

## Sequoia Alpha – Series 3



**Solactive Alpha Mutual Fund VT Index**  
**Accessing a basket of alternative global funds**  
**Offer Close Date 12 April 2024<sup>1</sup>**

Sequoia has just launched a new investment enabling investors to gain exposure to the Solactive Alpha Mutual Fund VT Index with minimal upfront capital

<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 Alpha Series 3

Sequoia Alpha Series 3 (“**Series 3**”) is a structured investment whereby investors obtain 100% leverage and exposure to any positive performance of the Solactive Alpha Mutual Fund VT Index (“**the Reference Asset or Index**”) over a 2 year period with the potential to receive uncapped Performance Coupons every 6 months until the Maturity Date dependent on the Index Performance during the Investment Term, fully currency hedged into AUD.

### An Investment in Series 3 Units may suit you if:

- You have a positive view of the Index over the 2 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	\$6,250
Minimum Application Fee	\$700
Minimum Total Investment Amount (excluding any Upfront Adviser Fee)	\$6,950

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

### Sequoia Alpha Series 3

#### Reference Asset / Index

Solactive Alpha Mutual Fund VT Index

Bloomberg Ticker: SOAMFVT <Index>

Please refer attached link for further information including access to the underlying rules of the Index:

<https://www.solactive.com/Indices/?index=DE000SL0LF04>

Basket of Underlying Funds	Underlying Fund	Investment Style	Fixed Weight
	AQR Managed Futures UCITS Fund	Systematic, long/short, multi-asset, trend following	14.7%
	Man GLG Event Driven Alternative	Event driven, long/short	34.5%
	Jupiter Merian Global Equity Absolute Return	Long/short, large cap, global equities	31.6%
	BlueBay Global Sovereign Opportunities	Global macro, long/short, global rates, currencies and sovereign credits	19.2%

#### Potential Uncapped Performance Coupons payable every 6 months

Yes, there is the potential to receive uncapped Performance Coupons every 6 months until the Maturity Date dependent on the Index Performance during the Investment Term, fully currency hedged into AUD.

#### Currency Exposure

No, the USD denomination of the Index is fully hedged into AUD. As such, any changes in the AUD/USD exchange rate during the Investment Term have no impact on the calculation of any potential Performance Coupons payable

#### Limited Recourse Loan

Yes. Investors borrow 100% of the Investment Amount.

#### Investment Term

2 years

#### Annual Interest Rate on Loan

3.125% p.a.

<b>Application Fee</b>	0.70% including GST
<b>Total Investment Cost</b>	6.95% (payable upfront)
<b>Minimum Amount Payable</b>	\$6,950 for a \$100,000 Loan and 100,000 Units
<b>Break-Even Point</b>	Total Performance Coupons received during the Investment Term need to be equal to or greater than 6.95% in order for investors to at least break-even (excluding any Upfront Adviser fee and any external costs). Refer to section 5 of the Term Sheet PDS for more information.
<b>Maximum Loss</b>	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.
<b>Margin Calls</b>	No
<b>SMSF Eligibility</b>	Yes

## The Solactive Alpha Mutual Fund VT Index

The Index is an excess return index designed to track the extent to which performance of the Basket of Underlying Funds exceeds the USD Secured Overnight Financing Rate (“USD SOFR”) subject to a 4.5% target volatility mechanism, 150% maximum participation rate and 1% p.a. decrement fee. In other words, the Index aims to capture the “alpha” generated by the Basket of Underlying Funds above the USD SOFR.

Please refer attached link for further information including access to the underlying rules of the Index.

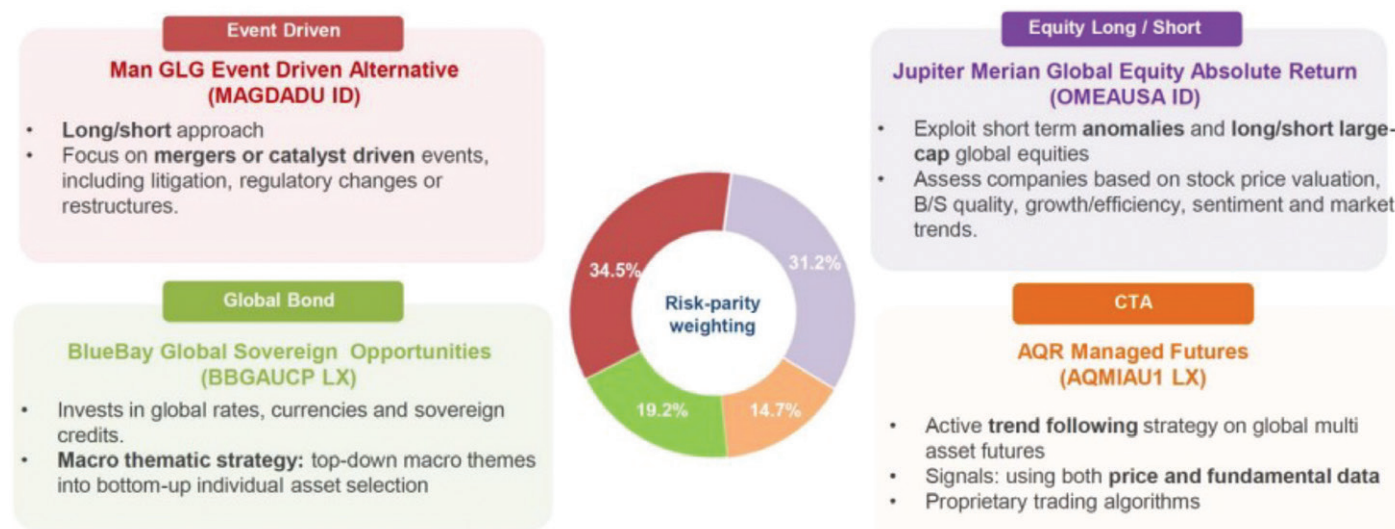
<https://www.solactive.com/Indices/?index=DE000SLOLF04>

The key features of the Index include:

- **Alternative source of return:** The Index captures the investment return of 4 alternative underlying funds which are managed by experienced global fund managers;
- **Diversified mix of investment style:** The underlying funds include a diversified range of different investment styles – see below table;
- **Long/Short:** Each of the underlying funds have the flexibility to take either long and short positions within their respective portfolios. As such, they have the ability to generate positive returns irrespective of the direction of the relevant underlying market;
- **Low Correlation to Global Equities:** At the time of the Index being launched in February 2024 it has historically exhibited a low correlation of approximately 0% to the S&P500; and
- **Pricing efficiency:** The index has been designed to allow efficient pricing of structured products such as Sequoia Alpha Series 3.

## Basket of Underlying Funds

The Basket of Underlying Funds includes the following:



## 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 3. 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 (2 x 3.125% p.a. x Investment Amount)	(\$6,250)	(\$31,250)	(\$62,500)
Application Fee including GST (0.7%)	(\$700)	(\$3,500)	(\$7,000)
<b>Total Investment Cost*</b>	<b>(\$6,950)</b>	<b>(\$34,750)</b>	<b>(\$69,500)</b>

\*This excludes any Upfront Adviser Fee

## When will investors generate a profit from Sequoia Alpha Series 3

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 Performance Coupons received during the Investment Term per Unit need to be greater than the Break-Even Point of 6.95% (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 2 years in order for you to at least break-even and generate a profit.

## Worked Examples on Calculation of Performance Coupons

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 Index Performance realised during the Investment Term. Returns are not guaranteed.

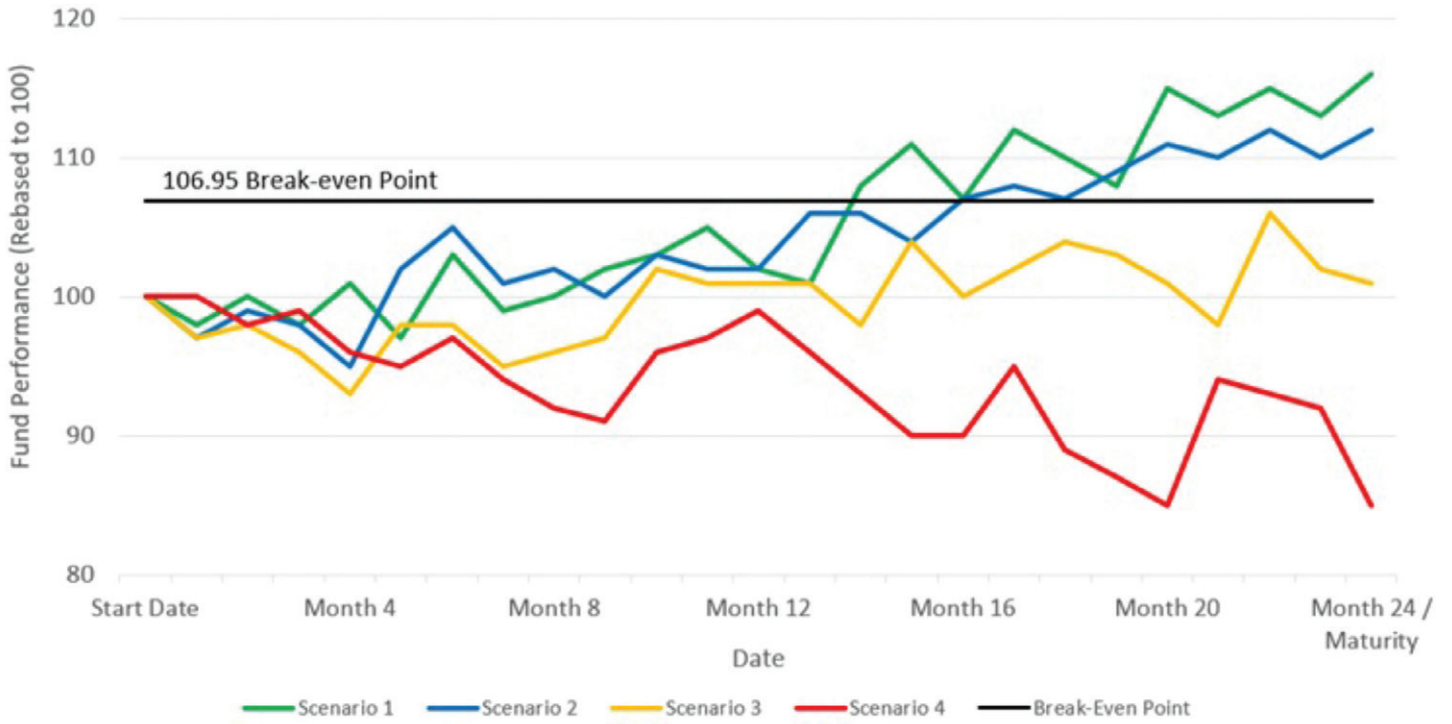
	Index Levels and Coupons payable (%)					
	Commencement Date	1st Coupon Determination Date after 6 months	2nd Coupon Determination Date after 12 months	3rd Coupon Determination Date after 18 months	Final Coupon Determination Date after 24 months	Cumulative Coupons over 2 years (%)
<b>Bullish</b>	100	103	102	110	116	-
Coupon payable (%)	-	3%	0%	7%	6%	16%
<b>Average</b>	100	105	102	107	112	-
Coupon payable (%)	-	5%	0%	2%	5%	12%
<b>Weak</b>	100	98	101	104	101	-
Coupons payable (%)	-	0%	1%	3%	0%	4%
<b>Negative</b>	100	97	99	89	85	-
Coupons payable (%)	-	0%	0%	0%	0%	0.00%

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*	Highest Index Performance observed on any Coupon Determination Dates during Investment Term*	Total Performance Coupons received during the Investment Term	Net Profit or (Loss)*
<b>Scenario 1 Strong</b>	(\$6,950)	+16%	\$16,000	\$9,050
<b>Scenario 2 Average</b>	(\$6,950)	+12%	\$12,000	\$5,050
<b>Scenario 3 Weak</b>	(\$6,950)	+4%	\$4,000	(\$2,950)
<b>Scenario 4 Negative</b>	(\$6,950)	-1%	\$0	(\$6,950)

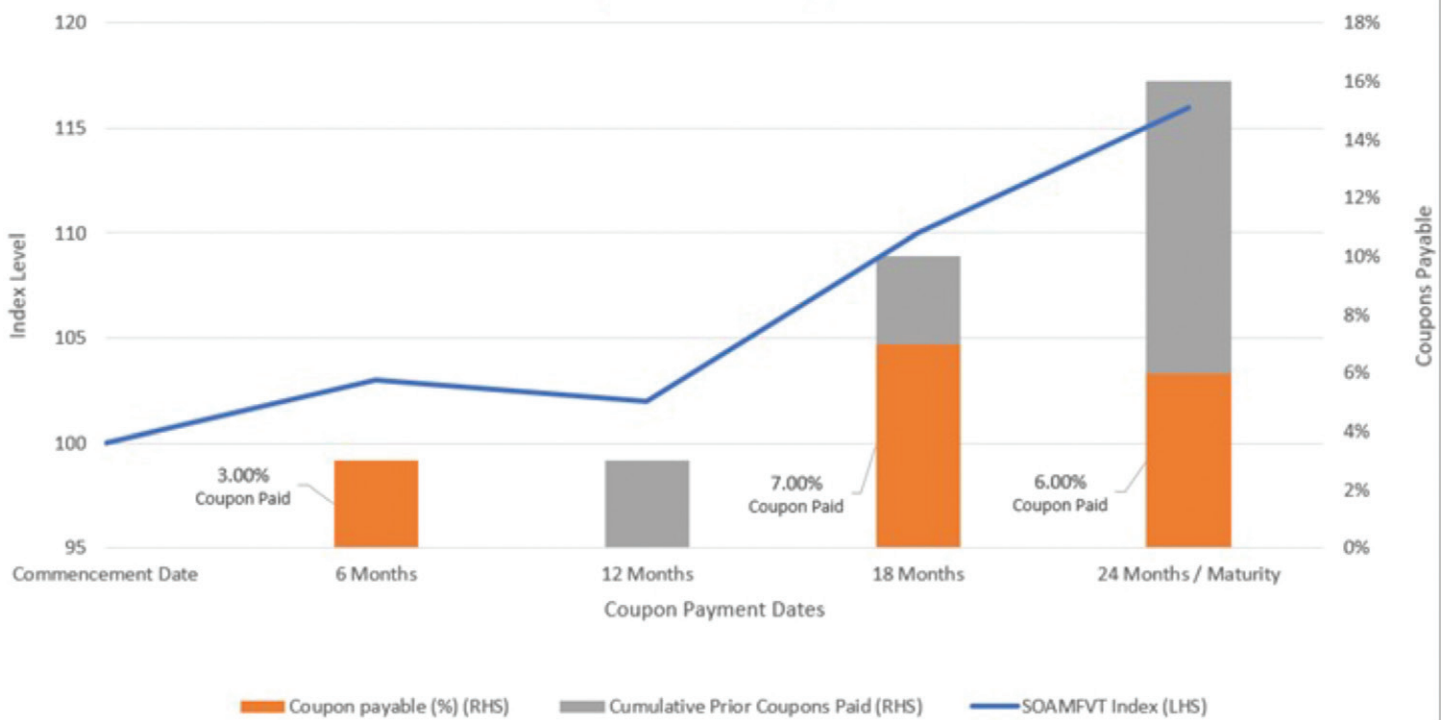
\*\*Excludes any Upfront Adviser Fee, tax, and any other external costs paid by the Investor in connection with investing in Units.

### Hypothetical Scenarios



Based on the above hypothetical index performance, the Performance Coupons payable under the Bullish Scenario would be calculated as follows assuming \$100,000 Loan Amount and 100,000 units were held by the investor on each of the Performance Coupon Determination Dates.

### Bullish Scenario



## 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 Determination 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 Performance Coupons received during the Investment Term is less than the Break-Even Point (per Unit);
- Timing risks. The timing risk is significant. This is because the Investment Term is fixed and the Total 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;
- 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](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 Alpha Series 3 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 3 Units can only be made by completing an Application Form attached to the Term Sheet Product Disclosure Statement ("TSPDS"), after reading the Term Sheet PDS dated 13 March 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 3. Capitalised terms on the webpage have the meaning given to them in Section 10 "Definitions" of the Master PDS.

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