FSC FINANCIAL SERVICES COUNCIL

Target Market Determination – Funds Management

*This document provides guidance in relation to Target Market Determinations (**TMD**) for the purposes of the Design and Distribution Obligations (**DDO**) under the Corporations Act 2001 (Cth). It is a matter for each user of this guidance to consider their individual situation and to comply with the new regime. This template does not necessarily cover all obligations on product issuers under the DDO regime. Whether a business uses this template, in whole or in part, is a decision for each business. There is no requirement or expectation that any business uses this document.*
Instructions to issuers on using this guidance are in italics or highlight and should be completed/removed from a final TMD.

Legal disclaimer

Instruction to issuers: the disclaimer below can be included in issued TMDs.

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 to review the target market and certain other information. It forms part of [insert product issuer]'s design and distribution arrangements for the product.

This document is **not** a product disclosure statement and is **not** a summary of the product features or terms of the product. This document 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 (**PDS**) for [insert product] before making a decision 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 [*insert method of obtaining PDS*].

Target Market Summary

This product is likely to be appropriate for a consumer seeking [insert objective] to be used as a [insert product use] within a portfolio where the consumer has a [insert timeframe] investment timeframe, [insert risk profile] risk/return profile and needs [insert frequency] access to capital.

Instructions to issuers: the Target Market Summary above is intended to be a narrative summary of the information set out in detail in the body of the TMD. The sections summarised in the Target Market Summary are the combination of those Consumer Attributes assigned a Green rating. Issuers may wish to also summarise those Consumer Attributes that correspond to a Red rating (ie a negative target market).

Fund and Issuer identifiers

Instructions to issuers for table below: Include all codes that are available and omit those that are not relevant to the issuer/product.

Issuer	[insert name of issuer]
Issuer ABN	[insert issuer ABN]
Issuer AFSL	[insert issuer AFSL if available]
Fund	**[insert name of fund]**
ARSN	[insert ARSN]
APIR Code	[Insert APIR code]
ISIN Code	[Insert Product ISIN code]
Market Identifier Code	[For listed or exchange traded products, insert Market Identifier Code using ISO MIC] *Instruction to issuers: for products issued on multiple exchanges, use the code of the relevant Australian exchange*
Product Exchange code	[For listed or exchange traded products, insert exchange code of product on the market listed in the previous field]
Date TMD approved	[insert date]
TMD Version	[insert version]
TMD Status	*[*Current/Cease Distribution*]*
TMD end date	[insert date that TMD became no longer current] *Instructions to issuers: this row must be omitted if TMD is current*

Description of Target Market

This part is required under section 994B(5)(b) of the Act.

Instruction for issuers: There are three categories used below, "In target market", "Potentially in target market" and "Not in target market". It is possible that a particular fund may be in the target market or potentially in the target market for all categories outlined in this TMD template, e.g. a cash fund may meet the consumer's need to withdraw money across all time periods, whereas a product with reduced liquidity may not.

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	Potentially in target market	Not considered in target market

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, or
- **three or more** of their Consumer Attributes correspond to an **amber** 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).

Consumer Attributes ***[A description of the likely objectives, financial situation and needs of the class of consumers in the target market]***	**TMD Indicator**	**Product description including key attributes** ***[A description of the product, including its key attributes, i.e., product terms, features and attributes that affect the TMD]***
Consumer's investment objective		
Capital Growth	[insert RAG rating]	[insert product investment objective – see definitions]

Consumer Attributes ***[A description of the likely objectives, financial situation and needs of the class of consumers in the target market]***	**TMD Indicator**	**Product description including key attributes** ***[A description of the product, including its key attributes, i.e., product terms, features and attributes that affect the TMD]***
Capital Preservation	[insert RAG rating]	
Capital Guaranteed	[insert RAG rating]	
Income Distribution	[insert RAG rating]	
Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (75-100%)	[insert RAG rating]	[insert product's asset allocation/diversification – see definitions]
Core Component (25-75%)	[insert RAG rating]	
Satellite/small allocation (<25%)	[insert RAG rating]	
Consumer's investment timeframe		
Short (≤ 2 years)	[insert RAG rating]	[insert product's suggested minimum investment timeframe – see definitions]
Medium (> 2 years)	[insert RAG rating]	
Long (> 8 years)	[insert RAG rating]	
Consumer's Risk (ability to bear loss) and Return profile		
Low	[insert RAG rating]	[insert product's risk and return profile – see definitions]
Medium	[insert RAG rating]	
High	[insert RAG rating]	
Very High	[insert RAG rating]	
Consumer's need to withdraw money		
Daily	[insert RAG rating]	[insert product's redemption frequency/access constraints/other relevant liquidity considerations – see definitions]
Weekly	[insert RAG rating]	
Monthly	[insert RAG rating]	
Quarterly	[insert RAG rating]	

Consumer Attributes ***[A description of the likely objectives, financial situation and needs of the class of consumers in the target market]***	**TMD Indicator**	**Product description including key attributes** ***[A description of the product, including its key attributes, i.e., product terms, features and attributes that affect the TMD]***
Annually or longer	[insert RAG rating]	

Appropriateness

Note: 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.
Instructions to Issuers for table below:
If the Distribution Condition set out in column one applies, tick the box in the far right instructional Column and populate the distribution condition rationale. Any line items marked as applicable should be retained in the TMD once complete. Any line items not marked as applicable should be removed (along with the italicised instructional column 3).

Distribution Condition	Distribution Condition Rationale	*applicable*
There are no distribution conditions.	Not applicable.	☐
Only suitable for distribution to consumers who have received personal advice	[Insert rationale for specific conditions of distribution]	☐
Only suitable for distribution through specified distributor/s [insert name of distributor/s]/distribution channel [insert name of distribution channel] *Instructions to issuers: insert one row per named distributor or distribution channel. Omit this row if there are no specific distribution conditions for any distributor or distribution channel. If distribution is limited to direct issues only (i.e. non-intermediated), specify the issuer here.*	[Insert rationale for specific conditions of distribution]	☐
Other	[Insert rationale for specific conditions of distribution]	☐

Distribution Condition	Distribution Condition Rationale	***applicable***
Issuer to describe 'other' conditions, e.g. for call centres, only issuer approved call scripts must be used.		

Review triggers This part is required under section 994B(5)(d) of the Act.
Material change to key attributes, fund investment objective and/or fees.
Material deviation from benchmark / objective over sustained period.
Key attributes have not performed as disclosed by a material degree and for a material period.
Determination by the issuer of an ASIC reportable Significant Dealing.
Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the product or distribution of the product.
The use of Product Intervention Powers, regulator orders or directions that affects the product.

Mandatory review periods This part is required under section 994B(5)(e) and (f) of the Act.	
Review period	**Maximum period for review** *Note RG 274.110 Reasonable review periods are likely to be shorter when a product is complex and higher risk, or when an issuer has limited experience issuing similar products or is yet to establish a proven distribution network.*
Initial review	*[Insert initial review period]*
Subsequent review	*[Insert subsequent review period]*

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**
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.	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 [Product Issuer] using the method specified [below/on this website: insert link]. This link also provides contact details relating to this TMD for [Product Issuer] *Note to issuers: insert here the information, or link to information, about how reports must be sent to the Issuer. This information should include the transmission mechanism, data format, minimum version of relevant FSC data standards, the appropriate security standard(s) and the issuer contact details.*

Copyright & Disclaimer for template

[Issuer instructions: For TMDs completed and published by the issuer, wording in italics below can be deleted and replaced with the issuer's own copyright and disclaimer language.]

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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 *investable assets (*see definition below). The consumer typically prefers exposure to a product with at least High *portfolio diversification* (see definitions below).
Core Component (25-75%)	The consumer intends to hold the investment as a major component, up to 75%, of their total *investable assets* (see definition below). The consumer typically prefers exposure to a product with at least Medium *portfolio diversification* (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 *investable assets* (see definition below). The consumer is likely to be comfortable with exposure to a product with Low *portfolio diversification* (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".

Term	Definition
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	
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. A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.	
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.
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.

Term	Definition
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	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. 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. Dealings outside this TMD may be significant because: • 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). In each case, the distributor should have regard to: • 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). Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if: • 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 *Solution / Standalone*, or

Term	Definition
	• the consumer's intended product use is *Core component* and the consumer's risk (ability to bear loss) and return profile is *Low*.

