

## Sequoia Launch Series 65



### **Dynamic Basket of Alternative Managers 25 November 2022 Offer Close Date<sup>1</sup>**

Sequoia has just launched a new investment providing investors with 100% leveraged exposure to a Goldman Sachs proprietary index which tracks a dynamic basket of alternative managers

<sup>1</sup>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.

## Sequoia Launch Series 65

Sequoia Launch Series 65 (“**Series 65**”) is a structured investment whereby investors obtain 100% leveraged exposure to any positive performance of Goldman Sachs Dynamic Alternative Strategy (“**the Reference Asset or Index**”) over a 3 year period.

The Index tracks a dynamic basket of alternative managers subject to a 5% volatility target with dynamic allocation services provided by the Alternative Investments & Manager Selection (“**AIMS**”) Group of the Goldman Sachs Asset Management Division (“**GSAM**”). It aims to offer an attractive risk adjusted return over the medium term with low and ideally negative correlation with traditional risky assets such as equities during times of crisis.

Investors in Sequoia Launch Series 65 have the potential to receive annual uncapped Performance Coupons at the end of Year 1, Year 2 and at Maturity dependent on the Index Performance applied to the full leveraged Investment Amount, adjusted for changes in the AUD/USD exchange rate.

### Minimum Amounts Payable

Minimum Prepaid Interest	\$9,000
Minimum Application Fee	\$990
<b>Minimum Total Investment Amount</b> (excluding any Upfront Adviser Fee)	<b>\$9,990</b>

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:

Launch Series 65	
<b>Reference Strategy / Index</b>	Goldman Sachs Dynamic Alternative Strategy (Bloomberg Ticker: GSIS216W Index)
<b>Potential Annual Performance Coupons</b>	Yes, there is potential for annual uncapped Performance Coupons to be paid at the end of Year 1, Year 2 and at Maturity dependent on the Index Performance applied to the full leveraged Investment Amount, adjusted for changes in the AUD/USD exchange rate.
<b>Performance Cap</b>	No, there is no limit on the maximum potential payable for each of the potential annual Performance Coupons at the end of Year 1, Year 2 and Maturity.
<b>Currency Exposure</b>	Yes, the investor is exposed to changes in the AUD/USD exchange rate during the Investment Term when calculating any Performance Coupons payable at the end of each year
<b>Limited recourse Loan</b>	Yes. Investors borrow 100% of the Investment Amount on a limited recourse basis.
<b>Investment Term</b>	3 years
<b>Annual Interest Rate on Loan</b>	3% p.a.
<b>Application Fee</b>	0.99% including GST
<b>Total Investment Cost</b>	9.99% (payable upfront)
<b>Minimum Amount Payable (excluding any Upfront Adviser Fee)</b>	\$9,990 for a \$100,000 Loan Amount and 100,000 Units.
<b>Break-Even Point</b>	The total of all performance Coupons received during the Investment Term needs to be equal to or greater than the Total Investment Cost in order for investors to at least break-even (excluding any Upfront Adviser fee and any external costs). Expressed as a percentage of the Investment Amount the total of all Performance Coupons received during the Investment Term needs to be equal to or great than 9.99%. Refer to section 5 for more information.

<b>Maximum Loss</b>	Due to the limited recourse nature of the 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.
<b>Margin Calls</b>	No
<b>SMSF Eligibility</b>	Yes

## Goldman Sachs Dynamic Alternative Strategy

The Index tracks a dynamic basket of alternative managers subject to a 5% volatility target with dynamic allocation services provided by the AIMS Group of the GSAM. The current list of managers included within the basket including their weight allocations before application of the 5% volatility target is outlined in the table further below. The objective of this Index is to leverage the hedge fund expertise of GSAM including the following<sup>1</sup>:

- The AIMS group is the Strategy Allocator of the Dynamic Alternative Strategy;
- AIMS offers a \$330bn+ multi-asset, open architecture platform, spanning hedge funds, private equity, credit, real estate, long only, and ESG assets<sup>2</sup>;
- AIMS would endeavor to meet the investment objective by screening, providing due diligence and allocating to select managers on the Alternative Managers Platform provided by the Global Markets Division;
- The Index, seeks to offer an attractive risk adjusted return over the medium term with low and ideally negatively correlated returns to traditional risk assets such as equities during times of crisis; and
- Ability to offer daily liquidity via the use of segregated managed accounts.

<b>Bloomberg Ticker</b>	GSIS216W Index
<b>Strategy Allocator</b>	AIMS
<b>Strategy Calculation Agent</b>	Goldman Sachs International
<b>Strategy Sponsor</b>	Goldman Sachs International
<b>Denomination</b>	USD
<b>Volatility Target</b>	5%
<b>Inception Date</b>	February 12, 2021

## Current Managers and Allocation<sup>3</sup>

Manager	Strategy	Manager Inception	Current Weight
<b>Crabel Gemini</b>	Short Term CTA <sup>4</sup>	1987	22.8%
<b>RGN Smart Alpha</b>	Short Term CTA <sup>3</sup>	1993	22.7%
<b>Winton</b>	Long Term CTA <sup>3</sup>	1997	23.0%
<b>Brevan Howard<sup>2</sup></b>	Global Macro <sup>5</sup>	2002	9.3%
<b>Bayforest<sup>2</sup></b>	Statistical Arbitrage <sup>6</sup>	2017	22.5%
<b>GCI</b>	Systematic Macro <sup>7</sup>	2000	0.0%
<b>AHL Macro</b>	Systematic Macro <sup>6</sup>	1987	0.0%

<sup>1</sup> Source: Goldman Sachs Global Markets Division, as of September 2022.

<sup>2</sup> Source: AIMS, as of September 2022.

<sup>3</sup> Source: AIMS as at 30 September 2022. The above weight allocations represent the allocations within the basket before application of the 5% volatility target at the index level. As such, after application of the volatility target the index's exposure to the dynamic basket of managers can be less than 100% depending on the realised volatility of the basket at the time of observation.

<sup>4</sup> Commodity Trading Advisors (CTAs) are professional investment managers who seek to profit from movements in the global financial, commodity and currency markets by investing in exchange traded futures and options and over-the-counter (OTC) forward contracts. CTAs categorise their programs into short-term, intermediate term and long-term holding periods. CTAs utilising a short-term strategy will generally hold trades for a period of seconds to three months before offsetting. On the other hand, CTAs using an intermediate-term or long-term strategy will hold trades for a period of three months to a year or for longer than one year, respectively.

<sup>5</sup> A global macro strategy is generally an investment strategy that bases its holdings primarily on the overall economic and political views of various countries or their macroeconomic principles. Holdings may include long and short positions in various equity, fixed income, currency, commodities, and futures markets.

<sup>6</sup> Statistical arbitrage is a class of short-term trading strategies that generally employ mean reversion models involving broadly diversified portfolios of securities held for short periods of time. These strategies are supported by substantial mathematical, computational, and trading platforms.

<sup>7</sup> Systematic macro programs use statistical financial modelling with known quantitative techniques to execute both trend-following and relative value strategies in the global futures and forwards markets.

## Highlights of current managers inside the Index and others

Manager & Strategy Name	Brief Description of Strategy
<b>Crabel Gemini (Short Term CTA)</b>	<ul style="list-style-type: none"><li>• Systematic portfolio of predominantly short holding period strategies designed to target behavioural and structural market inefficiencies.</li><li>• Structured to provide low correlation to all traditional and alternative asset classes and to offer a unique source of returns.</li></ul>
<b>R. G. RGN Smart Alpha Smart Alpha 2x (“RGN Smart Alpha”) (Short Term CTA)</b>	<ul style="list-style-type: none"><li>• The firm’s trading system extracts alpha from behavioural biases in the financial market through algorithmically generated investments.</li><li>• Stable absolute returns, with low correlation to fixed income, equities and hedge funds.</li></ul>
<b>Winton Diversified Macro (“Winton”) (Long Term CTA)</b>	<ul style="list-style-type: none"><li>• Quantitative macro strategy aiming to maximise risk-adjusted returns by applying technical and fundamental investment signals.</li><li>• Technical signals use market data such as prices and trading volumes, while fundamental signals use data extrinsic to markets such as yield curves, seasonal patterns.</li></ul>
<b>AHL Macro (Statistical Arbitrage)</b>	<ul style="list-style-type: none"><li>• Trades liquid futures and forwards across markets with the use of non-traditional behavioural models.</li><li>• Adopts a differentiated approach compared to traditional CTA and conventional macro strategies, and aims to offer low correlation to both traditional asset classes and traditional CTAs.</li></ul>
<b>GCI Systematic Macro (“GCI”)</b>	<ul style="list-style-type: none"><li>• Dynamic long/ short trading strategy aiming to deliver high absolute returns with limited downside and low correlation with traditional asset classes.</li><li>• Algorithmic trading model designed to pursue opportunities from big price movement in global financial market via cross-asset combinations.</li></ul>
<b>Brevan Howard Absolute Return Government Bond Fund (“Brevan Howard”)</b>	<ul style="list-style-type: none"><li>• The fund seeks to deliver positive total returns on a rolling twelve month basis with stable levels of volatility uncorrelated to bond and equity market conditions.</li><li>• Brevan Howard is a leading global alternative investment management platform, specialising in global macro and digital assets.</li></ul>
<b>Bayforest Innovation Fund (“Bayforest”)</b>	<ul style="list-style-type: none"><li>• Short duration relative value systematic strategy designed with the aim to uncover and exploit market anomalies using information sourced at the most granular level.</li><li>• Most of the strategies are designed to have a low dollar delta and do not focus on outright directional predictions.</li></ul>

Source: Goldman Sachs Global Markets Division as of July 2022

## Risk Management inside the Index

On a daily basis, in order to limit negative performance in extreme market conditions, a risk control mechanism is used inside the Index. It ensures that the volatility of the Index will remain close to the 5% target by reducing the Index’s exposure to the underlying basket of alternative managers in situations where the volatility of the portfolio exceeds 5%. The maximum level of exposure is 100% and the minimum level of exposure is 0%.



## Examples of Total Investment Cost

Assuming you wish to get exposure to the Goldman Sachs Dynamic Alternative Strategy with minimal upfront capital and limited downside risk, you decide to take out a limited recourse loan and invest the proceeds into Sequoia Launch – Series 65. 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% p.a.)	(\$9,000)	(\$45,000)	(\$90,000)
Application Fee including GST (0.99%)	(\$990)	(\$4,950)	(\$9,900)
<b>Total Investment Cost*</b>	<b>(\$9,90)</b>	<b>(\$49,950)</b>	<b>(\$99,900)</b>

\*This excludes any Upfront Adviser Fee

## When will investors generate a profit from Launch Series 65

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 of all Performance Coupons received during the Investment Term needs to be equal to or greater than the Total Investment Cost in order for investors to at least break-even (excluding any Upfront Adviser fee and any external costs). Expressed as a percentage of the Investment Amount the total of all Performance Coupons received during the Investment Term (“**Series Performance**”) needs to be equal to or great than 9.99%. As such, the Series 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 is likely to be different to any of the hypothetical scenarios below and will depend on the actual Series Performance realised at Maturity.

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

		Total Investment Cost*	Series Performance at Maturity*	Total of Performance Coupons received during Investment Term	Net Profit or (Loss)**
<b>Scenario 1</b>	<b>Strong</b>	(\$9,990)	+25.2%	\$25,200	\$15,210
<b>Scenario 2</b>	<b>Moderately Strong</b>	(\$9,990)	+13.39%	\$13,390	\$3,400
<b>Scenario 3</b>	<b>Weak</b>	(\$9,990)	+5.39%	\$5,390	(\$4,600)
<b>Scenario 4</b>	<b>Negative</b>	(\$9,990)	0%	\$0	(\$9,990)

\* Series Performance at Maturity is calculated as the total of all Performance Coupons received during the Investment Term expressed as a percentage of the Investment Amount. The actual Series Performance at Maturity will depend on the Index Performance and AUD/USD exchange rate as at each Performance Coupon Determination Date.

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

## 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 are no Performance Coupons paid during the Investment Term. This will be the case if the Index Performance is less than or equal to zero on each of the Performance Coupon Dates;
- 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 total of all Performance Coupons received during the Investment Term is less than the Break-Even Point;
- Timing risks. The timing risk associated with Series 65 is significant. This is because the Investment Term is fixed and the total of Performance Coupons received during the Investment Term needs to exceed the Total Investment Cost 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 by the Maturity Date then Investors will generate a loss;
- The potential Performance Coupons are determined by reference to the Index Performance as well as changes in the AUD/USD exchange rate as at the relevant Performance Coupon Date. An increase in the AUD/USD exchange rate between the Commencement Date and the relevant Performance Coupon Date will reduce the relevant potential Performance Coupon payable (if any) whilst a decrease in the AUD/USD rate between the relevant dates will lead to an increase in the relevant potential Performance Coupon 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 basket of alternative managers (“**BAS**”) during the Investment Term there is a risk the Index will have little to no exposure to this BAS during some or all of the Investment Term, which may provide some protection against decreases in the prices of the BAS comprising the Index however it may also limit the Index’s (and the Unit’s) exposure to increases in the prices of the BAS 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](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.sequoia.com.au](http://www.sequoia.com.au)*

*Units in Sequoia Launch – Series 65 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 Launch – Series 65 Units can only be made by completing an Application Form attached to the Term Sheet Product Disclosure Statement dated 9 November 2022 (“Term Sheet PDS”), after reading the Term Sheet PDS and the Master PDS dated 14 August 2017 (“Master PDS”) and submitting it to Sequoia. A copy of the Term Sheet PDS and Master PDS can be obtained by contacting Sequoia Asset Management on 02 8114 2222 or contacting your financial adviser. You should consider the Term Sheet PDS & Master PDS before deciding whether to invest in Units in Sequoia Launch – Series 65. Capitalised terms in this flyer have the meaning given to them in Section 10 “Definitions” of the Master PDS or in the Term Sheet PDS.*

*This flyer has been prepared by the Issuer for general promotional purposes only and is not an offer to sell or solicitation to buy any financial products. This flyer does not constitute personal advice and has been prepared without taking into account your objectives, financial situation or needs. You should consider obtaining professional advice as to whether this financial product suits your objectives, financial situation or needs before investing. You should seek independent advice in relation to the tax implications of your investment.*