

Sequoia Future Tech – Series 2

Mobile and Electronic Payments



Offer Close Date – 21 June v2019¹

Sequoia has just launched a new investment enabling investors to gain exposure to ETFMG Prime Mobile Payments ETF (“IPAY”) with minimal upfront capital and limited downside risk.

¹The Issuer may, in its discretion, extend or shorten the Offer Period for the Units without prior notice. If this happens, the Commencement Date and one or more consequential dates for the Units may vary.

ETFMG Prime Mobile Payments ETF (“IPAY”)

IPAY is a US listed exchange traded fund that seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Prime Mobile Payments Index⁵ (“Index”). The Index is designed to measure the performance of companies engaged in the mobile and electronic payments industry.

Mobile payment technology allows users to make online and point-of-sale purchases, send and receive money, and pay bills through a web browser or a mobile device. A study conducted by Allied Research found that the mobile payment market is anticipated to grow at a compound annual growth rate (CAGR) of 33.8% from 2017 to 2023 reaching a market size of \$4,574 billion by 2023.¹ While mobile money transaction volume is growing at significant rates, it still accounts for only a small portion of transactions globally². This leaves a lot of headroom for growth within the industry. By providing leveraged exposure to the ETFMG Prime Mobile Payments ETF, Sequoia Future Tech Series 2 is designed to capture this growth as smartphone penetration increases, economies go cashless, consumer preferences shift, and industry competition surges².

Sequoia Future Tech – Series 2

The Units in Sequoia Future Tech – Series 2 offer investors the ability to gain 100% leveraged exposure to the US listed ETFMG Prime Mobile Payments ETF (“the Reference Asset”) with a 15.0% Volatility Target Mechanism (the “Strategy”) and Net Dividends reinvested over a 3 year period. The Units have the potential to pay annual Performance Coupons of up to 10.8% at end of Year 1 and Year 2 and an uncapped Final Performance Coupon at Maturity dependant on the performance of the Strategy Value as adjusted for movements in the AUD/USD exchange rate.

An Investment in Sequoia Future Tech – Series 2 may suit you if:

- You have a positive view of ETFMG Prime Mobile Payments ETF over the 3 year Investment Term;
- You wish to obtain 100% leverage with no risk of margin calls
- You wish to obtain leverage via a limited recourse loan within your investment portfolio or SMSF.

Summary of the key features are as follows

Sequoia Future Tech – Series 2	
Reference Asset	ETFMG Prime Mobile Payments ETF (Ticker: IPAY)
Strategy	Reference Asset with 15.0% Volatility Target and Net Dividends reinvested
Currency Exposure	USD unhedged. The Reference Asset is denominated in USD and this currency exposure is unhedged.
The Potential for 3 Performance Coupons	Two potential Performance Coupons of up to 10.8%* each, at the end of Year 1 & Year 2 plus the potential for an uncapped Final Coupon subject to changes in the AUD/USD exchange rate
Limited recourse Loan	Yes. Investors borrow 100% of the Investment Amount.
Averaging	Yes
Interest Rate on Loan	5.95% p.a. payable for the full 3 years upfront
Risk Management Fee	0.70% p.a. payable for the full 3 years upfront
Application Fee	2.2%
Performance Fee	Yes
Margin Calls	No
Volatility Mechanism	Yes
Volatility Target	15.0%
Maximum Participation Rate	100%
Total Investment Cost	22.15% payable upfront
SMSF Eligibility	Yes

* as reduced by a 10% Performance Fee

1 <https://www.alliedmarketresearch.com/mobile-payments-market>

2 <https://www.etfmg.com/assets/ETFMG-IPAY-investmentcase.pdf>

Scenario Outcomes:

Assuming you wish to get exposure to the US listed ETFMG Prime Mobile Payments ETF with minimal upfront capital and limited downside risk, you decide to take out a limited recourse loan of \$50,000 and invest the proceeds into Sequoia Future Tech – Series 2. The cashflow scenarios are below:

Cash Outlay for Future Tech – Series 2	
Investment Amount	\$50,000
Loan	(\$50,000)
Interest for 3 year Investment Term (5.95%p.a.)	(\$8,925)
Risk Management Fees (0.7% p.a.)	(\$1,050)
Application Fee (2.2%)	(\$1,100)
Total Investment Cost payable upfront	(\$11,075)

Investment cash flow Scenarios during the Investment Term

Scenario	Investment Amount	Series Performance over 3 years*	Net Cumulative Performance Coupons over 3 years*
1	\$50,000	-15%	\$0
2	\$50,000	0.00%	\$0
3	\$50,000	15%	\$7,500
4	\$50,000	30%	\$15,000
5	\$50,000	45%	\$22,500
6	\$50,000	60%	\$30,000

*Includes Performance Coupons paid after Year 1 and Year 2 (if any) and the Final Coupon net of 10% Performance Fee and after the impact of any changes in the AUD/USD exchange rate.

The above scenario outcomes are in no way indicative of future performance of the Sequoia Future Tech – Series 2.

Total Investment Cost – Examples

Cash Outlay for Future Tech Series 2	Minimum		
Investment Amount	\$50,000	\$100,000	\$250,000
Loan	(\$50,000)	(\$100,000)	(\$250,000)
Interest for 3 year Investment Term (5.95%p.a.)	(\$8,925)	(\$17,850)	(\$44,625)
Risk Management Fees (0.7% p.a.)	(\$1,050)	(\$2,100)	(\$5,250)
Application Fee (2.2%)	(\$1,100)	(\$2,200)	(\$5,500)
Total Investment Cost payable upfront	(\$11,075)	(\$22,150)	(\$55,375)

Key risks include:

- Your return (including any Coupon) is affected by the performance of the Reference Asset. There is no guarantee that the Reference Asset will perform well.
- The Units have varying levels of exposure to the Reference Asset depending on volatility due to the variable Participation Rate. It operates by varying the exposure that the Units will have to the Reference Asset depending on the Realised Volatility of the Reference Asset and the Target Volatility. There is the risk that the Participation Rate could drop below 100% during the Investment Term in which case Investors will not gain the full benefits of an increase of the value of the Reference Asset.
- Investors should note that there is a lag in measuring the Realised Volatility of the Reference Asset. This means that where there has been a period of high Realised Volatility, the Investor's exposure to the Reference Asset will be low, regardless of whether the Reference Asset is performing positively or negatively.
- Investors should note that there can be a lag when implementing changes in the Participation Rate due to the impact of applying the 10% Tolerance Condition and 5% Liquidity Control mechanism. This means that where there has been a period of increased Realised Volatility, the Investor's exposure to the Reference Asset may either not change at all due to the Tolerance Condition not being satisfied or alternatively taking a number of days to implement due to the application of the 5% Liquidity Control Mechanism. In periods of extreme volatility the Liquidity Control Mechanism may result in the Participation Rate never reaching its intended level on any given day. This can be the case regardless of whether the Reference Asset is performing positively or negatively. This lag may have an adverse impact on the value of the Strategy and unit Price of Series 2.
- The two potential Performance Coupons and the Final Coupon are determined by reference to the Initial Strategy Value, the average of the Strategy Values on the relevant Coupon Averaging Dates and the Final Strategy Value as well as changes in the AUD exchange rate. An increase in the AUD/USD exchange rate between the relevant dates will reduce the Performance Coupons and Final Coupon whilst a decrease in the AUD/USD rate between the relevant dates will lead to an increase in the Performance Coupons and Final Coupon;
- The Initial Strategy Value, First Year Strategy Value, Second Year Strategy Value and Final Strategy Value are subject to averaging. Averaging may decrease the impact of an increase in the Reference Asset during the Investment Term.
- There will be no Performance Coupon payable if the performance of the Strategy Value is negative at a Coupon Determination Date.
- There is no guarantee that the Units will generate returns in excess of the Prepaid Interest, Risk Management Fee and other Fees, during the Investment Term. Additionally, in the event of an Investor requested Issuer Buy-Back, Early Maturity Event, you will not receive a refund of your Prepaid Interest or Fees.
- Gains (and losses) may be magnified by the use of a 100% Loan. However, note that the Loan is a limited recourse Loan, so you can never lose more than your Prepaid Interest Amount and Fees paid at Commencement.
- Investors are subject to counterparty credit risk with respect to the Issuer and the Hedge Counterparty; and
- the Units may mature early following an Early Maturity Event, including an Adjustment Event, Market Disruption Event or if the Issuer accepts your request for an Issuer Buy-Back.

Please refer to Section 2 "Risks" of the Master PDS for more information.

**To find out more and to download a copy of the relevant
Product Disclosure Statements, please visit
Sequoia Specialist Investments at www.sequoiasi.com.au**

* The Issuer may, in its discretion, extend or shorten the Offer Period for the Units without prior notice. If this happens, the Commencement Date and one or more consequential dates for the Units may vary. The Issuer may also defer the Commencement Date for the Units, in which case the Maturity Dates and other consequential dates for the Units may vary. If the Issuer varies the Offer Period or the Commencement Date for the Units it will post a notice on the website informing applicants of the change at www.sequoia.com.au

Units in Sequoia Future Tech – Series 2 are issued by Sequoia Specialist Investments Pty Ltd (ACN 145 459 936) (the "Issuer") and arranged by Sequoia Asset Management Pty Ltd (ACN 135 907 550, AFSL 341506)(the "Arranger"). Investments in the Sequoia Future tech – Series 2 can only be made by completing an Application Form attached to the Term Sheet Product Disclosure Statement ("TSPDS") dated 20 May 2019 and after reading the Master PDS dated 14 August 2017 and submitting it to Sequoia. A copy of the PDS can be obtained by contacting Sequoia Asset Management on 02 8114 2222 or contacting your financial adviser. You should consider the Term Sheet & Master PDS' before deciding whether to invest in Units in Sequoia Future Tech – Series 2. Capitalised terms on the webpage have the meaning given to them in Section 10 "Definitions" of the Master PDS.

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