as the concentration of the index reduces the sweet spot migrates towards higher levels of active money. The strategy has taken advantage of this shift through time. If the concentration of the index continues to reduce, it is likely that the active money of the strategy can continue to increase through time. Most of that active positioning is kept within rather than across sectors by adopting industry-neutral positioning, focusing on the best investment options within each sector.

The portfolio manager will generally select between 20 - 35 stocks for the portfolio based on her assessment of risk and return. The positions are sized in such a way that the top 10 overweight holdings comprise around 50% of the strategy's active money.

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 Managed Portfolios may occur regularly and you may receive a trade notification each time a rebalance or reallocation occurs.

