



9 January 2019

Dear Investor,

Notice of Adjustment Event Sequoia Launch Series 31A

We refer to your current investment in Sequoia Launch Series 31A (Series 31A) and hereby provide notification of an Adjustment Event occurring under the terms of the Master PDS dated 14 August 2017 <https://www.sequoiasi.com.au/wp-content/uploads/sites/3/2018/05/Master-PDS-DPA-with-Loan-14-Aug-2017.pdf>

Please note that this is a notification only and no action is required to be taken by you as an investor.

An Adjustment Event can occur when the Issuer's hedging arrangements are required to be adjusted or changed for any reason as determined by the Calculation Agent or any Asset relevant to the hedging arrangement is terminated suspended, adjusted or changed in any way.

The total expected impact on future performance of your investment as a result of this Amendment is -0.075% p.a (or negative 0.00075 p.a.). For example, for \$100,000 Investment Amount this would equate to an impact of \$75 p.a.

Change to Hedging Arrangement

Due to a change in the fee structure for H20 Adagio, one of the underlying funds with a 40% allocation within the Reference Basket for Series 31A, the Hedge Provider is requiring that the Issuer amend the terms of the underlying Hedge. Under the terms of the Hedge for Series 31A entered into with the Hedge Provider, the Issuer is required to:

- switch the existing Class R Units (ISIN: FR0010923359) of H20 Adagio with a new Super Retail (SR) Class of Units (ISIN: FR0013393188) of H20 Adagio but with:
 - H20 Management Fee increased by 0.10%: From 0.80% (R Class) to 0.90% (SR share class);
 - H20 Performance Fee Hurdle at the fund level is reduced by 0.15% from Eonia + 0.60% (R share class) to Eonia + 0.45% (SR share class). More importantly, this would equate to an increase in potential performance fee at the fund level of only 0.0375% should this become applicable in the future.
- increase in the Adjustment Factor included in the calculation of the Strategy Value by 0.02% to compensate the Hedge Provider for an increased cost of hedging this investment.

*EONIA = 1-day inter-bank interest rate for the Eurozone

Given the 40% allocation to H20 Adagio, the impact on future performance of Series 31A as a result of this Amendment is only **0.075%** i.e [40% x (0.10% + 0.0375%) + 0.02%]

This change in terms to the underlying Hedge for Series 31A is expected to occur no later than 31 January 2019.

The Calculation Agent and Issuer of the S31A Units (Sequoia Specialist Investments Pty Ltd) has determined that this change in terms in its hedging arrangements constitutes an Adjustment Event.

Consequences of the Adjustment Event

Accordingly, as per Clause 6.1 of the Master PDS, if an Adjustment Event occurs or is proposed to occur on or before the Maturity Date, the Issuer may in its reasonable discretion elect to do any or all of the following:

- substitute part or all of the affected Reference Asset/Basket with any other asset (including an index) or withdraw part or all of the affected Reference Asset/Basket; and/or
- adjust, amend or substitute the definition of Reference Asset or Delivery Asset, Final Value, Final Coupon, Coupons, Investment Term and/or vary, adjust, amend or replace any of the terms referred to in the PDS,

either:

- (i) in a manner consistent with any adjustment or change made to the Issuer's hedging arrangement, and, where appropriate, using similar data as referred to in the Hedge; or
- (ii) as the Issuer otherwise determines, provided that in the reasonable opinion of the Issuer the adjustment is appropriate to put both the Issuer and the Investor in as substantially similar and economic position as possible to what the Investor and the Issuer would have been in had the Adjustment Event not occurred.

Amendment to the Termsheet PDS for Series 31A dated 25 May 2018

Accordingly, in order to ensure that the terms of the Termsheet PDS dated 25 May 2018 precisely match the terms of the new Hedge to be entered into by the Issuer with the Hedge Provider, the following amendments will be made to the Termsheet PDS upon execution of the new Hedge agreement no later than 31 January 2019:

Changes to Termsheet PDS dated 25 May 2018		
	Original	New
Underlying (i = 3) included in Reference Basket	H2O Adagio (Global Currencies and Bonds) 40% allocation within the Reference Basket ISIN: FR0010923359 H2O Management fee = 0.80% p.a. H2O Performance Fee Hurdle: EONIA + 0.60%	H2O Adagio (Global Currencies and Bonds) 40% allocation within the Reference Basket ISIN: FR0013393188 H2O Management Fee= 0.90% p.a. H2O Performance Fee Hurdle: EONIA + 0.45%
Adjustment Factor included in the calculation of the Strategy Value in the Termsheet PDS	0.60%	0.62% p.a.

All other terms remain unchanged.

The Issuer will publish the above change in terms to the Termsheet PDS on its website (link below) including the date on which these changes come into effect.

<https://www.sequoiasi.com.au/investor-centre/launch-series/sequoia-launch-series-31a/>

If at any stage you need additional information or assistance with any aspect of your investment, please do not hesitate to contact your Financial Adviser or Sequoia Specialist Investments on 02 8114 2222.

Yours faithfully

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