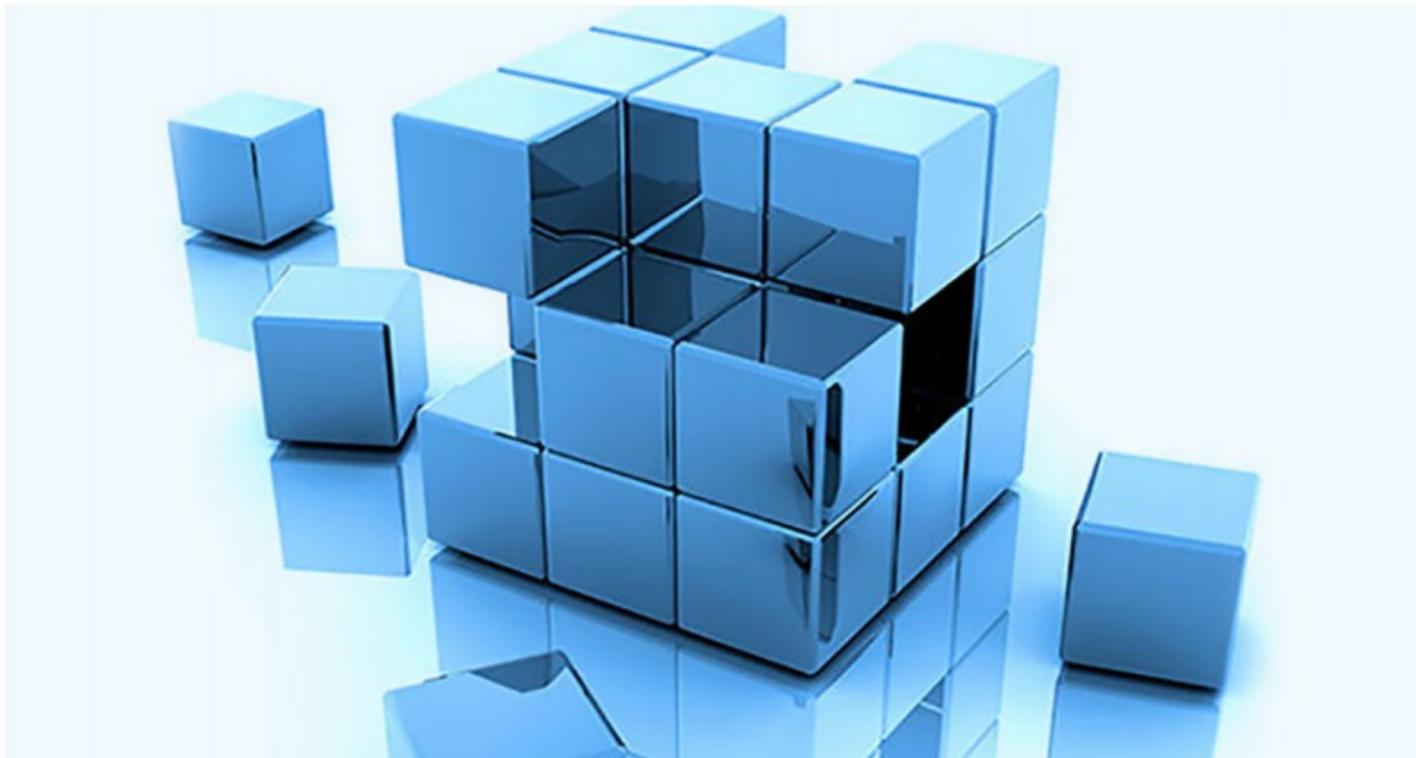


Structured Investments and Blackrock's Multi-Asset Strategy



Important Information

- Specialist Investments Pty Ltd (ACN 145 459 936) (“the Issuer”) issues structured investments which are arranged by Sequoia Asset Management Pty Ltd (ACN 135 907 550, AFSL 341506) (“the Arranger”) pursuant to Section 911A(2)(b) of the Corporations Act.
- Specialist Investments Pty Ltd declares that they deal in financial products as part of their business and consequently they do have a relevant interest in the financial products recommended herein.
- The information in this email is confidential and is provided to holders of an Australian financial services license or their authorised representatives who are financial advisers ONLY. It must not be reproduced, distributed or disclosed to any other person, without the prior written consent of Sequoia Specialist Investments Pty Ltd.
- This information is either general information or general advice and does not take account of investors’ objectives, financial situation or needs. Before acting, financial advisers should therefore consider the appropriateness of the advice having regard to the objectives, financial situation or needs of their clients whenever relevant. We recommend their clients obtain financial, legal and taxation advice and consider all risks before making any financial investment decision.
- The Sequoia Launch Series 55 – Blackrock Multi-Asset Strategy is 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 Sequoia Launch Series 55 can only be made by completing an Application Form attached to the Term Sheet Product Disclosure Statement (“TSPDS”), after reading the Master PDS dated 14 August 2017 and submitting it to of Sequoia Specialist Investments Pty Ltd. You should consider the Term Sheet & Master PDS’ before deciding whether your clients should invest in Units in Sequoia Launch Series 55 .
- We believe that the information contained herein was correct at the time of compilation, however no warranty of accuracy or reliability or completeness is given to any information contained in this presentation and no responsibility for any loss or damage whatsoever arising in any way for any representation, act or omission, whether express or implied (including responsibility to any person by reason of negligence) is accepted by Sequoia Specialist Investments Pty Ltd, its directors, employees, agents and third party information providers.

Sequoia Specialist Investments Pty Ltd

- Blair Kirkhope – Head of Specialist Investments at Sequoia
- Sequoia Specialist Investments Pty Ltd is one of Australia's leading, non-bank issuers of structured investments.
- It is a wholly owned subsidiary of Sequoia Financial Group Ltd (ASX: SEQ)
- Issued over 60 investments over 6 years
- \$300 million notional of investments currently outstanding

SSI History of Performance

Underlying / Sector	Number of Issuances	Average Return on Cash Outlay	Win/Loss Ratio
ASX200	23	-19%	38% win / 54% loss / 8% break even
Berkshire Hathaway	10	80.67%	100% win
Best Of	4	173%	100% win
S&P500	3	63%	100% win
US Tech	3	172.78%	100% win
US Real Estate	5	17.24%	60% win / 40% loss

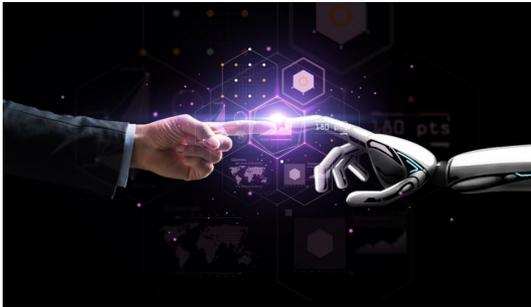
What are Structured Investments

Structured investments are investments that are customised to meet specific investment objectives. For example:

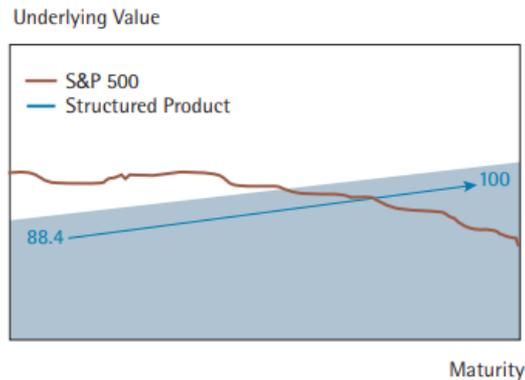
- **Achieving a higher level of yield** from a portfolio compared to direct equities or hybrids;
- **Increasing diversification**
- **Protecting the downside risk** on a portfolio
- **Accelerating the overall expected return** generated from a portfolio compared to direct equities or managed fund allocations

Benefits of Structured Investments

- **Accessing new opportunities not otherwise available via traditional Australian investment platforms**



- **Customising features to improve the risk reward equation for investors**



Accessing opportunities not otherwise available in Australia

Our aim at Sequoia is to enable Australian investors to access new underlying assets not otherwise available through traditional investment platforms in Australia.

For example:

- **New Investment themes** e.g. future technology, robotics, AI, electronic payments, E-vehicles etc
- **International ETFs**; e.g. XLK – US technology ETF
- **Bespoke indices**; e.g. Nasdaq Yewno Global Innovative Technologies ER Index
- **Model portfolios** e.g. Blackrock Multi-Asset Model Portfolio

This can bring additional diversification benefits within a client's portfolio

Accessing new opportunities – One Historical Example

Sequoia Future Tech Series 1: Accessing future technologies via a custom index designed by Nasdaq in conjunction with a Silicon Valley based start up (Yewno) and leading provider of Machine Learning and AI Solutions for the Finance Industry

Nasdaq Yewno Global Innovative Technologies ER Index(Nasdaq: NYGITE Index)

Making use of Yewno Inc's Artificial Intelligence system, the Index analyses the extent to which a company has intellectual property and invests in research and development through their patent data linked to 6 innovative technologies (See table below)

Sequoia Future Tech Series 1

Top 100 global companies in the following 6 sectors/25 subsectors:

Artificial Intelligence	Automotive Innovation	Data Computing & Processing	Healthcare Innovation	IoT	Robotics
Deep Learning	Autonomous Vehicles	3D Graphics	Bioinformatics	Digital Currency	3D Printing
NLP	Electric Vehicles	Big Data	Human Augmentation	Internet of Things	Drones
Image Recognition	Hybrid Vehicles	Blockchain	Robotic Surgery	Mobile Payments	Nanorobotics
Speech Recognition & Chatbots		Cloud Computing		Wearable Technology	Spacecraft & Satellites
		Cyber Security			
		Quantum Information & Optics			
		Virtual Reality & AR			

Sequoia Future Tech Series 1

Terms

- 3 year
- 100% limited recourse leverage,
- 5.95% p.a. interest rate
- 0.7% p.a. management fee
- Index: Nasdaq Yewno Global Innovative Technologies ER Index (Nasdaq: NYGITE Index)

Investment Cost = 19.95% for 3 years before your adviser fee

Annual Performance Coupons paying out the performance of the index at the end of each year based on the 100% leveraged investment amount

Improving the Risk/Reward Equation

Structured investments are investments that are customised to meet specific investment objectives such as:

- Capital preservation;
- Increased diversification;
- Yield enhancement;
- Limited recourse leverage;
- Volatility Control mechanisms;
- Best of feature;
- Look back features to optimize entry levels;
- Profit lock-in features
- Access to non-traditional asset classes.

Such features can help to improve the risk/reward ratio compared to traditional investments such as direct equities

Improving the Risk/Reward Equation

Sequoia Optimiser: Catching a future pullback in the S&P 500

- **Series 1** - includes an Optimized Entry feature which enables the investor to benefit from a lower starting level for their investment in the event of a pullback in the US share market as measured by the S&P 500 during the first 6 months of the 2 year investment term.
- **Catching a Pullback** - The starting point for the investment is the lowest monthly closing level during the first 6 months

Increasing the potential return in the event of a future rebound

Improving the Risk/Reward Equation

Terms

2 year

100% limited recourse leverage,

5.95% p.a. interest rate

S&P500

Optimised Entry Feature

Investment Cost = 11.9% for 2 years before your adviser fee

Performance Coupon paid at Maturity

Risks of Structured Investments

- **Risk of Misunderstanding** how the investment works:
 - GFC is a good example
 - Many investors surprised
 - Poor structuring
 - Investors misunderstood many investments
 - E.g. leverage combined with capital protection delivered via CPPI which included a cash lock mechanism
 - Structured Product industry learnt a big lesson
 - Pre Sequoia time

There is never any CPPI or cash-lock feature in any of Sequoia's investments

Risks of Structured Investments

- **High risk with geared investments.** This can help to be managed as follows:
 - **Small portfolio allocations** to geared investments only for suitable investors
 - **Choose an underlying which can navigate market cycles** and can improve the probability of positive returns being generated under a variety of market conditions e.g. Multi-asset portfolios
 - **Ensure the worst-case scenario is fixed and known upfront** via limited recourse leverage

Risks of Structured Investments

- **Other risks:**
 - **Poor performance** of the underlying is the key risk
 - Careful selection of the **underlying asset is critical**
- **Credit risk**
 - **Investors take on credit risk** of investment bank and not Sequoia thanks to security arrangements
 - **Refer to Master PDS** for a full explanation of all risks

Responding to Market Volatility

At a time where there has been/is a lot of market volatility, a number of advisers together with the InterPrac investment committee, have asked us to look for an investment that combines the following attributes:

- Provide exposure to a more conservative portfolio;
- with diversification across multiple asset classes;
- With an “A grade” fund manager;
- Minimal upfront capital;
- Limited downside risk;
- Annual income
- Tax efficiency

No Asset Class has consistently outperformed over time

CALENDAR YEAR RETURNS BY ASSET CLASSES

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
U.S. Stocks	33%	29%	66%	50%	4%	32%	56%	26%	35%	33%	40%	20%	79%	19%	17%	19%	32%	14%	1%	12%	38%
Emerging Market Bonds	12%	20%	41%	15%	1%	22%	39%	21%	26%	27%	33%	10%	32%	15%	8%	19%	23%	11%	1%	12%	26%
U.S. 10Y Treasury Bonds	11%	18%	27%	14%	-2%	15%	29%	17%	14%	16%	12%	-11%	28%	12%	5%	18%	-1%	6%	1%	11%	22%
Developed Stocks ex-U.S.	2%	13%	24%	-3%	-4%	13%	26%	12%	11%	10%	11%	-37%	26%	9%	2%	16%	-2%	-2%	0%	10%	10%
Developed Gov't Bonds ex-U.S.	-4%	-12%	21%	-9%	-12%	-6%	21%	12%	5%	7%	10%	-43%	13%	8%	-1%	4%	-5%	-3%	-6%	2%	9%
Emerging Market Stocks	-12%	-25%	-5%	-14%	-21%	-16%	19%	11%	2%	1%	6%	-46%	4%	8%	-12%	2%	-7%	-4%	-15%	2%	6%
Commodities	-14%	-36%	-8%	-31%	-32%	-22%	1%	5%	-9%	-15%	5%	-53%	-10%	5%	-18%	0%	-8%	-33%	-33%	0%	2%

The figures shown relate to past performance. Past or simulated performance is not necessarily a guide to future performance. Investors should not place undue reliance on any theoretical historical or simulated information regarding such historical or simulated performance.

Diversification and asset allocation may not fully protect you from market risk. As of 31 December 2017. Source: BlackRock, Morningstar. Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. U.S. stocks represented by the S&P 500 Index, developed stocks ex-U.S. by the MSCI EAFE Index, emerging market stocks by the MSCI EM Index, U.S. bonds by the ICE BofA/ML Current 10-Year U.S. Treasury Index, non-U.S. bonds by the FTSE Non-USD World Government Bond Index, emerging market bonds by the JP Morgan Emerging Market Bond Index, and commodities by the S&P Goldman Sachs Commodity Index.

NEW GENERATION MULTI ASSET INDEX BY BNP ADVISED BY BLACKROCK®

“OPTIMIZED TO SEEK ALPHA” A GLOBAL MULTI ASSET STRATEGY WITH MEGATRENDS

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**BNP PARIBAS
GLOBAL MARKETS**

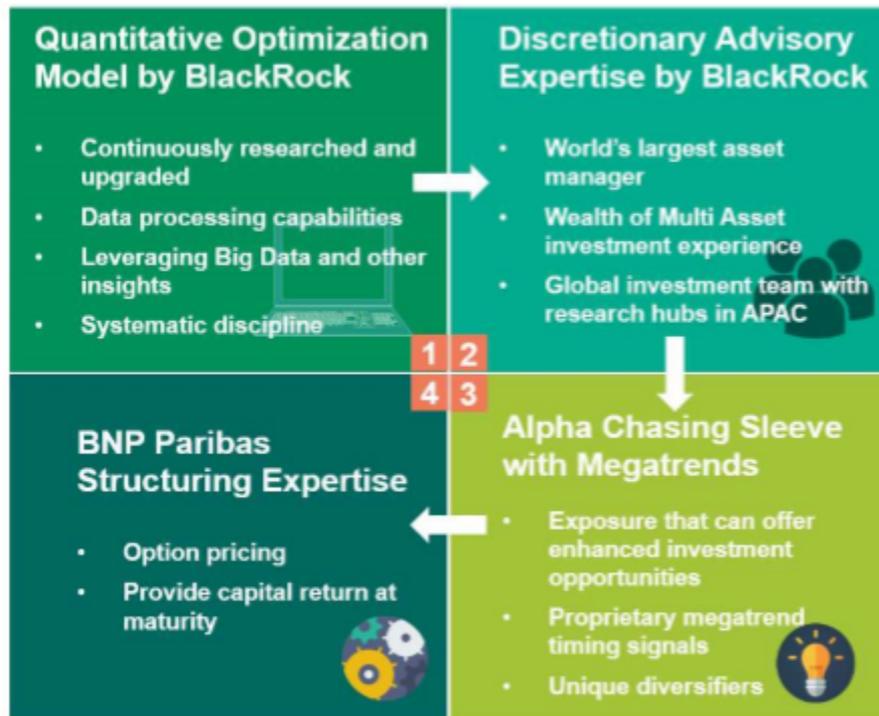
In Collaboration with BlackRock

June 2019

sequoia
SPECIALIST INVESTMENTS

First in the Market Collaboration

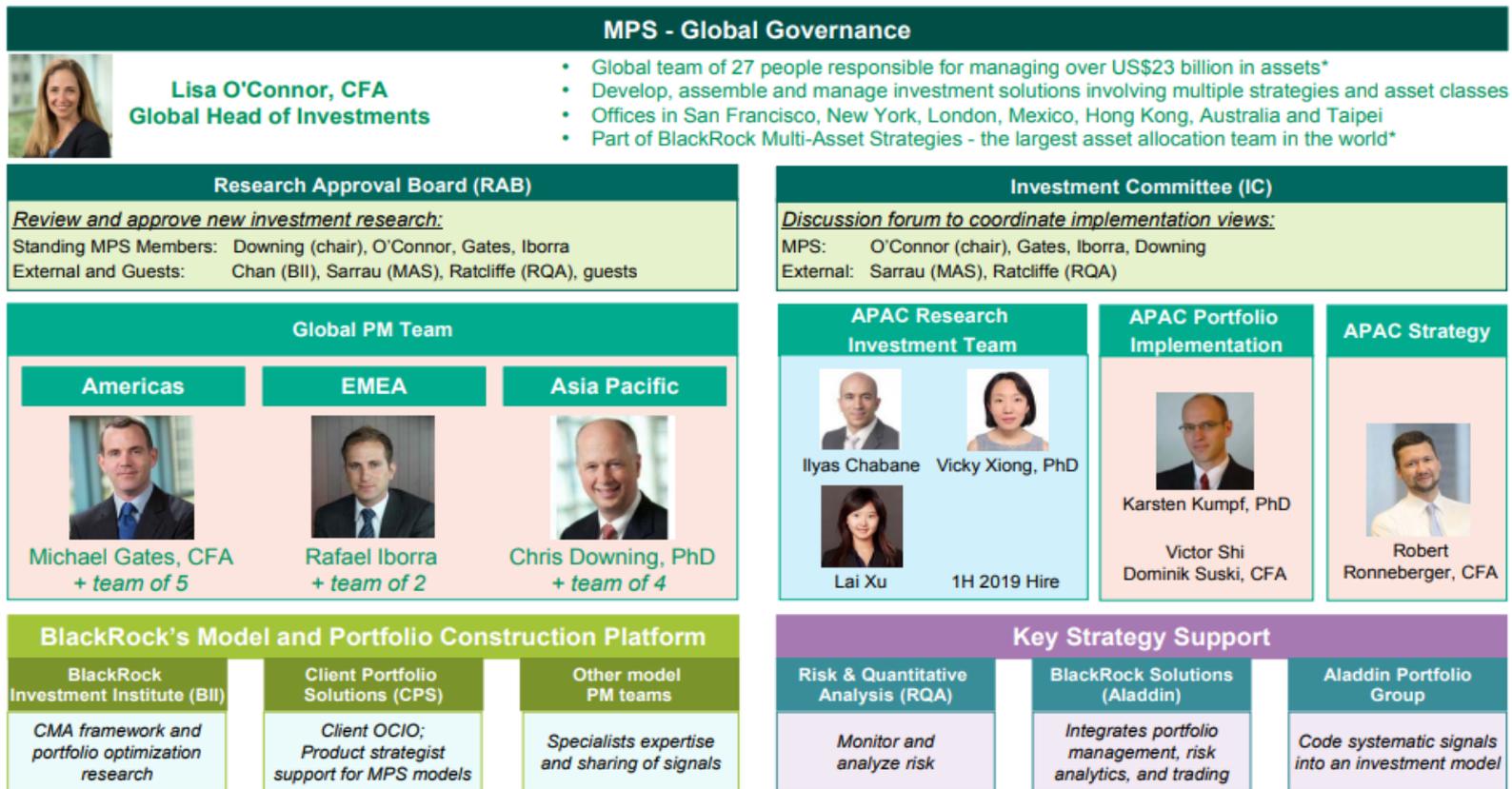
Strategy in a nutshell...



- One-of-Its-kind IB+AM partnership to develop a structured product friendly Index, leveraging **systematic** Investing and active **discretionary** approach to run a multi-asset long only portfolio
- **Hand on the wheel** : up to 12 rebalancing per year, constant portfolio monitoring from BlackRock
- **Cutting-edge allocation signal package** based on both classical valuation signal (equity/credit/bond risk premia) and sentiment signal (big data, artificial Intelligence)
- **Constant evolution** of the model/signal package from BlackRock Model Portfolio Solution team (unlike a "static" rule based algorithm)
- Large multi asset universe (21 ETFs), with a long only **core/satellite** approach (up to 25% on **megatrend** thematic to enhance investment opportunities)
- **Alpha chaser** oriented : unconstrained ETFs' max exposure to maximize alpha generation
- **Fee structure** In line with an "Institutional share class" total expense ratio of active multi-asset mutual fund... without the minimum investment constraint

Model Portfolio Solutions (MPS) Global Team

Managing US\$23B for clients across all regions and has regional research hubs

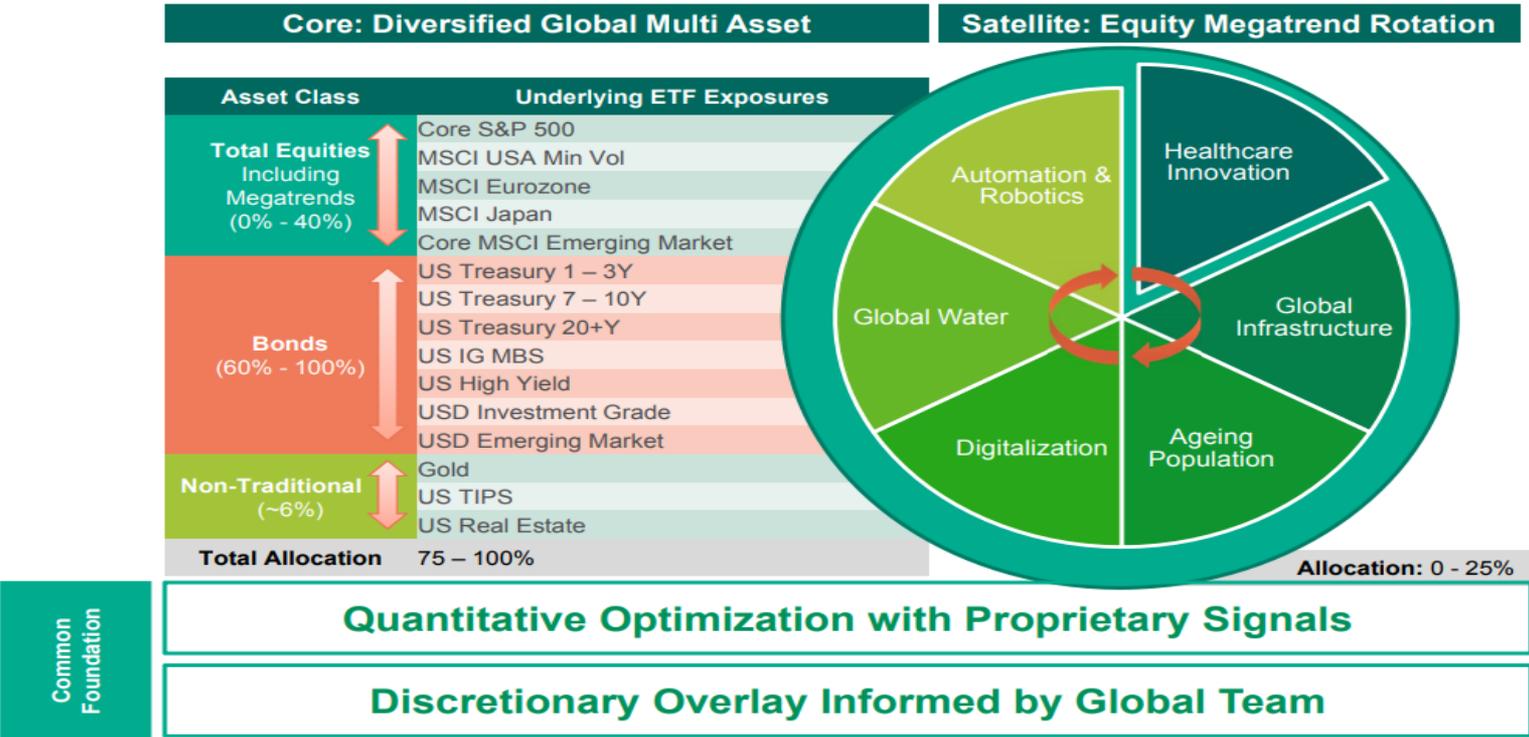


BlackRock Global MPS Team

- Breadth:
 - BlackRock Multi-Asset Strategies (MAS) team - leverage the scale, advanced technology, insight and global reach
- Depth
 - US\$425B managed by over 200 investment professionals across 9 teams; of which US\$54B* are managed in models (MPS US\$23B*)
- Experience
 - Senior investment leaders average 26 years' experience
- Collaboration: Share & debate insights with +1,800 investment & risk specialists covering all markets & geographies

The global multi-asset ETF model

Seeks alpha by timing country, asset class, and factor exposures, as well as timing megatrends



Asset allocated around the "conservative"(20% Equity/80% FI) profile, yet with relaxed maximal exposure to extract more alpha

Flexibility and Agility

No benchmark and No minimum weight constraints

- The portfolio is not required to follow any benchmark enabling the Blackrock team to retain the flexibility in adjusting the portfolio as required.
- Importantly, if the Blackrock team believes an Asset Class should have a zero weighting, this is possible and enables the portfolio to be managed in a very dynamic manner.
- The following constraints apply at each individual underlying ETF level

Weightings

Constraint on each ETF

Name	Min Weight	Max Weight
Core SP 500 ETF	0%	50%
MSCI Eurozone ETF	0%	25%
MSCI Japan ETF	0%	50%
MSCI Emerging Markets ETF	0%	50%
MSCI Min Vol USA ETF	0%	5%
USD Investment Grade Corporate Bond ETF	0%	50%
USD High Yield Corporate Bond ETF	0%	50%
USD Emerging Markets Bond ETF	0%	30%
13 Year Treasury Bond ETF	0%	25%
7-10 Year Treasury Bond ETF	0%	50%
20+ Year Treasury Bond ETF	0%	50%
TIPS Bond ETF	0%	5%
MBS ETF	0%	17.5%
Gold Trust	0%	5%
US Real estate	0%	5%
Automation & Robotics UCITS ETF	0%	8%
Global Water UCITS ETF	0%	8%
Healthcare Innovation UCITS ETF	0%	8%
Digitalisation UCITS ETF	0%	8%
Ageing Population UCITS ETF	0%	8%
Global Infrastructure UCITS ETF	0%	8%

Constraint by Asset Group

Name	Min Weight	Max Weight
Fixed Income	0%	100%
Equity	0%	100%
Non-Traditional	0%	15%
Megatrend ETFs	0%	25%

How has the portfolio responded to the 2020 market correction

2020 is an excellent example

- January 2020: +2.05% performance
 - 2/3 long bond exposure
 - <20% exposure to equities
- February 2020: -1.05% performance
 - Negative performance mainly coming from Megatrand allocation
- March performance to 9 March: +0.5%
 - overall market exposure reduced to 56%
 - 44% cash allocation
 - Thanks to volatility control mechanism built into the index

The Blackrock model portfolio is proving to be very resilient during some very testing times for most asset managers

How do we further improve the risk/reward ratio

This can be achieved by structuring an investment with:

- **Minimal upfront capital to invest;**
- **Limited downside risks**
- **A feature which crystallizes profits annually** -> taking risk off the table
- **Access to 100% of benefits on upside** on full leveraged investment amount via the limited recourse loan
- **Zero risk on loan amount on the downside** if investment falls thanks to limited recourse nature, no initial margin, no margin calls, no credit checks

Sequoia Launch Series 55 – Blackrock Multi-Asset Strategy

Summary of Key Terms

- You prepay interest and fees (11.55%) upfront for the full three year investment term
- Sequoia will lend you 100% of the investment amount for the full three year term on a limited recourse basis
- You benefit from the 100% leverage

Worst Case Scenario

- Downside is limited to the total upfront cost of 11.55%
- Simply walk away with no liability to pay more

Sequoia Launch Series 55 – Blackrock Multi-Asset Strategy

- 3 year investment term
- Reference Asset: **Multi Asset Index with Megatrend Overlay advised by BlackRock**
- 100% Limited Recourse Borrowing
- 3% p.a interest rate
- 0.30% p.a currency hedging fee
- 1.65% application fee(**waived to zero for advised clients**)
- Total upfront Investment Cost = 11.55% (payable upfront)
- No Margin Calls
- No credit checks and no credit file impact
- SMSF eligible

Example

- 3 year investment term
- 100% limited recourse loan
- 3% p.a. interest rate (payable upfront for 3 years)
- 0.30% currency hedging fee (payable upfront for 3 years)
- Annual coupons

For \$100,000 of exposure the investor invests \$9,900 in cash only before your adviser fee.

\$100,000 investment exposure

- Instead of simply investing \$100,000 directly into the Blackrock model portfolio, we have structured Sequoia Launch Series 55 such that for a \$100,000 of investment exposure into the fund, the client invests:
- **\$9,900 + \$1,650 adviser fee** (the Issuer's Application Fee in the PDS is waived for investors subject to advice).

In this example, the maximum risk for the client is \$9,900 + your adviser fee thanks to the limited recourse nature of the gearing.

The adviser fee can also be reduced or rebated to the client at your discretion and as agreed with your client.

Example – Potential Future Returns

- Sequoia Specialist Investments (SSI) pays back the performance of the \$100,000 invested in the multi asset fund at end of each year in the form of coupon income.
- The fund is up 10% at the end of year 1, SSI pays back \$9,000 (10% x 100,000 less 10% performance fee)
- End of year 2, the fund is up a further 7%, SSI pays back \$6,300 etc.

The historical average level of income paid over 3 years over the last 20 years on \$100,000 is \$21,870, although of course past performance is not reliable as an indicator for the future.

Scenario Analysis

Investment / Loan Amount	3 years of Interest	3 years of FX hedge	Total Cash Outlay*	Index Performance	Coupons Paid over 3 years**	Return on Cash Outlay
\$ 100,000	\$ 9,000	\$ 900	\$ 9,900	-20%	\$0	-100%
\$ 100,000	\$ 9,000	\$ 900	\$ 9,900	0%	\$0	-100%
\$ 100,000	\$ 9,000	\$ 900	\$ 9,900	5%	\$4,500	-55%
\$ 100,000	\$ 9,000	\$ 900	\$ 9,900	11%	\$9,900	Break Even
\$ 100,000	\$ 9,000	\$ 900	\$ 9,900	15%	\$13,500	50%
\$ 100,000	\$ 9,000	\$ 900	\$ 9,900	20%	\$18,000	82%
\$ 100,000	\$ 9,000	\$ 900	\$ 9,900	25%	\$22,500	127%
\$ 100,000	\$ 9,000	\$ 900	\$ 9,900	30%	\$27,000	173%
\$ 100,000	\$ 9,000	\$ 900	\$ 9,900	35%	\$31,500	218%

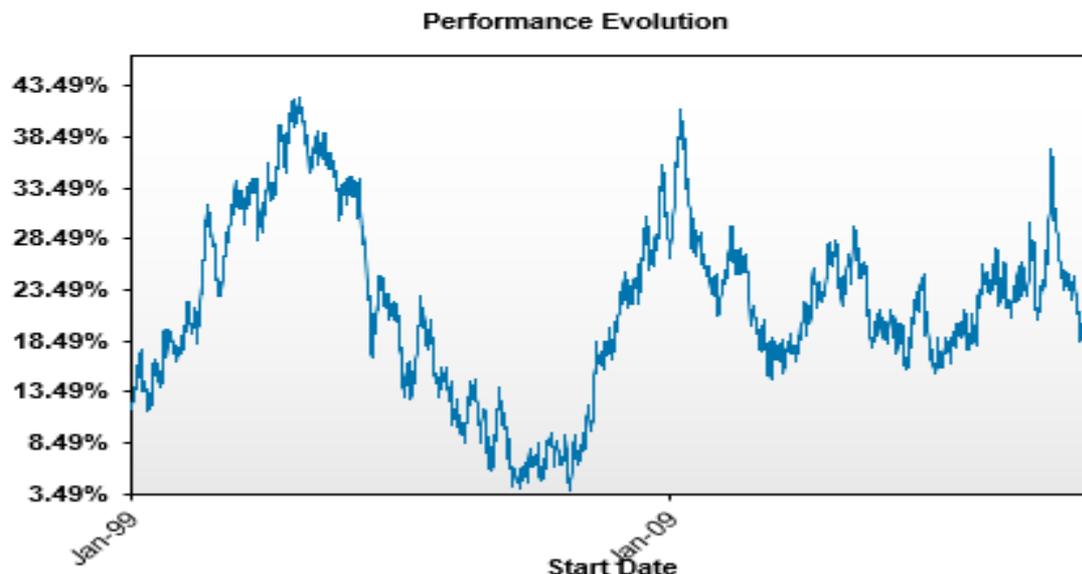
* Maximum loss

**Net of the 10% performance fee and ignoring the adviser fee

Three year Historical Simulation results of Multi-Asset Index

- The average 3 year return of the Multi Asset Index with Megatrend Overlay advised by Blackrock is 21.87%⁴;

Performance	
Minimum	3.88%
Maximum	42.33%
Average	21.87%



Key Risks

- Your return (including any Performance Coupons) is affected by the performance of the Reference Asset. There is no guarantee that the Reference Asset will perform well.
- There will be no Performance Coupon payable if the performance of the Reference Asset is negative at the relevant Coupon Determination Date.
- 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.

Key Risks Cont'd

- 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

Next Steps

Offer opens: Now

Offer closes: Tuesday, 24 March 2020

Minimum application amount: \$11,550

If you have any questions please contact the team:

[Blair Kirkhope](#) and [Yadav Chelliah](#)

[**\(02\) 8114 2222**](tel:(02)81142222)

[!\[\]\(711f81de5648ddf918583603859123f4_img.jpg\) **specialistinvestments@sequoia.com.au**](mailto:specialistinvestments@sequoia.com.au)

A few poll questions

To get the CPD points please answer the 3 poll questions