

## Sequoia Commodities – Series 7



### WTI Crude Oil Futures 16 February 2022 Offer Close Date

Sequoia has just launched a new investment enabling investors to gain 1 year 100% leveraged exposure to the Front Month WTI Crude Oil Futures (“**CL1**”) with minimal upfront capital and limited downside risk

## Sequoia Commodities Series 7

Sequoia Commodities Series 7 (“**Series 7**”) is a structured investment whereby investors obtain 100% leverage on a limited recourse basis and exposure to any positive performance of the Front Month WTI Crude Oil Futures (“**CL1**”) over an 1 year period with the potential to receive an uncapped Performance Coupon at Maturity dependent on the Reference Asset Performance, adjusted for changes in the AUD/USD exchange rate during the Investment Term.

### An Investment in Sequoia Commodities Series 7 Units may suit you if:

- You have a positive view of the Reference Asset over the 1 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;
- You understand there is a risk of a loss of 100% of your Total Investment Cost.

### Summary of the key features are as follows

Commodities Series 7	
Reference Asset	Front Month WTI Crude Oil Futures Contract (CL1)
Potential Performance Coupon	Yes, there is potential for an uncapped Performance Coupon payable at Maturity based on the Reference Asset Performance, adjusted for any changes in the AUD/USD exchange rate during the Investment Term
Performance Cap	No, there is no limit on the maximum potential Performance Coupon that can be paid at Maturity
Currency Exposure	Yes, the investor is exposed to changes in the AUD/USD exchange rate when calculating the Performance Coupon at maturity
Limited recourse Loan	Yes, Investors borrow 100% of the Investment Amount
Investment Term	1 year
Annual Interest Rate on Loan	11.1% p.a.
Application Fee	1.10% including GST
Total Investment Cost	12.2% (payable upfront)
Break-Even Level	The Performance Coupon at Maturity needs to be equal to or greater than 12.2% in order for Investors to at least Break-Even (excluding any Upfront Advisor Fee and any external costs)
Margin Calls	No
SMSF Eligibility	Yes
Maximum Loss	Due to the limited recourse loan the maximum loss that can be ever incurred is the Total Investment Cost plus any Upfront Adviser Fee. There is no additional risk of loss in relation to the Loan Amount.
Margin Calls	No
SMSF Eligibility	Yes

## Hypothetical Scenario Outcomes:

Assuming you wish to get exposure to the Front Month WTI Crude Oil Futures Contract (CL1) with minimal upfront capital and limited downside risk for a 1 year period, you decide to take out a limited recourse loan of \$100,000 and invest the proceeds into Sequoia Commodities Series 7. The cashflow scenarios are below:

Commodities Series 7	
Investment Amount	\$100,000
Loan	(\$100,000)
Prepaid Interest for 1 year Investment Term (11.1% p.a.)	(\$11,100)
Application Fee including GST (1.1%)	(\$1,100)
<b>Total Investment Cost* (payable upfront)</b>	<b>(\$12,200)</b>

\*This excludes any Upfront Adviser Fee

## Hypothetical Examples in relation to Potential Performance Coupons at Maturity

In the example below we look at various potential hypothetical scenarios in relation to Potential Performance Coupons and the Closing Level of the Front Month WTI Crude Oil Futures Contract (CL1) at Maturity, ignoring the impact of any changes in the AUD/USD exchange rate. If we assume that the Closing Level of CL1 (“**CL1 Price**”) on the Commencement Date is USD\$90 per Barrel (i.e. roughly the level of CL1 at the time of writing the Termsheet IM) we show below various levels of Performance Coupons and Returns on Investment (“**ROI**”) that could be realised depending on various levels of the CL1 Price at Maturity. Please note that these are theoretical scenarios only and are provided for illustrative purposes only and are not intended to be a forecast. They do not indicate past performance and are not an indication or guarantee that similar returns will be achieved in the future.

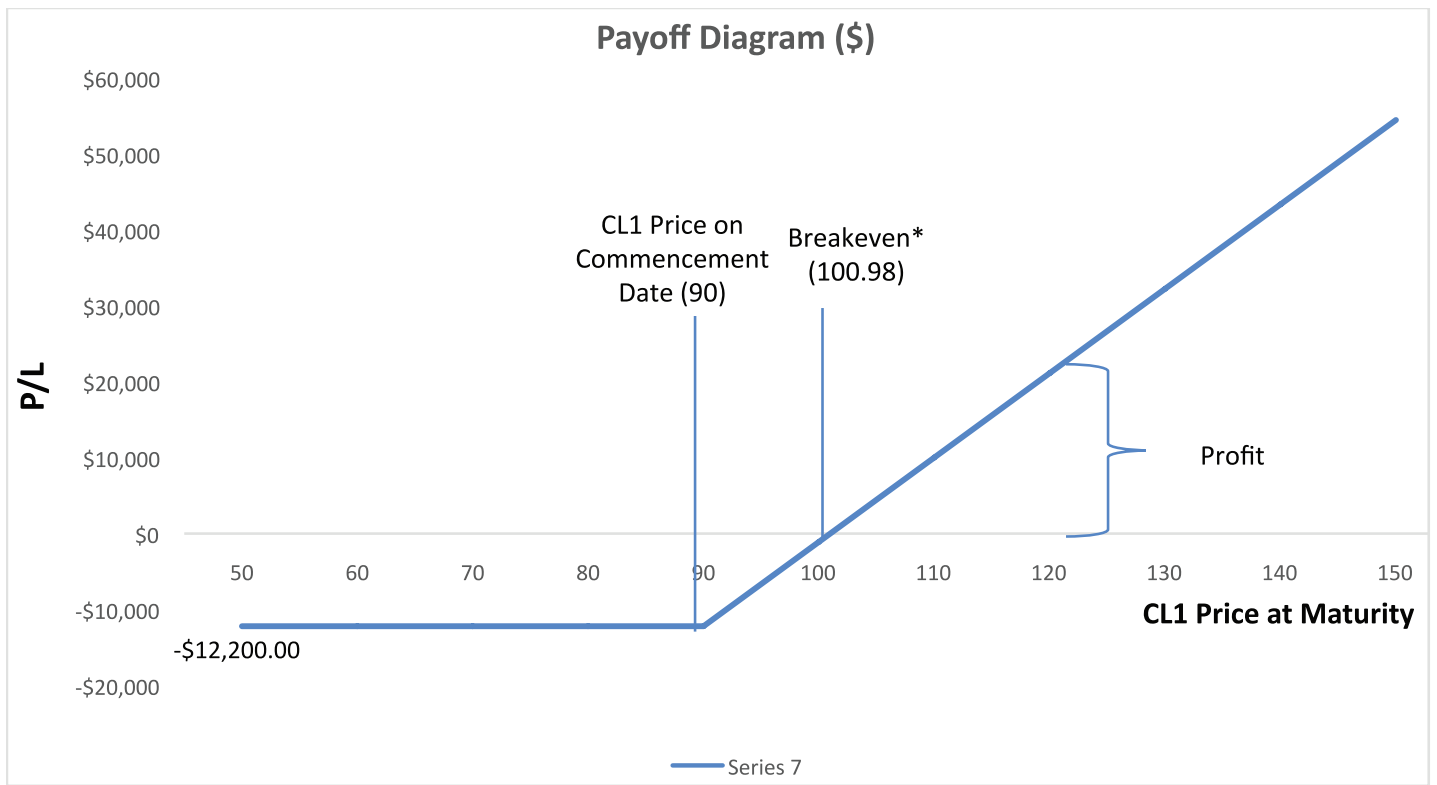
If we assume, \$100,000 Loan Amount and Investment Amount, the hypothetical cash flows will be as follows:

\*Excludes any Upfront Adviser Fee, tax, and any other external costs paid by the Investor in connection with investing in Units.

Scenario	Investment Amount	Total Investment Cost (\$)	CL1 Price on Commencement Date	CL1 Price on Maturity Date	Performance Coupon at Maturity*	Profit/Loss at Maturity	ROI**
1	\$100,000	\$12,200	90	70	\$0	-\$12,200	-100%
2	\$100,000	\$12,200	90	80	\$0	-\$12,200	-100%
3	\$100,000	\$12,200	90	90	\$0	-\$12,200	-100%
4	\$100,000	\$12,200	90	100	\$11,111	-\$1,089	-9%
<b>Break-Even</b>	<b>\$100,000</b>	<b>\$12,200</b>	<b>90</b>	<b>100.98</b>	<b>\$12,200</b>	<b>\$0</b>	<b>0%</b>
5	\$100,000	\$12,200	90	110	\$22,222	\$10,022	82%
6	\$100,000	\$12,200	90	120	\$33,333	\$21,133	173%
7	\$100,000	\$12,200	90	130	\$44,444	\$32,244	264%
8	\$100,000	\$12,200	90	140	\$55,556	\$43,356	355%
9	\$100,000	\$12,200	90	150	\$66,667	\$54,467	446%
10	\$100,000	\$12,200	90	160	\$77,778	\$65,578	538%

\*This ignores the impact of any changes in the AUD/USD exchange rate during the investment term. Any Performance Coupon payable at Maturity will be increased to the extent the AUD/USD exchange rate depreciates during the Investment Term or alternatively, decreased to the extent the AUD/USD exchange rate increases during the Investment Term.

\*\*Calculated as a percentage derived from the following formula ROI= (Profit/Loss at Maturity)/Total Investment Cost



\*This ignores the impact of any changes in the AUD/USD exchange rate during the investment term. Any Performance Coupon payable at Maturity will be increased to the extent the AUD/USD exchange rate depreciates during the Investment Term which will have the effect of reducing the Break-Even Level. Alternatively, any Performance Coupon payable at Maturity will be decreased to the extent the AUD/USD exchange rate increases during the Investment Term which will have the effect of increasing the Break-Even Level.

## Total Investment Cost – Examples

	Minimum		
Investment Amount	\$100,000	\$250,000	\$500,000
Loan	(\$100,000)	(\$250,000)	(\$500,000)
Prepaid Interest for 1 year Investment Term (11.1% p.a.)	(\$11,100)	(\$27,750)	(\$55,500)
Application Fee including GST (1.1%)	(\$1,100)	(\$2,750)	(\$5,500)
<b>Total Investment Cost*</b>	<b>(\$12,200)</b>	<b>(\$30,500)</b>	<b>(\$61,000)</b>

\*This excludes any Upfront Adviser Fee

## Key Risks

Key risks include:

- Risk of 100% loss in relation to the Total Investment Cost and Upfront Adviser Fee. The Total Investment Cost equals the Prepaid Interest in relation to the Loan and the Application Fee. Investors may also incur an Upfront Adviser Fee in addition. A 100% loss will occur if there is no Performance Coupon paid at Maturity. This will be the case if the Reference Asset Performance is negative at Maturity and in such circumstances no Performance Coupon is paid;
- Risk of partial loss (i.e. less than 100% loss) in relation to the Total Investment Cost and Upfront Adviser Fee. The Total Investment Cost equals the Prepaid Interest in relation to the Loan and the Application Fee. Investors may also incur an Upfront Adviser Fee in addition. Investors may incur a partial loss if the Performance Coupon at Maturity is positive but less than the Break-Even Point;
- Timing risks. The timing risk associated with Series 7 is significant. This is because the Investment Term is fixed and the Series Performance is required to at least generate some positive performance over and above the Break-Even Point by the time the Maturity Date arrives in order for the investor to generate a profit from their investment (ignoring any Upfront Adviser Fee and any external costs). If this does not occur then Investors will generate a loss;
- Your return (including any Performance Coupon) is affected by the performance of the Reference Asset. There is no guarantee that the Reference Asset will perform well.
- There will be no Performance Coupon payable if the performance of the Reference Asset is negative at Maturity and Investors will suffer a 100% loss;
- There is no guarantee that the Units will generate returns in excess of the Prepaid Interest and Fees, during the Investment Term. Additionally, in the event of an Investor requested Issuer Buy-Back or 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.
- In addition to the above, please refer to Section 2 “Risks” of the Master IM for more information as well as the section entitled “Risks of Early Unwinds before Maturity (i.e. Issuer Buy-Backs)” above under Section 1 of this Termsheet IM.

Please refer to Section 1 in the Termsheet IM and Section 2 “Risks” of the Master IM for more information in relation to the risks of Series 7.

**To find out more and to download a copy of the relevant  
Termsheet IM and Master IM, please visit  
Sequoia Specialist Investments at [www.sequoiasi.com.au](http://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.sequoiasi.com.au](http://www.sequoiasi.com.au)

Units in Sequoia Commodities Series 7 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 Commodities Series 7 Units can only be made by completing an Application Form attached to the Term Sheet IM, after reading the Term Sheet IM dated 9 February 2022 and the Master IM dated 19 April 2019 and submitting it to Sequoia. A copy of the IM can be obtained by contacting Sequoia Asset Management on 02 8114 2222 or contacting your financial adviser. You should consider the Term Sheet & Master IM’ before deciding whether to invest in Units in Sequoia Commodities Series 7. Capitalised terms on the webpage have the meaning given to them in Section 10 “Definitions” of the Master IM.

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