Mason Stevens ETF Managed Portfolios Investment Mandate

as advised by State Street Global Advisors (SSGA)

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

Investment Sub-Adviser:
Mason Stevens Asset Management Pty Limited
ABN 92 141 447 654

Date Issued: November 2020

Mason Stevens Asset Management Pty Limited as Investment Sub-Adviser is advised by State Street Global Advisors.

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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. Mason Stevens has appointed Mason Stevens Asset Management Pty Limited (**MSAM**) ABN 92 141 447 654, as Investment Sub-Adviser on the Managed Portfolio outlined in this document. MSAM is a Corporate Authorised Representative (CAR 461312) of Mason Stevens and is advised by State Street Global Advisors, Australia, Limited ABN 42 003 914 225 (State Street Global Advisors, SSGA).

In this document, **MDA** refers to a Managed Account provided by Mason Stevens which follows the investment strategy and parameters of the Managed Portfolio 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 Managed Portfolio 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, MSAM, SSGA 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, none of Mason Stevens, MSAM or SSGA has control over that data and nor do they accept any responsibility for verifying or updating that data. Mason Stevens, MSAM, SSGA and their respective directors, officers, employees and associates may from time to time hold interests in investments of, or earn fees and other benefits from, corporations or investment vehicles which may be held in your Managed Portfolio.

MSAM and SSGA consent to statements in this document attributable to them or referring to them, and have not withdrawn their consent. MSAM and SSGA 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**. 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 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 as well as the risks of investing. It is available at **masonstevens.com.au/investorguide**. If you are unable to access the online information, your adviser or Mason Stevens can provide the information free of charge.

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About Mason Stevens Asset Management 1

1.1 About Mason Stevens Asset Management

Mason Stevens has appointed Mason Stevens Asset Management (MSAM) as the Investment Sub-Adviser of the Mason Stevens ETF Managed Portfolios. MSAM will manage the portfolios and is advised by State Street Global Advisors (SSGA).

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.

For further information on the MSAM investment management team, please refer to masonstevens.com.au.

Investment Team

The following members of the MSAM investment team are responsible for advising Mason Stevens on the management of the Managed Portfolio:

VINCENT HUA
Chief Investment Officer (CIO)

Vincent is an experienced trading and portfolio manager with more than 25 years' experience in the Australian and Asian markets across rates, credit, FX, commodities and equities. He has held senior positions at several financial organisations including General Manager of Trading and Products at the Global Markets & Treasury division of the Commonwealth Bank of Australia, Head of Asset & Liability Management and Head of the Management Science Group at Westpac, Managing Director and Head of Liquid Market Trading for Lehman Brothers (Australia) and General Manager of Markets Division for Shinsei Bank in Tokyo, Japan.

Vincent is a Fellow of the Institute of Actuaries of Australia. He holds a Bachelor of Economics (Macquarie) and a Master of Economics (Macquarie).

1.2 Adviser to the Investment Team

ABOUT STATE STREET GLOBAL ADVISORS

Our clients are the world's governments, institututions and financial advisors. To help them achieve their financial goals we live our guiding principles each and every day:

- Start with rigor
- Build from breadth
- Invest as stewards
- Invent the future

For four decades, these principles have helped us be the quiet power in a tumultuous investing world. Helping mllions of people secure their financial futures. This takes each of our employees in 28 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's third-largest asset manager with US $3.05 trillion under our care. This figure is presented as of 30 September 2020 and includes approximately $80.51 billion USD of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

BENJAMIN REGNAT
Senior Portfolio Manager, State Street Global Advisors

Benjamin Regnat is a senior portfolio manager in State Street Global Advisors' Investment Solutions Group. Benjamin joined SS GA France in 2005 and moved to SSGA Australia in February 2017. He has been managing multi asset class portfolios and advising clients on long term strategic asset allocation including Liability Driven Investing. He has developed specific expertise on exposure and overlay management solutions and is involved in the construction of derivative and physical based portfolios to address client needs ranging from cash equitization to customized rebalancing and downside risk protection. In addition, he is also part of the Currency asset class team within the ISG Group Tactical Asset Allocation framework and member of the Derivative Subject matter Expert group within the ISG Group.

He graduated in Financial Management (Masters in Management Science) at Paris IX Dauphine University and holds a Master of Finance from the Pantheon Assas University in Paris. He has been working in the industry since 2003.

INVESTMENT COMMITTEE

Mason Stevens has established an Investment Committee that operates under delegated authority of the Board of Mason Stevens Limited. The Investment Committee focuses on research, overall asset allocation, and relative value analysis and from time to time may prepare investment policy advice, using their skills and experience to cover all asset classes.

The Investment Team for the Managed Portfolio report to the Investment Committee on a periodic basis.

2.1 Managed Portfolio objective

The principal objective of the Mason Stevens ETF Managed Portfolios is to provide a portfolio that is highly diversified and low cost.

The portfolios each target an absolute return objective. With a focus on keeping costs low within the portfolios, the portfolios will be comprised of ETFs and Cash.

2.2 Investment philosphy

The portfolios are underpinned based on 3 core philosophies:

1. Strategic Asset Allocation (SAA) is the most important decision

SSGA believe long term portfolio returns are primarily a product of strategic asset allocation. Empirical studies conclude that the allocation policy explains over 90% of the variance in investment returns. The strategic asset allocation process aims to exploit broad market misevaluations that are identified by asset class forecasts. The aim is to construct well diversified portfolios. Benefits associated with a well-diversified portfolio include potential limits to volatility, as well as creating opportunities to enhance risk adjusted returns.

2. Smart beta

'Smart Beta' (also referred to as factor investing), is an industry label for systematic, non-market capitalisation weighted index investing. SSGA believe only in factors that have proven to be persistent (since initial discovery), are pervasive (across different time periods and geographic regions), are robust (to various definitions) and are intuitive (logical explanations for their existence). This approach allows investors to make active decisions by investing in well understood sources of excess return or volatility management, while leveraging the strengths of traditional indexing such as transparency and cost-efficient implementation.

3. Low Cost

The strategies are conscious of expenses and its implication on the portfolio performance. Based on research, over-diversification along with high levels of turnover could lead to an expensive portfolio that erodes into performance. This fee/cost conscious approach may help control the portfolio expenses, and thus offer a direct, positive impact to a portfolio's bottom line in the form of improved returns.

2.3 Portfolio construction

The portfolio construction process is driven by the SAA process. The SAA process utilizes asset class forecasts to establish a diversified, forward looking SAA.

The SAA objective is to exploit broad market misevaluations that are identified in the long term asset class forecasts. The strategic benchmark and asset allocation methodology promote adherence to the portfolio objective. The methodology to construct the benchmark and asset allocation is completed via the following 6 steps:

1. Set the objective and parameters.
2. Forecasting returns for each asset class to aid the SAA process. This involves utlilsing forward looking estimates for return, risk and correlation to provide a realistic expectation for how each portfolio should behave.
3. Achieving proper diversification through understanding asset class correlations. Each asset class is reviewed based on its historical and forward looking correlations, and the dynamic nature of those correlations. Selected asset classes show stable, low and negative correlations to provide "true" diversification in stressed environments.
4. Optimisation of the portfolios through statistical analysis which aims to calculate a portfolio mix that offers the highest return for each level of risk.
5. Stress testing to understand how the portfolios will perform under a range of different stressed scenarios.
6. Security selection to choose investments that fit the investment strategy. The portfolios will typically hold 5-12 ETFs, and will usually hold 1 ETF per asset class.

2.4 Portfolio Parameters

Mason Stevens Moderate ETF Managed Portfolio

Feature	Description	
Portfolio name	Mason Stevens Moderate ETF Managed Portfolio	
Investment Sub-Adviser	Mason Stevens Asset Management	
Portfolio Manager	State Street Global Advisors	
Inception date	November 2020	
Investment objective	Seek to provide optimal capital efficiency over a long-term horizon. The portfolio is designed to generate a moderate amount of capital growth along with some income.	
Investment strategy and approach	Utilise long-term asset class returns, risk and correlation forecasts to identify an asset allocation that efficiently balances these factors to meet the investment objective of the portfolio.	
Benchmark return	Composite benchmark comprised of the following constituents:	
	Benchmark	**Weight**
	MSCI World Factor Mix A-SERIES Net Index	25%
	S&P/ASX 200 Index	25%
	FTSE Emerging Markets All Cap China A Inclusion Index	5%
	S&P/ASX Government Bond Index	15%
	Bloomberg AusBond Credit 0+ Year Index	15%
	S&P/ASX Bank Bill Index	15%
Target return	4% p.a.	
Indicative number of securities	5 - 12	
Asset allocation	**Allocation range**	**Target**
Australian shares	17.5% - 32.5%	25%
International shares	20% - 40%	30%
Australian fixed income	20% - 40%	30%
Cash	10% - 20%	15%
Investment universe	ETFs and Cash	
Maximum single security or fund weighting	40%	
Minimum suggested timeframe	3 – 5 years	
Minimum initial investment	$25,000	
Minimum additional investment	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Quarterly	
Investment manager fee	Nil	
Indirect Cost Ratio (ICR)	0.24%	
Performance fee	Nil	

Mason Stevens Balanced ETF Managed Portfolio

<table>
<tr><th>Feature</th><th colspan="2">Description</th></tr>
<tr><td>Portfolio name</td><td colspan="2">Mason Stevens Balanced ETF Managed Portfolio</td></tr>
<tr><td>Investment Sub-Adviser</td><td colspan="2">Mason Stevens Asset Management</td></tr>
<tr><td>Portfolio Manager</td><td colspan="2">State Street Global Advisors</td></tr>
<tr><td>Inception date</td><td colspan="2">November 2020</td></tr>
<tr><td>Investment objective</td><td colspan="2">Seek to provide optimal capital efficiency over a long-term horizon. The portfolio is designed with the aim of providing capital growth while taking a modest amount of risk.</td></tr>
<tr><td>Investment strategy and approach</td><td colspan="2">Utilise long-term asset class returns, risk and correlation forecasts to identify an asset allocation that efficiently balances these factors to meet the investment objective of the portfolio.</td></tr>
<tr><td rowspan="8">Benchmark return</td><td colspan="2">Composite benchmark comprised of the following constituents:</td></tr>
<tr><td>Benchmark</td><td>Weight</td></tr>
<tr><td>MSCI World Factor Mix A-SERIES Net Index</td><td>30%</td></tr>
<tr><td>S&P/ASX 200 Index</td><td>30%</td></tr>
<tr><td>FTSE Emerging Markets All Cap China A Inclusion Index</td><td>7.5%</td></tr>
<tr><td>S&P/ASX Government Bond Index</td><td>10%</td></tr>
<tr><td>Bloomberg AusBond Credit 0+ Year Index</td><td>10%</td></tr>
<tr><td>S&P/ASX Bank Bill Index</td><td>12.5%</td></tr>
<tr><td>Target return</td><td colspan="2">5% p.a.</td></tr>
<tr><td>Indicative number of securities</td><td colspan="2">5 – 12</td></tr>
<tr><td>Asset allocation</td><td>Allocation range</td><td>Target</td></tr>
<tr><td>Australian shares</td><td>20% - 40%</td><td>30%</td></tr>
<tr><td>International shares</td><td>25% - 50%</td><td>37.5%</td></tr>
<tr><td>Australian fixed income</td><td>10% - 30%</td><td>20%</td></tr>
<tr><td>Cash</td><td>6.25% - 18.75%</td><td>12.5%</td></tr>
<tr><td>Investment universe</td><td colspan="2">ETFs and Cash</td></tr>
<tr><td>Maximum single security or fund weighting</td><td colspan="2">40%</td></tr>
<tr><td>Minimum suggested timeframe</td><td colspan="2">3 – 5 years</td></tr>
<tr><td>Minimum initial investment</td><td colspan="2">$25,000</td></tr>
<tr><td>Minimum additional investment</td><td colspan="2">$10,000</td></tr>
<tr><td>Minimum withdrawal</td><td colspan="2">$10,000</td></tr>
<tr><td>Rebalance frequency</td><td colspan="2">Quarterly</td></tr>
<tr><td>Investment manager fee</td><td colspan="2">Nil</td></tr>
<tr><td>Indirect Cost Ratio (ICR)</td><td colspan="2">0.25%</td></tr>
<tr><td>Performance fee</td><td colspan="2">Nil</td></tr>
</table>

Mason Stevens Growth ETF Managed Portfolio

Feature	Description	
Portfolio name	Mason Stevens Growth ETF Managed Portfolio	
Investment Sub-Adviser	Mason Stevens Asset Management	
Portfolio Manager	State Street Global Advisors	
Inception date	November 2020	
Investment objective	Seek to provide optimal capital efficiency over a long-term horizon. The portfolio is designed to focus predominately on capital growth.	
Investment strategy and approach	Utilise long-term asset class returns, risk and correlation forecasts to identify an asset allocation that efficiently balances these factors to meet the investment objective of the portfolio.	
Benchmark return	Composite benchmark comprised of the following constituents:	
	Benchmark	**Weight**
	MSCI World Factor Mix A-SERIES Net Index	35%
	S&P/ASX 200 Index	35%
	FTSE Emerging Markets All Cap China A Inclusion Index	10%
	S&P/ASX Government Bond Index	5%
	Bloomberg AusBond Credit 0+ Year Index	10%
	S&P/ASX Bank Bill Index	5%
Target return	6% p.a.	
Indicative number of securities	5 – 12	
Asset allocation	**Allocation range**	**Target**
Australian shares	25% - 45%	35%
International shares	30% - 60%	45%
Australian fixed income	5% - 35%	15%
Cash	2% - 10%	5%
Investment universe	ETFs and Cash	
Maximum single security or fund weighting	40%	
Minimum suggested timeframe	5 years	
Minimum initial investment	$25,000	
Minimum additional investment	$10,000	
Minimum withdrawal	$10,000	
Rebalance frequency	Quarterly	
Investment manager fee	Nil	
Indirect Cost Ratio (ICR)	0.27%	
Performance fee	Nil	

Risks of investing 3

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 MDA. The risks of investing by following the strategy and parameters of the Managed Portfolios may include, but are not limited to, the following factors:

» Market risk – Unexpected conditions (i.e. economic, technological or political) can have a negative impact on the returns of all investments within a particular market. General movements in local and international stock markets, prevailing and anticipated economic conditions, investor sentiment, interest rates and exchange rates could all affect the value of listed securities and the investment returns.

» Company or security specific risk – Risks which could affect the value of a specific security, such as a fall in the profit performance of a company, may impact adversely on its share price and may also affect the interest rate it has to pay to borrow funds, which in turn, can affect the value of its debt securities.

» Currency risk – If the Managed Portfolio's investments in international assets are unhedged, a rise in the Australian dollar relative to other currencies will negatively impact investment values and returns. Currency markets can be extremely volatile and are subject to a range of unpredictable forces. It is not the Investment Sub-Adviser's intention to hedge the foreign currency exposure of the Managed Portfolio arising from investments in overseas markets.

» Interest rate risk – Changes in interest rates can influence the value and returns of investment in the Managed Portfolio.

» 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 its 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 Managed Portfolio may experience difficulty in realising its assets.

» Time horizon risk – There is no assurance that in any time period, particularly in the short term, a Managed Portfolio will achieve its investment objectives. Many of the underlying assets may be volatile particularly over the short term. The Managed Portfolio is suitable for long term investors and is not designed for short term investment.

» Income risk – The level of income generated on the Managed Portfolio's investments can fall as well as rise and the tax status of such income can change.

» Asset risk – Asset risk is the risk that a particular asset or asset class in which the Managed Portfolio invests may fall in value, which may have an impact on the value of the Managed Portfolio.

» Diversification/Concentration risk – If your Managed Portfolio is concentrated into one investment or sector, a fall in that investment or sector may have a significant adverse effect on your total MDA. 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 Managed Portfolio. The Managed Portfolio will have a relatively higher concentration over time of listed securities but it is not possible to advise in advance the levels of concentration or diversification of issuers, types of investments 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 following the Managed Portfolio 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 Managed Portfolio that differs substantially from an industry benchmark and hence your MDA which follows that Managed Portfolio might have investment returns which also differ substantially from industry benchmark returns.

» Third party risk – The MDA Provider uses information and services provided by third parties such as subcustodians and other service providers. Procedures are in place to address risks associated with outsourcing, such as having comprehensive service agreements with service providers. If a service provider advises of an error, it is corrected and if material, it will generally be communicated to you or your advisor (or both).

» Systems and technology risk – The MDA Provider relies on the integrity and reliability of the trading and administration systems used to manage your managed account. To minimise potential risks, established systems operated by experienced system providers are used. The system providers must have backup 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.