

Target Market Determination – Funds Management

Legal disclaimer

This Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). It sets out the class of consumers for whom the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs. In addition, the TMD outlines the triggers which will give rise to a review of the target market, the target market determination and the information it contains. It forms part of Trustees Australia Limited's design and distribution arrangements for the product. This document is **not** a product disclosure statement (**PDS**) and is **not** a summary of the product features or terms of the product.

This document does not contain any financial product advice and does not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the Product Disclosure Statement for Fortlake Real-Higher Income Fund and consider whether the product is suitable for their objectives, financial situation and needs, before deciding whether to buy this product. Important terms used in this TMD are defined in the TMD Definitions which supplement this document. Capitalised terms have the meaning given to them in the product's PDS, unless otherwise defined. The PDS can be obtained by visiting www.fortlake.com.au or by emailing enquiries@fortlake.com.au.

Target Market Summary

This product is likely to be appropriate for a class of consumers whom are seeking to earn returns above the RBA cash rate (after allowing for inflation), with such returns to be used as a component within a portfolio where the consumer has a medium investment timeframe, high risk/return profile and could need daily access to capital.

Fund and Issuer identifiers

Issuer	Trustees Australia Limited
Issuer ABN	63 010 579 058
Issuer AFSL	260038
Fund	Fortlake Real-Higher Income Fund
ARSN	645 065 818
APIR Code	TAL0284AU
ISIN Code	AU60TAL02844
Market Identifier Code	NA
Product Exchange code	NA
Date TMD approved	24 November 2023
TMD Version	3
TMD Status	Current and appropriate
TMD end date	NA

Description of Target Market (This part is required under section 994B(5)(b) of the Act)

TMD indicator key

The Consumer Attributes for which the product is likely to be appropriate have been assessed using a red/amber/green rating methodology with appropriate colour coding:

In target market	Not considered in target market
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Instructions

In the tables below, Column 1, Consumer Attributes, indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering this product. Column 2, TMD indicator, indicates whether a consumer meeting the attribute in column 1 is likely to be in the target market for this product.

Generally, a consumer is unlikely to be in the target market for the product if **one or more** of their Consumer Attributes correspond to a **red** rating.

Investment products and diversification

A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio (typically with an intended product use of *satellite/small allocation* or *core component*). In such circumstances, the product should be assessed against the consumer's attributes for the relevant portion of the portfolio, rather than the consumer's portfolio as a whole. For example, a consumer may seek to construct a conservative portfolio with a satellite/small allocation to growth assets. In this case, it may be likely that a product with a *High* or *Very High* risk/return profile is consistent with the consumer's objectives for that allocation notwithstanding that the risk/return profile of the consumer as a whole is *Low* or *Medium*. In making this assessment, distributors should consider all features of a product (including its key attributes).

Target Market Class of Consumer Likely Objectives, Financial Situation and Needs	TMD Indicator	Product description including key attributes and product features
Consumer's investment objective		
Capital Growth		The Fund's investment objective is to target strong returns above the RBA cash rate after allowing for inflation, commensurate with a high level of risk.
Capital Preservation		
Capital Guaranteed		The Fund is suited to those investors who are seeking to earn returns above the RBA cash rate (after allowing for inflation), commensurate with a high level of risk. The Fund and its underlying investments do not attract a capital guarantee.
Income Distribution		
Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (up to 100%)		The portfolio will typically contain 20 to 70 positions. The portfolio will generally contain derivative positions (including equity derivatives) as well, particularly where use of the derivative enhances the theme or strategy of the portfolio. Generally, these positions are used to gain additional exposure to non-Australian interest rates, including equity derivatives, where equity market exposure is offset using a box-spread strategy.
Major allocation (up to 75%)		
Core Component (up to 50%)		
Minor allocation (up to 25%)		

Target Market Class of Consumer Likely Objectives, Financial Situation and Needs	TMD Indicator	Product description including key attributes and product features
Satellite allocation (up to 10%)		<p>Interests in the Fund will be issued in Australian dollars, however, the Fund will have underlying positions in US dollars and other currencies which will generally be hedged back to AUD.</p> <p>The Fund will generally have the following asset allocations at all times:</p> <ul style="list-style-type: none"> • Weighted average credit weighting of the bond portfolio within the Fund no lower than BBB- • Global government and corporate bond exposure of 0% - 15% of net asset value of the Fund • Australian corporate bonds of 70% - 100% of net asset value of the Fund • Australian government bonds of 0% - 10% of net asset value of the Fund • The Fund may use derivatives (including equity derivatives) to gain access to the above investment exposures and these derivatives may reference sub-investment grade issuers • The Fund may gain exposure to the above asset classes by investing in the Fortlake Real-Income Fund. The Fund's exposure to such investments are limited to 1,800,000 units in the Fortlake Real-Income Fund. Any fees charged by the Investment Manager in relation to the investment in the Fortlake Real-Income Fund will be rebated to the Fund.
Consumer's investment timeframe		
Short (≤ 2 years)		3-5 year investment period
Medium (> 2 years)		
Long (> 8 years)		
Consumer's Risk (ability to bear loss) and Return profile		
Low		<p>The Investment Manager continually monitors risk across four key dimensions, through conducting a formal risk review of these dimensions on a quarterly basis:</p> <ul style="list-style-type: none"> • Portfolio Exposures; • Structure; • Operations; and • Commercial. <p><u>Portfolio Exposures</u> - relates to the individual and aggregate investment and currency exposures contained in the Fund's long portfolio, short portfolio and the resulting net exposures.</p> <p><u>Structure</u> - relates to the Fund's counterparties for foreign exchange forward transactions and prime broking services; as well as the oversight of the legal entities relating to the Fund and the Investment Manager.</p> <p><u>Operations</u> - relates to the Investment Manager's research, trading and accounting systems, the oversight of the Fund's service providers and other matters of regulation and compliance.</p> <p><u>Commercial</u> - relates to the internal workings of the Investment Manager, including research, finance, human resources and communications functions.</p>
Medium		
High		
Very High		
Consumer's need to withdraw money		
Daily		

Target Market Class of Consumer Likely Objectives, Financial Situation and Needs	TMD Indicator	Product description including key attributes and product features
Weekly		Investors are generally able to request a redemption from the Fund on any Business Day, being a day other than a Saturday or Sunday or public holiday however such redemption requests are subject to processing timeframes which are notified to the investor at the time a redemption request is submitted. The PDS contains additional information about the redemption or withdrawal process.
Monthly		
Quarterly		
Annually or longer		

Appropriateness (This section is required under RG 274.64–66)

The Issuer has assessed the product and formed the view that the product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market as described above, as the features of this product in Column 3 of the table above are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2.

Distribution conditions/restrictions (This part is required under section 994B(5)(c) of the Act)

Distribution Condition	Distribution Condition Rationale	Applicable
The investor must complete the relevant application form and onboarding processes, which includes consumer attribute questions to identify the purpose of their investment.	Satisfactory completion of the onboarding process satisfies legal requirements and will indicate appropriateness and eligibility for the product. Responses to the consumer attribute questions will be assessed by the Issuer to determine if a significant dealing has occurred. If an investor is identified as being at risk of harm, the Issuer or the Investment Manager will contact the investor to ensure the risks of the product are fully understood.	Yes
The investor must be an Australian or New Zealand resident.	This is a distribution restriction as included in the Product Disclosure Statement. Investment by persons in other jurisdictions will not be accepted.	Yes

Review triggers (This part is required under section 994B(5)(d) of the Act)

A material change to the key attributes, features, investment objective, structure, Constitution or Product Disclosure Statement of the Fund.	
A material deviation from a benchmark or financial objective of the Fund, over a sustained period.	
The key attributes of the Fund have not performed as disclosed, by a material degree and for a sustained period.	
Determination by the issuer of an ASIC reportable Significant Dealing in the Fund.	
A material number or material nature of complaints (as defined in section 994A(1) of the Act) as related to the design or distribution of the Fund.	
The use of Product Intervention Powers, regulator orders or directions which affect the Fund.	

Mandatory review periods (This part is required under section 994B(5)(e) and (f) of the Act)

Review period	Maximum period for review
Initial review	The initial review of the TMD was undertaken within 1 year and 3 months of the original TMD issue date
Subsequent review	Within 3 years and 3 months after the date of the current approved version of the TMD

Distributor reporting requirements (This part is required under section 994B(5)(g) and (h) of the Act)

Reporting requirement	Reporting period	Which distributors this requirement applies to
All complaints (as defined in section 994A(1) of the Act) relating to the product design, product availability and distribution. The distributor should provide all the content of the complaint, having regard to privacy. Where there are zero complaints, no reporting is required to be provided to the Issuer.	Within 10 business days following end of calendar quarter.	All distributors
Significant dealing outside of target market, under s994F(6) of the Act. See Definitions for further detail.	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.	All distributors
To the extent a distributor is aware, dealings outside the target market, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	Within 10 business days following end of calendar quarter.	All distributors

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to Trustees Australia Limited by emailing enquiries@fortlake.com.au the relevant reporting requirements, at the frequency of the reporting period listed above. This email can be used to obtain contact details relating to this TMD for Trustees Australia Limited.

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Definitions

Term	Definition
Consumer's investment objective	
Capital Growth	The consumer seeks to invest in a product designed to generate capital return. The consumer prefers exposure to growth assets (such as shares or property) or otherwise seeks an investment return above the current inflation rate.
Capital Preservation	The consumer seeks to invest in a product to reduce volatility and minimise loss in a market down-turn. The consumer prefers exposure to defensive assets (such as cash or fixed income securities) that are generally lower in risk and less volatile than growth investments.
Capital Guaranteed	The consumer seeks a guarantee or protection against capital loss whilst still seeking the potential for capital growth (typically gained through a derivative arrangement). The consumer would likely understand the complexities, conditions and risks that are associated with such products.
Income Distribution	The consumer seeks to invest in a product designed to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments).
Consumer's intended product use (% of Investable Assets)	
Solution/Standalone (75-100%)	The consumer intends to hold the investment as either a part or the majority (up to 100%) of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least High <i>portfolio diversification</i> (see definitions below).
Core Component (25-75%)	The consumer intends to hold the investment as a major component, up to 75%, of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least Medium <i>portfolio diversification</i> (see definitions below).
Satellite (<25%)	The consumer intends to hold the investment as a smaller part of their total portfolio, as an indication it would be suitable for up to 25% of the total <i>investable assets</i> (see definition below). The consumer is likely to be comfortable with exposure to a product with Low <i>portfolio diversification</i> (see definitions below).
Investable Assets	Those assets that the investor has available for investment, excluding the residential home.
Portfolio diversification (for completing the key product attribute section of consumer's intended product use)	
Low	Single asset class, single country, low or moderate holdings of securities - e.g. high conviction Aussie equities.
Medium	1-2 asset classes, single country, broad exposure within asset class, e.g. Aussie equities "All Ords".
High	Highly diversified across either asset classes, countries or investment managers, e.g. Australian multi-manager balanced fund or global multi-asset product (or global equities).
Consumer's intended investment timeframe	
Short (≤ 2 years)	The consumer has a short investment timeframe and may wish to redeem within two years.
Medium (> 2 years)	The consumer has a medium investment timeframe and is unlikely to redeem within two years.
Long (> 8 years)	The consumer has a long investment timeframe and is unlikely to redeem within eight years.
Consumer's Risk (ability to bear loss) and Return profile	
<p>Issuers should undertake a comprehensive risk assessment for each product. The FSC recommends adoption of the Standard Risk Measure (SRM) to calculate the likely number of negative annual returns over a 20 year period, using the guidance and methodology outlined in the Standard Risk Measure Guidance Paper For Trustees. SRM is not a complete assessment of risk and potential loss. For example, it does not detail important issues such as the potential size of a negative return or that a positive return could still be less than a consumer requires to meet their investment objectives/needs. Issuers may wish to supplement the SRM methodology by also considering other risk factors. For example, some products may use leverage, derivatives or short selling, may have liquidity or withdrawal limitations, or otherwise may have a complex structure or increased investment risks, which should be documented together with the SRM to substantiate the product risk rating.</p> <p>A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.</p>	
Low	The consumer is conservative or low risk in nature, seeks to minimise potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period (SRM 1 to 2)) and is comfortable with a low target return profile. Consumer typically prefers defensive assets such as cash and fixed income.
Medium	The consumer is moderate or medium risk in nature, seeking to minimise potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5)) and comfortable with a moderate target return profile. Consumer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.

Term	Definition
High	The consumer is higher risk in nature and can accept higher potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 6)) in order to target a higher target return profile. Consumer typically prefers predominantly growth assets such as shares, property and alternative assets with only a smaller or moderate holding in defensive assets such as cash and fixed income.
Very high	The consumer has a more aggressive or very high risk appetite, seeks to maximise returns and can accept higher potential losses (e.g. has the ability to bear 6 or more negative returns over a 20 year period (SRM 7) and possibly other risk factors, such as leverage). Consumer typically prefers growth assets such as shares, property and alternative assets.
Consumer's need to withdraw money	
Issuers should consider in the first instance the redemption request frequency under ordinary circumstances. However, the redemption request frequency is not the only consideration when determining the ability to meet the investor's requirement to access capital. To the extent that the liquidity of the underlying investments or possible liquidity constraints (e.g. ability to stagger or delay redemptions) could impact this, this is to be taken into consideration in completing this section.	
Daily/Weekly/Monthly/Quarterly/Annually or longer	The consumer seeks to invest in a product which permits redemption requests at this frequency under ordinary circumstances and the issuer is typically able to meet that request within a reasonable period.
Distributor Reporting	
Significant dealings	<p>Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning.</p> <p>The issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.</p> <p>Dealings outside this TMD may be significant because:</p> <ul style="list-style-type: none"> • they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or • they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer). <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> • the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes), • the actual or potential harm to a consumer (which may be indicated by the value of the consumer's investment, their intended product use or their ability to bear loss), and • the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red or amber ratings attributed to the consumer). <p>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:</p> <ul style="list-style-type: none"> • it constitutes more than half of the distributor's total retail product distribution conduct in relation to the product over the reporting period, • the consumer's intended product use is <i>Solution / Standalone</i>, or • the consumer's intended product use is <i>Core component</i> and the consumer's risk (ability to bear loss) and return profile is <i>Low</i>.