

Mason Stevens Foundation ETF 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: October 2023

Contents

| | |
|------------------------------------|---|
| Important Information | 1 |
| About the Managed Portfolios | 2 |
| About the Investment Manager | 8 |

Mason Stevens has appointed Mason Stevens Asset Management (MSAM) as Investment Sub-Adviser on the Managed Portfolios outlined in this Managed Portfolio Disclosure Document.

Important Information

This document contains important information about the Mason Stevens ETF 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 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

Mason Stevens Super
PO Box R1237
Royal Exchange NSW 1225
T: 1300 491 766
E: admin@mssuper.com.au
W: masonstevens.com.au

Diversa Trustees Limited
GPO Box 3001
Melbourne VIC 3001



About the Managed Portfolios

Mason Stevens Foundation ETF Conservative Managed Portfolios

| Feature | Description | | | | | | | | | | | | | | | | | | |
|---|---|------------------|--------|---------------------|----------|------------------------|----------|-------------------------|----------|----------------------------|-----------|--------------|----------|----------|----------|----------------|----------|------------------------|----------|
| Portfolio Name | Mason Stevens Foundation ETF Conservative Managed Portfolios | | | | | | | | | | | | | | | | | | |
| Investment Sub-Advisor | Mason Stevens Asset Management | | | | | | | | | | | | | | | | | | |
| Inception Date | September 2023 | | | | | | | | | | | | | | | | | | |
| Investment objective | Focus on capital preservation and reducing downside risk. | | | | | | | | | | | | | | | | | | |
| Holding limit | Up to 100% of your account (members are required to maintain their minimum cash balance as stated in the Mason Stevens Super Additional Information Guide). | | | | | | | | | | | | | | | | | | |
| Investment Strategy and Approach | To achieve the stated investment objective through diversified exposure to a mix growth and defensive assets. | | | | | | | | | | | | | | | | | | |
| Benchmark Return | RBA Cash Rate + 2% | | | | | | | | | | | | | | | | | | |
| Target Return | RBA Cash Rate + 2% | | | | | | | | | | | | | | | | | | |
| Minimum number of securities | 5 | | | | | | | | | | | | | | | | | | |
| Maximum number of securities | 30 | | | | | | | | | | | | | | | | | | |
| Asset Allocation | <table><tr><th>Allocation range</th><th>Target</th></tr><tr><td>Australian Equities</td><td>8% - 38%</td></tr><tr><td>International Equities</td><td>2% - 32%</td></tr><tr><td>Australian Fixed Income</td><td>9% - 39%</td></tr><tr><td>International Fixed Income</td><td>19% - 49%</td></tr><tr><td>Alternatives</td><td>0% - 10%</td></tr><tr><td>Property</td><td>0% - 15%</td></tr><tr><td>Infrastructure</td><td>0% - 15%</td></tr><tr><td>Cash (minimum 2% cash)</td><td>2% - 35%</td></tr></table> | Allocation range | Target | Australian Equities | 8% - 38% | International Equities | 2% - 32% | Australian Fixed Income | 9% - 39% | International Fixed Income | 19% - 49% | Alternatives | 0% - 10% | Property | 0% - 15% | Infrastructure | 0% - 15% | Cash (minimum 2% cash) | 2% - 35% |
| Allocation range | Target | | | | | | | | | | | | | | | | | | |
| Australian Equities | 8% - 38% | | | | | | | | | | | | | | | | | | |
| International Equities | 2% - 32% | | | | | | | | | | | | | | | | | | |
| Australian Fixed Income | 9% - 39% | | | | | | | | | | | | | | | | | | |
| International Fixed Income | 19% - 49% | | | | | | | | | | | | | | | | | | |
| Alternatives | 0% - 10% | | | | | | | | | | | | | | | | | | |
| Property | 0% - 15% | | | | | | | | | | | | | | | | | | |
| Infrastructure | 0% - 15% | | | | | | | | | | | | | | | | | | |
| Cash (minimum 2% cash) | 2% - 35% | | | | | | | | | | | | | | | | | | |
| Investment universe | ETFs, Listed Managed Funds, Cash | | | | | | | | | | | | | | | | | | |
| Maximum single security or fund weighting | 30% | | | | | | | | | | | | | | | | | | |
| Minimum suggested timeframe | 2 years+ | | | | | | | | | | | | | | | | | | |
| Minimum initial investment \$ | \$25,000 | | | | | | | | | | | | | | | | | | |
| Minimum additional investment \$ | \$10,000 | | | | | | | | | | | | | | | | | | |
| Minimum withdrawal | \$10,000 | | | | | | | | | | | | | | | | | | |
| Rebalance frequency | Investment Sub-Adviser discretion | | | | | | | | | | | | | | | | | | |
| Investment manager fee | 0.15% | | | | | | | | | | | | | | | | | | |
| Indirect Cost Ratio | 0.21% | | | | | | | | | | | | | | | | | | |

| Feature | Description |
|-----------------|---|
| Performance fee | Nil |
| SRM | <p>3 – Low to Medium.</p> <p>The estimated likelihood of a negative return is 1 to less than 2 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.</p> |



Mason Stevens Foundation ETF Balanced Managed Portfolios

| Feature | Description | | | | | | | | | | | | | | | | | | |
|---|--|------------------|--------|---------------------|-----------|------------------------|----------|-------------------------|----------|----------------------------|----------|--------------|----------|----------|----------|----------------|----------|------------------------|----------|
| Portfolio Name | Mason Stevens Foundation ETF Balanced Managed Portfolios | | | | | | | | | | | | | | | | | | |
| Investment Sub-Advisor | Mason Stevens Asset Management | | | | | | | | | | | | | | | | | | |
| Inception Date | September 2023 | | | | | | | | | | | | | | | | | | |
| Investment objective | Focus on capital growth potential. | | | | | | | | | | | | | | | | | | |
| Holding limit | Up to 100% of your account (members are required to maintain their minimum cash balance as stated in the Mason Stevens Super Additional Information Guide). | | | | | | | | | | | | | | | | | | |
| Investment Strategy and Approach | To achieve the stated investment objective through diversified exposure to a mix growth and defensive assets. | | | | | | | | | | | | | | | | | | |
| Benchmark Return | RBA Cash Rate + 2.5% | | | | | | | | | | | | | | | | | | |
| Target Return | RBA Cash Rate + 2.5% | | | | | | | | | | | | | | | | | | |
| Minimum number of securities | 5 | | | | | | | | | | | | | | | | | | |
| Maximum number of securities | 30 | | | | | | | | | | | | | | | | | | |
| Asset Allocation | <table> <tr> <th>Allocation range</th><th>Target</th></tr> <tr> <td>Australian Equities</td><td>12% - 42%</td></tr> <tr> <td>International Equities</td><td>8% - 38%</td></tr> <tr> <td>Australian Fixed Income</td><td>4% - 34%</td></tr> <tr> <td>International Fixed Income</td><td>4% - 34%</td></tr> <tr> <td>Alternatives</td><td>0% - 10%</td></tr> <tr> <td>Property</td><td>0% - 15%</td></tr> <tr> <td>Infrastructure</td><td>0% - 15%</td></tr> <tr> <td>Cash (minimum 2% cash)</td><td>2% - 17%</td></tr> </table> | Allocation range | Target | Australian Equities | 12% - 42% | International Equities | 8% - 38% | Australian Fixed Income | 4% - 34% | International Fixed Income | 4% - 34% | Alternatives | 0% - 10% | Property | 0% - 15% | Infrastructure | 0% - 15% | Cash (minimum 2% cash) | 2% - 17% |
| Allocation range | Target | | | | | | | | | | | | | | | | | | |
| Australian Equities | 12% - 42% | | | | | | | | | | | | | | | | | | |
| International Equities | 8% - 38% | | | | | | | | | | | | | | | | | | |
| Australian Fixed Income | 4% - 34% | | | | | | | | | | | | | | | | | | |
| International Fixed Income | 4% - 34% | | | | | | | | | | | | | | | | | | |
| Alternatives | 0% - 10% | | | | | | | | | | | | | | | | | | |
| Property | 0% - 15% | | | | | | | | | | | | | | | | | | |
| Infrastructure | 0% - 15% | | | | | | | | | | | | | | | | | | |
| Cash (minimum 2% cash) | 2% - 17% | | | | | | | | | | | | | | | | | | |
| Investment universe | ETFs, Listed Managed Funds, Cash | | | | | | | | | | | | | | | | | | |
| Maximum single security or fund weighting | 30% | | | | | | | | | | | | | | | | | | |
| Minimum suggested timeframe | 3 years+ | | | | | | | | | | | | | | | | | | |
| Minimum initial investment \$ | \$25,000 | | | | | | | | | | | | | | | | | | |
| Minimum additional investment \$ | \$10,000 | | | | | | | | | | | | | | | | | | |
| Minimum withdrawal | \$10,000 | | | | | | | | | | | | | | | | | | |
| Rebalance frequency | Investment Sub-Adviser discretion | | | | | | | | | | | | | | | | | | |
| Investment manager fee | 0.15% | | | | | | | | | | | | | | | | | | |
| Indirect Cost Ratio | 0.24% | | | | | | | | | | | | | | | | | | |



| Feature | Description |
|-----------------|---|
| Performance fee | Nil |
| SRM | <p>5 – Low to Medium.</p> <p>The estimated likelihood of a negative return is 3 to less than 4 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.</p> |



Mason Stevens Foundation ETF Growth Managed Portfolios

| Feature | Description | | | | | | | | | | | | | | | | | | |
|---|--|------------------|--------|---------------------|-----------|------------------------|-----------|-------------------------|----------|----------------------------|----------|--------------|----------|----------|----------|----------------|----------|------------------------|----------|
| Portfolio Name | Mason Stevens Foundation ETF Growth Managed Portfolios | | | | | | | | | | | | | | | | | | |
| Investment Sub-Advisor | Mason Stevens Asset Management | | | | | | | | | | | | | | | | | | |
| Inception Date | September 2023 | | | | | | | | | | | | | | | | | | |
| Investment objective | Focus on capital growth with emphasis on identifying and taking advantage of emerging sector thematic. | | | | | | | | | | | | | | | | | | |
| Holding limit | Up to 100% of your account (members are required to maintain their minimum cash balance as stated in the Mason Stevens Super Additional Information Guide). | | | | | | | | | | | | | | | | | | |
| Investment Strategy and Approach | To achieve the stated investment objective through diversified exposure to a mix growth and defensive assets. | | | | | | | | | | | | | | | | | | |
| Benchmark Return | RBA Cash Rate + 3.5% | | | | | | | | | | | | | | | | | | |
| Target Return | RBA Cash Rate + 3.5% | | | | | | | | | | | | | | | | | | |
| Minimum number of securities | 5 | | | | | | | | | | | | | | | | | | |
| Maximum number of securities | 30 | | | | | | | | | | | | | | | | | | |
| Asset Allocation | <table><tr><th>Allocation range</th><th>Target</th></tr><tr><td>Australian Equities</td><td>24% - 54%</td></tr><tr><td>International Equities</td><td>16% - 46%</td></tr><tr><td>Australian Fixed Income</td><td>0% - 24%</td></tr><tr><td>International Fixed Income</td><td>0% - 24%</td></tr><tr><td>Alternatives</td><td>0% - 10%</td></tr><tr><td>Property</td><td>0% - 15%</td></tr><tr><td>Infrastructure</td><td>0% - 15%</td></tr><tr><td>Cash (minimum 2% cash)</td><td>2% - 17%</td></tr></table> | Allocation range | Target | Australian Equities | 24% - 54% | International Equities | 16% - 46% | Australian Fixed Income | 0% - 24% | International Fixed Income | 0% - 24% | Alternatives | 0% - 10% | Property | 0% - 15% | Infrastructure | 0% - 15% | Cash (minimum 2% cash) | 2% - 17% |
| Allocation range | Target | | | | | | | | | | | | | | | | | | |
| Australian Equities | 24% - 54% | | | | | | | | | | | | | | | | | | |
| International Equities | 16% - 46% | | | | | | | | | | | | | | | | | | |
| Australian Fixed Income | 0% - 24% | | | | | | | | | | | | | | | | | | |
| International Fixed Income | 0% - 24% | | | | | | | | | | | | | | | | | | |
| Alternatives | 0% - 10% | | | | | | | | | | | | | | | | | | |
| Property | 0% - 15% | | | | | | | | | | | | | | | | | | |
| Infrastructure | 0% - 15% | | | | | | | | | | | | | | | | | | |
| Cash (minimum 2% cash) | 2% - 17% | | | | | | | | | | | | | | | | | | |
| Investment universe | ETFs, Listed Managed Funds, Cash | | | | | | | | | | | | | | | | | | |
| Maximum single security or fund weighting | 30% | | | | | | | | | | | | | | | | | | |
| Minimum suggested timeframe | 3-5 years+ | | | | | | | | | | | | | | | | | | |
| Minimum initial investment \$ | \$25,000 | | | | | | | | | | | | | | | | | | |
| Minimum additional investment \$ | \$10,000 | | | | | | | | | | | | | | | | | | |
| Minimum withdrawal | \$10,000 | | | | | | | | | | | | | | | | | | |
| Rebalance frequency | Investment Sub-Adviser discretion | | | | | | | | | | | | | | | | | | |
| Investment manager fee | 0.15% | | | | | | | | | | | | | | | | | | |
| Indirect Cost Ratio | 0.25% | | | | | | | | | | | | | | | | | | |



| Feature | Description |
|-----------------|--|
| Performance fee | Nil |
| SRM | <p>6 – High.</p> <p>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.</p> |



About the investment manager and portfolio manager

Mason Stevens Asset Management

MSAM is the investment management arm of the Mason Stevens Group. MSAM was established to provide investors with the opportunity to access professionally managed investment strategies and funds that are typically reserved for institutions and professional investors.

MSAM works with a range of clients including financial advisers, financial intermediaries, family offices and selected wholesale investors in the delivery of tailored investment solutions.

MSAM's management team has many years of senior management and transactional experience in the banking, finance and investment sectors, spanning multiple business cycles and across a range of asset classes, combined with a track record of successfully managing their own wealth.

Investment Philosophy

The investment philosophy for the strategy is founded on the following principles:

- » Evidence-based Decision Making: Utilise a rigorous, data-driven, and systematic approach to identify and evaluate investment opportunities across asset classes, geographies, and industries. Seeking to limit behavioural biases in decision making to increase the likelihood of success.
- » Diversification: Diversifying investments across private and public markets, geographies, and asset classes remains a constant in high quality portfolio construction. Ensuring true diversification on a lookthrough basis is a specific focus in their portfolio analytics.
- » Wisdom of Crowds: MSAM believe that a combination of multiple, educated, and independent judgments is more accurate than using a single, individual expert. This is not to advocate for following the crowd, but rather that getting a diversity of high-quality views will statistically reduce their risk of forecast error.
- » Active and Passive Management: MSAM believe both active and passive managers can play a significant role in how they implement portfolios. They will only use active managers where they have been able to identify a manager's clear competitive advantage and evidence of the ability to produce superior riskadjusted alpha over time.
- » Portfolio construction and risk management: MSAM use a modular approach when constructing portfolios. Risk management principles are embedded in all aspects of active management. The investment process starts with a robust Strategic Asset Allocation construction methodology utilising MSAM's Wisdom of Crowds approach in deriving MSAM's Capital Market Assumptions (CMA). This continues with a robust Dynamic Asset Allocation process which considers the state of the business cycle, valuation, and sentiment/technical indicators.

Within asset classes, MSAM's manager selection process involves proprietary quantitative and qualitative assessments for each candidate investment opportunity. Finally, MSAM's portfolios are carefully structured to ensure diversification and consistency with the probabilities associated with their macro-economic outlook.

- » Responsible Investing: MSAM believe it is important to consider Environmental, Social, and Governance (ESG) factors as key components of the investment process, through the lens of risk management. Where an ESG approach maintains a high degree of diversification, it has been shown to reduce risk and enhance returns over the longer term.

Investment process

a) Strategic Asset Allocation

The SAA process has been built by MSAM, and begins with the formulation of Capital Market Assumptions which are then used to develop the long-term SAA weights.

A Wisdom of Crowds approach is taken to generate expected return and volatility forecasts. MSAM will leverage the following external providers to obtain their capital market assumptions which will form a basis for MSAM's SAA model, the list of asset managers is not exhaustive:

- » Lasec
- » Blackrock
- » JP Morgan Asset Management
- » AQR
- » Callan
- » PGIM
- » Northern Trust
- » State Street
- » Invesco

The forecasts of the external providers are combined by taking the median of the forecast values. This is done for both the expected returns and the volatilities. For asset correlations MSAM use long-run (10-year) estimates sourced from Lasec.

The SAA portfolio construction process uses a constrained mean-variance optimisation model to produce model portfolio weights across the range of available asset classes. The objective of the portfolio construction process is to produce a portfolio with a maximised return/ risk trade-off, subject to a set of constraints including a global constraint defining how much of the model portfolio exposure is allocated to growth assets and asset class constraints that provide a lower bound for cash, and the ratio of Australian to International Fixed Income exposure.



The complete list of constraints is:

- » Exposures must add to 100% (no leverage).
- » No short selling (long-only portfolio).
- » Growth asset exposure constrained (progressively) from 0% to 98% of the model portfolio. This produces an efficient frontier of models that can be mapped to various risk appetites
- » Individual asset class minimum weight constraints are included in the model construction process to ensure final models are investable, e.g., the minimum exposure to Cash equals 2% of each portfolio, and for models with allocations to growth assets of 50% and above, MSAM set a minimum exposure of 5% to Infrastructure and Property. For the Fixed Income assets, MSAM set a constraint that ensures Australian Fixed Income assets represent a minimum of 40% of the exposure to Fixed Income assets overall. The construction process generates the following efficient frontier.

b) Dynamic Asset Allocation

MSAM's Dynamic Asset Allocation process is utilised when returns and/or risk in markets or a particular asset class are materially different than long-run expectations. These shorter-term views are typically expected to play out over a 6-month – 2-year time horizon. The key pillars of our DAA process are:

- » Market Regime: The direction of both inflation and growth have a material influence on how asset classes and sectors perform over the short-medium term. In identifying which inflation and growth regime the market is moving into MSAM look to increase/decrease the overall growth/defensive allocation as well as exposures to particular asset classes.
- » Valuation: Identifying extremes in valuations further refines MSAM's asset allocation. Considering a range of valuations metrics from both a relative and absolute level informs overweight and underweight positioning.
- » Technicals and Sentiment: MSAM consider a range of technical and sentiment indicators to better understand short-term market dynamics and precision with their trade implementation.
- » Ongoing Review: All DAA positions are reviewed weekly by the Investment Management team and formally monthly via MSAM's Investment Committee.

c) Manager Selection

The manager selection process seeks to identify high quality active managers with strong track records of alpha generation and/or risk mitigation. This process also looks to identify suitable ETF managers to help implement the best investment outcome possible.

Due diligence process for manager selection will have 3 main components:

1. External research house screen
2. Quant screen for performance and risk metrics
3. Manager meeting:
Managers will receive an aggregated score based on these 3 main components which will be used to determine whether the MSAM will buy, sell or hold. Any manager that is put forward for consideration to be added into the portfolio will need to be agreed upon by the MSAM Investment Committee. A full research note will be prepared and presented to the MSAM Investment Committee when this occurs.

d) Portfolio construction

Within each asset class the investment goal is to maximise risk-adjusted return against the relevant benchmark. For each investment that will be considered for addition into the portfolio, MSAM will produce forecasted return and volatility figures, which will then be used as inputs into the optimisation process to arrive at the final portfolio weights.

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 Options. 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.

