

Swell Global Managed Portfolio

Issue date: February 2020

About this Managed Portfolio Disclosure Document

ISSUER AND TRUSTEE

This Managed Portfolio Disclosure Document (Disclosure Document) is issued by Diversa Trustees Limited (Trustee) ABN 49 006 421 638, 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.

The Trustee is required to disclose certain Trustee, Fund information and documentation on a website. This includes, but is not limited to, the following: the trust deed, the Product Disclosure Statement (PDS), the most recent annual report and the names of each material outsourced service provider to the Fund. Please see the Trustee's website (www.diversa.com.au/trustee).

SPONSOR AND PROMOTER

Mason Stevens Limited (Mason Stevens) ABN 91 141 447 207, AFSL 351578, is the Sponsor and Promoter of the Fund.

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 the secure, online Mason Stevens investment service (Service).

INVESTMENT MANAGER

Mason Stevens Asset Management (MSAM) is the investment manager of the Fund. MSAM has sub contracted the activities of some of its investment functions to Swell Asset Management Pty Ltd ABN 16 168 141 204 is a CAR 465285 (Swell Asset Management), a Corporate Authorised Representative of Hughes Funds Management Pty Ltd AFSL 460572 ABN 42 167 950 236, for specific financial products or strategies within Mason Stevens Super.

CUSTODIAN

Mason Stevens Limited is the custodian of all Fund assets and has appointed National Australia Bank Limited ABN 12 004 044 937, AFSL 230686 as primary sub-custodian.

ADMINISTRATOR

FNZ Australia Limited ABN 67 138 819 119 (Administrator) is the administrator of the Fund.

IMPORTANT INFORMATION

This Disclosure Document is a summary of significant information about the Swell Global Managed Portfolio. The information contained in this Disclosure Document is incorporated by reference into the Mason Stevens Super PDS, Mason Stevens Super Additional Information Guide and the Mason Stevens Super Investment Guide. It should be read in conjunction with these documents, and the disclosure documents of any insurance policies, managed funds or other Managed Portfolios. These documents are available from your financial adviser or masonstevens.com.au/super

This Disclosure Document, and other documents, is not intended to be, and should not be construed in any way as, investment, legal, taxation or financial advice.

As at the date of issue the information contained in this Disclosure Document and associated PDS is correct under superannuation laws and regulations. However, these laws and regulations may change. In the event of a material change to any information in this Disclosure Document and associated PDS, irrespective of whether it is adverse or not, 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 the Disclosure Document and 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. Before acting on the information in this Disclosure Document you should consider seeking financial advice tailored to your own objectives, circumstances, financial situation and needs.

As permitted by the Trust Deed, we may change the terms and conditions of the Fund. 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.

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.

Mason Stevens Super is only available through licensed financial advisers. To invest, contact your financial adviser.

About the managed portfolios

SWELL GLOBAL MANAGED PORTFOLIO		
Investment manager	Swell Asset Management The investment manager is responsible for designing and managing the composition of this managed portfolio to meet the investment objectives and investment strategy detailed below.	
Inception date	January 2020	
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	The portfolio seeks long term capital growth by investing in global listed equities, in companies considered by the Investment Manager to be of high quality.	
Investment strategy and approach	The portfolio investment strategy seeks a concentrated selection of high quality companies purchased at a discount their conservatively estimated, intrinsic value, conservatively estimated. Swell Asset Management applies extensive fundamental analysis to its selection of securities including quantitative and qualitative research techniques. The portfolio has the flexibility to hold up to 25% of the portfolio in cash.	
Designed for	The portfolio is suitable for investors seeking capital growth and some income via exposure to high quality global companies with a process focused on capital preservation over the investment horizon. The recommended investment horizon is five to seven years. Investors should be able to accept the risk of price fluctuations particularly over periods less than the minimum investment time frame, and also be able to accept that capital preservation is not guaranteed.	
Benchmark Return	MSCI World Net Total Return Index calculated in AUD.	
Target Return	9% p.a. after fees over rolling 3 year periods.	
Indicative number of securities	10-20	
Asset allocation¹	Asset class	Allocation range %
	International Equities	75-98
	Cash ²	2-25
Investment universe	Global equities listed in developed countries and cash.	
Maximum single security or fund weighting	15% on acquisition	
Minimum suggested timeframe	5+ years	

SWELL GLOBAL MANAGED PORTFOLIO (cont)

Minimum initial investment \$25,000

Minimum additional investment \$12,500

Derivative restrictions The investment manager does not use derivatives directly. Underlying managed funds may utilise derivatives.

Investment manager fee 1.25% p.a.

Indirect cost ratio Nil

Performance fee 15% of the Outperformance of the Benchmark

Standard risk measure 6 - High

The estimated likelihood of a negative return is four to six years in 20 years. 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 forms of investment risk. Please refer to the Mason Stevens Investment Guide for more information about the standard risk measure.

- 1 Allocation of assets may be within the allocation range stated. The above target weight is indicative only. At any point in time the actual allocation may be very different to the target weights stated in this document.
- 2 A cash management rate will apply to the cash account portion you hold in the managed portfolio. Please refer to the Mason Stevens Super Investment Guide for further information.

About the investment manager

SWELL ASSET MANAGEMENT

Swell is a boutique investment manager based in Queensland that focuses on high quality businesses, long term investment horizons and capital preservation.

INVESTMENT PHILOSOPHY

Swell was established with the explicit aim of delivering strong absolute returns with an investment strategy predicated on the acquisition of outstanding globally listed companies at a discount to their conservatively estimated intrinsic value. This ensures that in situations where a business does not meet their expectations, they have reduced the risk of impairing investors' capital.

Swell's investment philosophy focuses on generating superior risk adjusted terms. Their philosophy guides their investment decisions and is underpinned by four principles.

Quality:

- Exceptionally managed companies with a clearly articulated strategy for creating value over the long term. These companies are likely to carry substantially less risk than the overall market.

Value:

- Acquisition of companies at discounts to their conservatively estimated intrinsic value. Purchasing companies below their intrinsic value helps to preserve investment capital.

Conviction:

- Concentrated approach to portfolio construction allocating meaningful weights to each holding. The search for quality yields identifies very few outstanding companies.

Horizon:

- Invest in high quality companies that can be held for more than three years. Price efficiency declines as the investment horizon lengthens.

INVESTMENT PROCESS

Their investment process is fundamental, bottom up, collating and analysing publicly available information to draw unique insight into the companies in which they invest. They use research to constantly test the investment thesis on each company in the portfolio. This enables them to gain a deep understanding of the company and the industry. Their long term focus allows them to capitalise on long term price inefficiencies. Behavioural finance theory is an important component of the research effort that enables them to capitalise on behavioural biases that create price inefficiencies.

Swell's investment risk appetite reflects an upwardly sloping capital market line where the lowest risk has the lowest return and highest risk has the highest possible return. Rather than seek the possibility of a higher return with greater risk they pursue the probability of a good return with lower risk. The portfolio's objective is an annual 9% return after fees over a rolling three-year period which reflects the inherent preference for prioritising risk over return.

Swell controls risk at various levels. Their fundamental process means they are motivated by the mitigation of risk at the stock level. However, cash allocation, industry limits, market capitalisation thresholds and scenario analysis are used to aid the risk management process. Portfolio sector or country allocation and cash weighting are an outcome of the process.

They predominantly measure risk at the company level. The investment scorecard used to calculate initial weights for portfolio investments assigns more than 50% to downside risk protection. The three measures considered are:

- Discount to valuation: companies trading at a larger discount to valuation have a lower risk of capital impairment.
- Risk size and control: assessing the size of risks in terms of their impact on company valuation.
- Asymmetry of payoff: favouring companies whose upside potential far outweighs their downside risk.

They monitor risks impacting portfolio companies daily, feeding relevant news, political and economic issues into valuation models to assess their potential impact.

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 managed portfolio. By investing in this managed portfolio, you instruct Mason Stevens and the Administrator to buy and sell assets on your behalf through the managed portfolio 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.

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