

Sequoia Commodities Series 15



BNP Paribas AW Alpha Commodity 4 ER Index 23 February 2023 Offer Close Date¹

Sequoia has just launched a new investment providing investors with 100% leveraged exposure to the BNP Paribas AW Alpha Commodity 4 ER Index

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 Commodities Series 15

The Units in Commodities Series 15 offer investors the ability to gain 100% leveraged exposure to the performance of the BNP Paribas AW Alpha Commodity 4 ER Index. This index provides a synthetic long/short exposure to commodities with the aim of extracting performance from within the commodities asset class.

Additionally, Commodities Series 15 Units offer:

- The ability to borrow 100% of the Investment Amount via a Limited Recourse Investment Loan for 2 years at a competitive Interest Rate of 2.55%;
- Potential to receive an uncapped Performance Coupon at Maturity based on the Index Performance during the Investment Term applied to the 100% leveraged Investment Amount adjusted for changes in the AUD/USD exchange rate;
- Flexibility by offering a “Roll” feature at Maturity giving investors the ability to either:
 - Continue the exposure to the underlying index for an additional two year investment term by electing to roll an existing investment(s) in Commodities Series 15 into a new Commodities Series 15A under substantially the same terms but reset for the new levels of the indices. The Issuer anticipates that any Performance Coupon payable to investors in respect of Commodities Series 15 will be set off against the Prepaid Interest and Fees due on the new Commodities Series 15A as selected by the investor; or
 - Investors are not compelled to roll and may walk away at Maturity after receiving the Performance Coupon (if any) payable in respect of Commodities Series 15 under this PDS (i.e. not electing to “Roll”).

Minimum Amounts Payable

Minimum Prepaid Interest	\$5,100
Minimum Application Fee	\$850
Minimum Total Investment Amount (excluding any Upfront Adviser Fee)	\$5,950

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:

Commodities Series 15	
Reference Asset / Index	BNP Paribas AW Alpha Commodity 4 ER Index (BNPXAWR4)
Investment Term	2 years
Limited recourse Loan	Yes. Investors borrow 100% of the Investment Amount on a limited recourse basis.
Interest Rate on Loan	2.55% p.a.
Application Fee	0.85% including GST
Total Investment Cost	5.95% (payable upfront)
Minimum Amount Payable (excluding any Upfront Adviser Fee)	\$5,950 for a \$100,000 Loan Amount and 100,000 Units
Potential Performance at Maturity	Yes, there is potential for an uncapped Performance Coupon to be paid at Maturity dependent on the Index Performance applied to the full leveraged Investment Amount, adjusted for changes in the AUD/USD exchange rate.
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 during the Investment Term when calculating any Performance Coupons payable at Maturity

Break-Even Point	The Performance Coupon at Maturity 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 Performance Coupon received at Maturity needs to be equal to or greater than 5.95%. Refer to section 10 of the Term Sheet PDS for more information.
Maximum Loss	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.
Annual Roll Feature	Yes, investors will have the option of continuing to remain exposed to the underlying index of Commodities Series 15 for an additional two year investment term by electing to "Roll" and rolling their existing investment in Commodities Series 15 into a new Commodities Series 15A as selected by the investor
Margin Calls	No
SMSF Eligibility	Yes

BNP Paribas AW Alpha Commodity 4 ER Index

The objective of the BNP Paribas AW Alpha Commodity 4 ER Index is to deliver diversified and uncorrelated performance across various market regimes.

Genuine cross-asset diversification

- Low correlation to other assets
- Alpha extracted via a long/short position
- Diversified across sources of alphas

It provides a synthetic long/short exposure to commodities with the aim of extracting performance from three main sources of alpha within commodities:

- Carry
- Momentum; and
- Value

by investing into three underlying dedicated indices. The strategy uses an equal risk contribution approach to determine the allocation to each underlying index before applying a 4% volatility control mechanism (with a maximum exposure of 350%).

What are the three sources of commodity alpha being extracted by the BNP Paribas AW Alpha Commodity 4 ER Index?

The section below indicates the three sources of alpha that the BNP Paribas AW Alpha Commodity 4 ER Index provides access to:



CARRY

BNPIDSXA Index
live since: 11 Jul 2019

The benefits and costs of holding a commodity vary with time. This is reflected in the shape of the commodity futures curve. The objective of this strategy is to capture the carry cost differential per commodity, by buying the futures contracts with lower carry costs and selling front-month contracts (typically with higher carry costs).



MOMENTUM

BNPITMXA Index
live since: 5 Nov 2018

Physical commodity supply tends to persist across time and is generally slow to react to changes in demand, which creates different trends across commodities. The objective of this strategy is to capture bullish or bearish trends per commodity. Overweight the outperforming commodities and underweight underperforming commodities.



VALUE

BNPINBXA Index
live since: 11 Aug 2015

Demand may exceed supply, driving prices higher. In these cases, the spot price tends to be higher than the forward price (known as backwardation). The objective of this strategy is to benefit from the rise in price of raw materials that are in high demand but have witnessed a tightness in supply.

Examples of Total Investment Cost

Assuming you wish to get exposure to the BNP Paribas AW Alpha Commodity 4 ER Index with minimal upfront capital and limited downside risk, you decide to take out a limited recourse loan and invest the proceeds into Sequoia Commodities Series 15. 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 2 year Investment Term (2% x 2.55% p.a. x Investment Amount)	(\$5,100)	(\$25,500)	(\$51,000)
Application Fee including GST (0.85%)	(\$850)	(\$4,250)	(\$8,500)
Total Investment Cost*	(\$5,950)	(\$29,750)	(\$59,500)

*This excludes any Upfront Adviser Fee

When will investors generate a profit from Sequoia Commodities Series 15

It is important for investors to understand that in order to recoup the Total Investment Cost and generate a profit on their investment into Commodities Series 15 then the Performance Coupon received at Maturity 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 Performance Coupon received at Maturity ("Series Performance") needs to be equal to or greater than 5.95%. As such, the Series Performance will need to be strong over the next two years in order for you to at least break-even and generate a profit in respect of Commodities Series 15.

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 in relation to Commodities Series 15 (or any subsequent series). The actual final result is likely to be different to any of the hypothetical scenarios below and will depend on the actual Series Performance realised by Maturity.

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

		Total Investment Cost*	Series Performance at Maturity*	Performance Coupon at Maturity	Net Profit or (Loss)**
Scenario 1	Very Strong	(\$5,950)	+15%	\$15,000	\$9,050
Scenario 2	Moderately Strong	(\$5,950)	+8.0%	\$8,000	\$2,050
Scenario 3	Weak	(\$5,950)	+3%	\$3,000	(\$2,950)
Scenario 4	Negative	(\$5,950)	0%	\$0	(\$5,950)

*Series Performance at Maturity is calculated as the Index Performance at Maturity adjusted for changes in the AUD/USD exchange rate expressed as a percentage of the Investment Amount, floored at zero. The actual Series Performance at Maturity will depend on the Index Performance and AUD/USD exchange rate as at the Maturity 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 Coupon is paid at Maturity. This will be the case if the Index Performance is less than or equal to zero on the Performance Coupon 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 Performance Coupon received during the Investment Term is less than the Break-Even Point;

- Timing risks. The timing risk is significant. This is because the Investment Term is fixed and the Performance Coupon received at the end of 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 Performance Coupon at Maturity is 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 Performance Coupon Date will reduce any 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 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 both the Indices 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 Indices' (and the Units') exposure to increases in the prices of the relevant portfolio comprising each Index. To the extent either 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 Commodities Series 15 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 15 Units can only be made by completing an Application Form attached to the Term Sheet Product Disclosure Statement dated 3 February 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 Commodities Series 15. 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.

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