

Investing into Dispersion US Listed Shares Growth vs Value

**For Financial Advisers Only
Not for Distribution to End Investors**



Sequoia Dispersion – Series 1 Offer Close Date – 21 June 2019¹

Sequoia has just launched a new investment enabling investors to gain exposure to the Dispersion of a Reference Basket of US listed Shares for an 18 month period with minimal upfront capital and limited downside risk.

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.

The Units provide investors with a potential uncapped Performance Coupon at Maturity based on the full leveraged investment amount depending on the performance of Dispersion of the Reference Basket during the Investment Term provided the realized level of Dispersion at Maturity is greater than the Hurdle². The Performance Coupon is also adjusted for changes in the AUD/USD exchange rate during the Investment Term.

The Reference Basket consists of US listed Shares having a large exposure to the Value and Growth investment style factors. The Reference Basket includes 6 “Value” stocks and 6 “Growth” stocks.

Summary of the key features are as follows

Series 1																											
Reference Basket	<table border="1"> <thead> <tr> <th>Name</th> <th>Share Bloomberg Code</th> </tr> </thead> <tbody> <tr> <td>APPLE INC</td> <td>AAPL UW Equity</td> </tr> <tr> <td>NVIDIA CORP</td> <td>NVDA UW Equity</td> </tr> <tr> <td>LYONDELLBASELL INDU-CL A</td> <td>LYB UN Equity</td> </tr> <tr> <td>KROGER CO</td> <td>KR UN Equity</td> </tr> <tr> <td>BANK OF AMERICA CORP</td> <td>BAC UN Equity</td> </tr> <tr> <td>GOLDMAN SACHS GROUP INC</td> <td>GS UN Equity</td> </tr> <tr> <td>L BRANDS INC</td> <td>LB UN Equity</td> </tr> <tr> <td>MICRON TECHNOLOGY INC</td> <td>MU UW Equity</td> </tr> <tr> <td>AMAZON.COM INC</td> <td>AMZN UW Equity</td> </tr> <tr> <td>EXELON CORP</td> <td>EXC UN Equity</td> </tr> <tr> <td>NETFLIX INC</td> <td>NFLX UW Equity</td> </tr> <tr> <td>FACEBOOK INC-CLASS A</td> <td>FB UW Equity</td> </tr> </tbody> </table>	Name	Share Bloomberg Code	APPLE INC	AAPL UW Equity	NVIDIA CORP	NVDA UW Equity	LYONDELLBASELL INDU-CL A	LYB UN Equity	KROGER CO	KR UN Equity	BANK OF AMERICA CORP	BAC UN Equity	GOLDMAN SACHS GROUP INC	GS UN Equity	L BRANDS INC	LB UN Equity	MICRON TECHNOLOGY INC	MU UW Equity	AMAZON.COM INC	AMZN UW Equity	EXELON CORP	EXC UN Equity	NETFLIX INC	NFLX UW Equity	FACEBOOK INC-CLASS A	FB UW Equity
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Dispersion	<p>The dispersion of a basket of securities is typically measured by how much the return of each individual security in the basket differs, in absolute terms from the average return of the overall basket over a given period of time. Each of these return differentials are averaged and the greater the average, the higher the measure of dispersion</p> <p>Refer to the Formulae & Calculations section of the IM for a precise formula.</p>																										
Potential Performance Coupons	Yes, the potential for one uncapped Performance Coupon based on the realized level of Dispersion at Maturity LESS the Hurdle Rate, as adjusted for changes in the AUD/USD exchange rate																										
Hurdle Rate*	The is determined by the Issuer on the Commencement Date. As at the date of the IM the Hurdle was 25%.																										
Currency Exposure	Yes. The Potential Performance Coupon at Maturity is adjusted for changes in the AUD/USD exchange rate during the Investment Term.																										
Limited recourse Loan	Yes																										
Annual Interest Rate on Loan (payable for the full 1.5 years in advance)	5.0% p.a. (7.5% payable upfront for the full 1.5year Investment Term)																										
Application Fee	1.1%																										
Total Investment for the full 18 month period	8.60%																										
Break- Even Level Performance Coupon at Maturity	8.60%																										
Margin Calls	No																										
SMSF Eligibility	Yes																										

*Subject to change depending on the Hurdle Rate on the Commencement Date.

² As at the date of the information memorandum (IM) the Hurdle would be 25%. The Issuer will set the actual Hurdle on the Commencement Date.

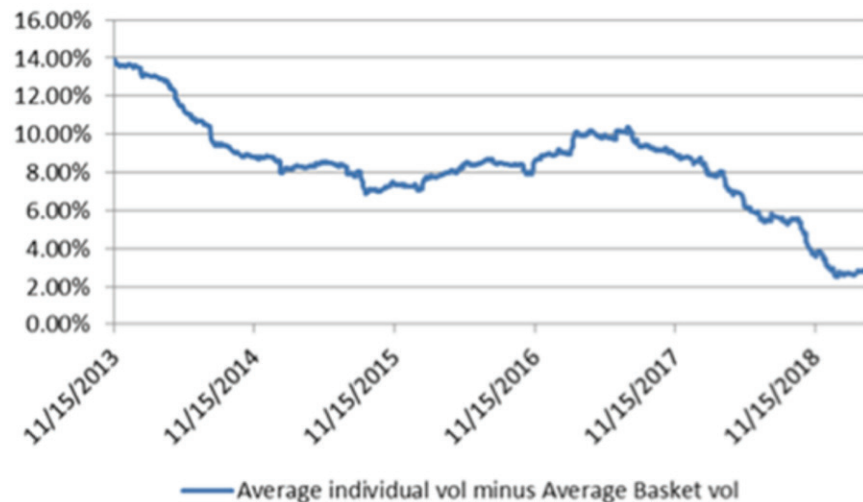
Attractive Entry Point for Investing into Dispersion on the Reference Basket

When investing into Dispersion, it is generally considered preferred to do this when the relevant:

- VOLATILITY parameter is considered CHEAP to BUY via a long position;
- CORRELATION parameter is EXPENSIVE to SELL via a short position.

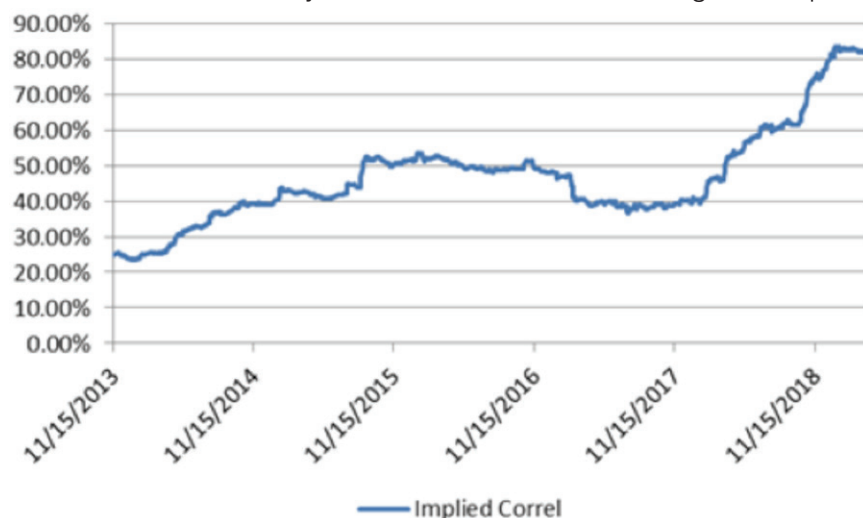
The graph below illustrates the historical evolution of the relevant Volatility parameter and the current low level compared to the previous +6 years. It covers the full period in which price data for all stocks included in the Reference Basket have been simultaneously available.

Note: Investors indirectly buy Volatility when investing into Dispersion



The graph below illustrates the historical evolution of the relevant Correlation parameter of the Reference Basket and the current high level compared to the previous +6 years. It covers the full period in which price data for all stocks included in the Reference Basket have been simultaneously available.

Note: Investors indirectly sell Correlation when investing into Dispersion



In summary, as at the date of the IM, the entry point for investing into the Dispersion on the Reference Basket appears very attractive due to the prevailing Low Volatility and High Correlation market conditions.

Investors should note that past performance is not a reliable indicator of future performance. Future Volatility and Correlation levels may increase or decrease in the future.

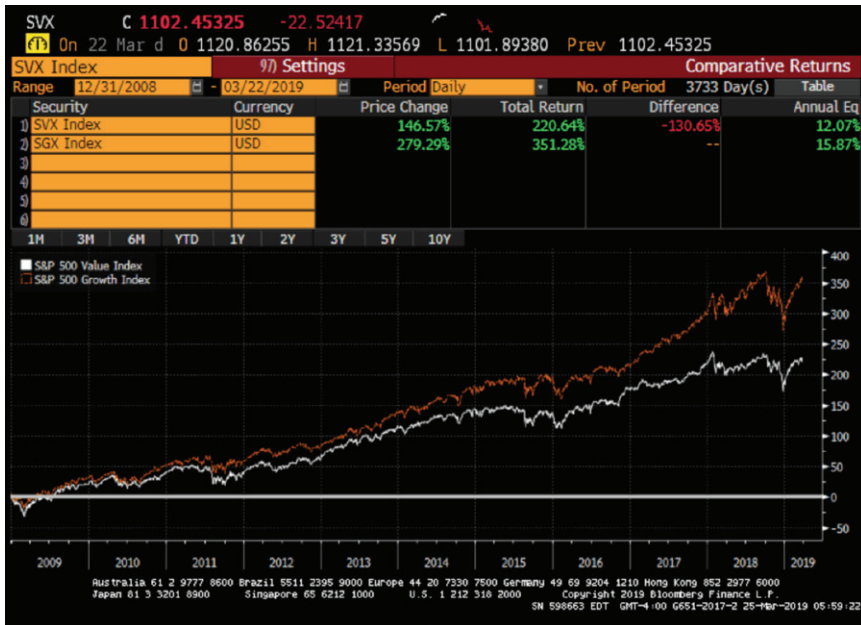
Fundamentals at Play – Growth and Value U.S. Listed Stocks

Since 2009, Growth stocks included in the S&P500 Index have strongly outperformed Value Stocks by +130%. See the graph below.

The 2 index references are

- SVX Index which tracks Value stocks included within the S&P 500
- SGX Index which tracks Growth stocks included within the S&P 500.

Outperformance of Growth vs. Value since 2009



Yet in late July 2018 Value stocks starts outperforming.



In a rising US rate environment, this leads various market participants to wonder if the trend will change going forward or not. Some market commentators see Earnings per Share (EPS) and valuation of Growth tech stocks sending cautious signals and Value bank stocks being supported by a pickup in Commercial & Industrial lending; while others hold a view that resilient US economic growth will continue to support Growth stocks performance. Within this context, there appears to be growing differences of opinions as to the future outlook of U.S. Value and Growth stocks leading to an argument that dispersion across a Reference Basket including such stocks could be high in the future. This is because dispersion typically reflects differences of opinions by investment market participants (e.g. fund managers, pension funds, insurance companies and other institutional portfolio asset allocators).

Scenario Outcomes:

Assuming you wish to get exposure to Dispersion with minimal upfront capital and limited downside risk, you decide to take out a limited recourse loan of \$500,000 and invest the proceeds into Dispersion on the Reference Basket. The cashflow scenarios are below:

Cash Outlay for Sequoia Dispersion Series 1	
Investment Amount	\$500,000
Loan	(\$500,000)
Interest for 1.5 year Investment Term (5%p.a.)	(\$37,500)
Application Fee (1.1%)	(\$5,500)
Total Investment Cost	(\$43,000)

Investment cash flow Scenarios during the Investment Term for Sequoia Dispersion Series

Scenario	Investment Amount	Dispersion Less Hurdle at Maturity	Performance Coupon*	Total Investment Cost	Net Profit/ (Loss)	% Return on Total Investment Cost
1	\$500,000	-5%	\$0	\$43,000	(\$43,000)	-100%
2	\$500,000	0.00%	\$0	\$43,000	(\$43,000)	-100%
3	\$500,000	8.6%	\$43,000	\$43,000	Break-Even	0%
4	\$500,000	16.2%	\$86,000	\$43,000	\$43,000	100%
5	\$500,000	25.8%	\$129,000	\$43,000	\$86,000	200%
6	\$500,000	34.4%%	\$172,000	\$43,000	\$229,000	300%

*Excludes the impact of any changes in the AUD/USD exchange rate.

The above scenario outcomes are in no way indicative of future performance of Sequoia Dispersion – Series 1.

Key risks include:

- Your return (including any Coupon) is affected by the performance of the Dispersion of Reference Basket (US listed Shares) and whether this is greater than the Hurdle at Maturity. There is no guarantee that the Dispersion of the Reference Basket will perform well.
- There will be no Performance Coupons payable if the Dispersion of the Reference Basket is below the Hurdle at Maturity.
- The potential Performance Coupon is determined by reference to the Dispersion of the Reference Basket, the Hurdle as well as changes in the AUD/USD exchange rate. An increase in the AUD/USD exchange rate between the Commencement Date and the Maturity Date will reduce the Performance Coupon whilst a decrease in the AUD/USD rate between the relevant dates will lead to an increase in the Performance Coupon;
- 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 an 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 will never be required to pay more than the Prepaid Interest Amount and Fees at Commencement.
- Investors are subject to counterparty credit risk with respect to the Issuer and the Hedge Counterparty;
- Gains and losses may be magnified by the use of a 100% limited recourse Loan; 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 IM for more information. Please refer to Section 2 “Risks” of the Master IM for more information.

This flyer has been prepared for financial advisers only and is not available for distribution to end investors.

**To find out more and to download a copy of the relevant
Information Memorandum, 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 Dispersion – Series 1 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 Dispersion – Series 1 can only be made by completing an Application Form attached to the Term Sheet Information Memorandum (“TSIM”), after reading the Term Sheet IM dated 7 May 2019 and the Master IM dated 11 April 2019 and submitting it to Sequoia. A copy of the IM can be obtained by contacting Sequoia Wealth 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 Dispersion – Series 1 . Capitalised terms on the webpage have the meaning given to them in Section 10 “Definitions” of the Master IM.

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