

Sequoia Alpha – Series 5



DNCA Invest Alpha Bonds **26 August 2024 Offer Close Date¹**

Sequoia has just launched a new investment enabling investors to gain exposure to the NXS DNCA Alpha Bond ER VT 5% Index with minimal upfront capital

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.

Sequoia Alpha Series 5

Sequoia Alpha Series 5 (“**Series 5**”) is a structured investment whereby investors obtain 100% leverage and exposure to any positive performance of the NXS DNCA Alpha Bonds ER VT 5% Index (“**the Reference Asset or Index**”) over a 3 year period with the potential to receive uncapped Semi-Annual Performance Coupons every 6 months until the Maturity Date dependent on the Index Performance adjusted for changes in the AUD/USD exchange rate during the Investment Term.

An Investment in Series 5 Units may suit you if:

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

Minimum Amounts Payable

Minimum Prepaid Interest	\$8,850
Minimum Application Fee	\$1,100
Minimum Total Investment Amount (excluding any Upfront Adviser Fee)	\$9,950

The Minimum Amounts Payable above is the minimum cost Investors will be required to pay to invest in Units and relate to amounts payable for a Minimum Loan Amount of \$100,000 which is used to fund the purchase of the Minimum Number of Units of 100,000 Units at \$1.00 per Unit.

Summary of the key features are as follows

Alpha Series 5	
Reference Asset/Index	NXS DNCA Alpha Bond ER VT 5% Index Bloomberg Ticker: NXSHDNE5 <Index> If you would like a copy of the Index Rules specifying exactly how the value of the Index is calculated please contact the Issuer at: Email: specialistinvestments@sequoia.com.au ; or Phone: 02 8114 2203
Underlying Fund	DNCA Invest Alpha Bonds Institutional (I) EUR Share Class ISIN: LU1694789378 Bloomberg Ticker: DNCABIE LX Please see link below for further details: https://www.dnca-investments.com/lu/funds/dnca-invest-alpha-bonds/units/i-lu1694789378
Potential Semi-Annual Performance Coupons	Yes, there is potential for uncapped Semi-Annual Performance Coupons payable every 6 months based on the Index Performance during the Investment Term, adjusted for any changes in the AUD/USD exchange rate during the Investment Term.
Currency Exposure	Yes, the potential Semi-Annual Performance Coupons are adjusted for changes in the AUD/USD exchange rate during the Investment Term.
Limited recourse Loan	Yes. Investors borrow 100% of the Investment Amount.
Investment Term	3 years
Annual Interest Rate on Loan	2.95% p.a.
Application Fee	1.1% including GST

Total Investment Cost9.95%
(payable upfront)**Minimum Amount Payable**

\$9,950 for a \$100,000 Loan and 100,000 Units

Break-Even Point

The sum of all Net Semi-Annual Performance Coupons paid out during the Investment Term needs to be equal to or greater than 9.95% in order for investors to at least break-even (excluding any Upfront Adviser fee and any external costs). Refer to section 8 of the Term Sheet PDS for more information.

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

The NXS DNCA Alpha Bond ER VT 5% Index

The Index is an excess return index designed to track the extent to which performance of the Underlying Fund exceeds the Euribor 3 Month Rate (Bloomberg: EUR003M <Index>) subject to a 5% target volatility mechanism and 150% maximum participation rate. In other words, the index aims to capture the “alpha” generated by the Underlying Fund above the Euribor 3 Month Rate.

Fund Manager: DNCA Investments

DNCA Investments is the manager of the Underlying Fund (“Manager”). The Manager was founded in 2000 and specialises in a conviction-based investment approach across different assets classes, management styles, and geographical regions.

The Manager’s experienced team develops investment products for private and institutional clients, with an investment offering organised around five areas of expertise (fixed income, absolute return, multi-asset, equities, and socially responsible investment).

As at 28 June 2024, the Manager operates 48 funds totalling €35.1 billion in AUM.

Details in relation to the Underlying Fund

The Underlying Fund seeks to provide, throughout the recommended investment period of three years or more, a higher performance, net of any fees, than the €STR index plus 2%. This performance objective is sought by associating it to a lower annual volatility than 5% in normal market conditions.

Please refer to the following link for further details in relation to the Underlying Fund

<https://www.dnca-investments.com/lu/funds/dnca-invest-alpha-bonds/units/i-lu1694789378/Characteristics>

Examples of Total Investment Cost

Assuming you wish to get exposure to the Index with minimal upfront capital, you decide to take out a limited recourse loan and invest the proceeds into Sequoia Alpha Series 5. A few examples of the Total Investment Cost payable depending on the size of the Loan and Investment Amounts are outlined below.

	Example 1	Example 2	Example 3
Investment Amount	\$100,000	\$500,000	\$1,000,000
Loan	(\$100,000)	(\$500,00)	(\$1,000,000)
Prepaid Interest for 3-year Investment Term (3 x 2.95% p.a. x Investment Amount)	(\$8,850)	(\$44,250)	(\$88,500)
Application Fee including GST (1.1%)	(\$1,100)	(\$5,500)	(\$11,000)
Total Investment Cost*	(\$9,950)	(\$49,750)	(\$99,500)

*This excludes any Upfront Adviser Fee

When will investors generate a profit from Sequoia Alpha Series 5

It is important for investors to understand that in order to recoup the Total Investment Cost and generate a profit on this investment then the total Semi-Annual Performance Coupons received by Maturity need to be greater than the Break-Even Point of 9.95% (excluding any Upfront Adviser Fee and any external costs, such as tax). As such, the Index Performance will need to be strong over the next 3 years in order for you to at least break-even and generate a profit.

Hypothetical Examples

In the example below we look at 4 potential hypothetical scenarios. Please note that these are theoretical scenarios only and provided for illustrative purposes only and are not intended to be a forecast, do not indicate past performance, and are not a guarantee that similar returns will be achieved in the future. The actual final result for this investment at Maturity is likely to be different to any of the hypothetical scenarios below and will depend on the actual Series Performance realised at Maturity. Returns are not guaranteed.

If we assume, \$100,000 Loan Amount and Investment Amount, the cash flows will be as follows under these 4 hypothetical scenarios.

Scenario	Total Investment Cost*	Sum of all Net Semi-Annual Performance Coupons Paid out During the Investment Term (%)	Total of all Semi-Annual Performance Coupons received during the Investment Term (Nearest Whole Dollar)	Net Profit or (Loss)*	Return on Investment**
Scenario 1 Bullish	(\$9,950)	+20.34%	\$20,341	\$10,391	104.4% (26.92% p.a.)
Scenario 2 Moderate	(\$9,950)	+15.16%	\$15,164	\$5,214	52.4% (15.08% p.a.)
Scenario 3 Weak	(\$9,950)	+6.05%	\$6,050	(\$3,900)	-39.2% (15.28% p.a.)
Scenario 4 Negative	(\$9,950)	0%	\$0	(\$9,950)	-100%

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

**Return on Investment = Net Profit or (Loss) / Total Investment Cost

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 Semi-Annual Performance Coupon paid by Maturity. This will be the case if the Index Performance is less than or equal to zero on the Maturity Date;
- 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 sum of all Semi-Annual Performance Coupons at Maturity is less than the Break-Even Point;
- Timing risks. The timing risk is significant. This is because the Investment Term is fixed and the sum of all Semi-Annual Performance Coupons received by the Maturity Date needs to exceed the Total Investment Cost 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 by the Maturity Date then Investors will generate a loss;
- The Semi-Annual Performance Coupons are determined by reference to the Index Performance as well as the change in the AUD/USD exchange rate during the Investment Term. An increase in the AUD/USD exchange rate between the Commencement Date and the Maturity Date will reduce any potential Semi-Annual Performance Coupons payable (if any) whilst a decrease in the AUD/USD rate between the relevant dates will lead to an increase in the potential Semi-Annual Performance Coupons payable (if any). As such, whether or not you break-even depends on both the Index Performance and the AUD/USD exchange rate performance during the Investment Term;

- Volatility and exposure risk – the volatility control mechanism used by the Index means that if there is high volatility in the relevant underlying portfolio during the Investment Term there is a risk the Index will have little to no exposure to this portfolio during some or all of the Investment Term, which may provide some protection against decreases in the prices of the portfolio comprising the Index however it may also limit the Index's (and the Units') exposure to increases in the prices of the relevant portfolio comprising the Index. To the extent the Index has an exposure primarily to cash as a result of the volatility control mechanism, the Index will be unlikely to generate the Index Performance required for investors to generate a profit;
- 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. The amount received will depend on the market value of the Units which will be determined by many factors before the Maturity Date including prevailing interest rates in Australia and internationally, foreign exchange rates, the remaining time to Maturity, and general market risks and movements including the volatility of the Index. Investors should be aware the Units are designed to be held to Maturity and are not designed to be held as a trading instrument;
- 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 and Target Market Determination, 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 Alpha Series 5 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 Alpha Series 5 Units can only be made by completing an Application Form attached to the Term Sheet Product Disclosure Statement ("Term Sheet PDS"), after reading the Term Sheet PDS dated 1 August 2024 and 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 Alpha Series 5. Capitalised terms on the webpage have the meaning given to them in Section 10 "Definitions" of the Master PDS.

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