

Affluence LIC Fund - Target Market Determination

Fund and Issuer identifiers

Issuer	Affluence Funds Management Limited	ISIN Code	AU60AFX69300
Issuer ABN	68 604 406 297	Market Identifier Code	N/A
Issuer AFSL	475940	Product Exchange code	N/A
Fund	Affluence LIC Fund	Date TMD approved	5 October 2021
ARSN	634 532 424	TMD Version	1
APIR Code	AFX6930AU	TMD Status	Current

Target Market Summary

This product is likely to be appropriate for a consumer seeking **Capital Growth and Income Distributions** to be used as a **Core or Satellite Component** of their portfolio where the consumer has a **Long Term** investment timeframe, at least a **Medium to High** risk/return profile and needs access to capital **Monthly or less often**.

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 to review the target market and certain other information. It is issued by, and forms part of the design and distribution arrangements of Affluence Funds Management Limited (**AFM** or **Issuer**) for the Affluence Investment Fund (**the Fund**).

This document is **not** a product disclosure statement and is **not** a summary of the product features or terms of the product. This document provides general information only 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 the Fund (**PDS**) 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 PDS, unless otherwise defined. The PDS can be obtained from <https://affluencefunds.com.au/invest/> or by calling AFM on 1300 233 583.

Description of Target Market

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
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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, 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	TMD Indicator	Product description including key attributes
Consumer's investment objective		
Capital Growth	Green	The Fund aims to provide investors with: <ul style="list-style-type: none"> • A minimum distribution yield of 5% per annum, paid quarterly. • A total annualised return excess of the ASX 200 Index over rolling 3 year periods. • Access to a diversified portfolio of predominantly equity based investments. • Volatility of returns which is significantly less than the ASX 200 Index, over rolling 3 year periods. The Fund seeks to achieve its objective by investing predominantly in ASX Listed Investment Companies (LICs). The Fund and may also invest in cash and derivatives such as exchange traded index options for hedging purposes.
Capital Preservation	Red	
Capital Guaranteed	Red	
Income Distribution	Green	

Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (75-100%)	Red	Fund investments are likely to be diversified by underlying LIC, manager, investment style and geography. However, the majority of investments are likely to be exposed to equity markets in Australia and globally. Thus, the Fund will have significant exposure to a single asset class.
Core Component (25-75%)	Amber	
Satellite/small allocation (<25%)	Green	
Consumer's investment timeframe		
Short (≤ 3 years)	Red	The Fund is managed to maximise total returns and minimise volatility over rolling 3-year periods. Because Fund returns can be volatile over short periods or when markets are falling, the suggested timeframe for holding an investment in the Fund is at least 3 and preferably 5 years.
Medium (3 - 5 years)	Amber	
Long (> 5 years)	Green	
Consumer's Risk (ability to bear loss) and Return profile		
Low	Red	The Fund targets total annualised returns in excess of the ASX 200 Index over rolling 3 year periods. The Fund targets volatility of returns less than that of the ASX200 Index, over rolling 3 year periods. The Fund has a risk band of 5-6 (Medium to High).
Medium	Amber	
High	Green	The value of an investment in the Fund will fluctuate and can reduce, particularly over shorter periods and when investment markets suffer losses. There is also potential for the reduction or cessation of distributions. Distributions are not guaranteed, nor is the return of investor capital.
Very High	Green	
Consumer's need to withdraw money		
Daily	Red	The Issuer endeavours to process withdrawals monthly. The withdrawal cut-off time is 4.00pm (Sydney time) on the last business day of each month. Withdrawal requests received prior to the withdrawal cut-off time will usually be paid approximately 10 days after the end of the month.
Weekly	Red	
Monthly	Green	In extreme cases, withdrawals may be limited or suspended. The Issuer provides no secondary market or otherwise facilitates the sale of units.
Quarterly	Green	
Annually or longer	Green	

Appropriateness

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

Distribution Condition	Distribution Condition Rationale
Investors who are not receiving personal advice and/or are not wholesale or sophisticated investors will be asked to complete questions relating to the TMD when initially applying to invest in the Fund.	<ul style="list-style-type: none"> • Advertisements and website content is directed towards consumers in the Fund target market. • Questions and alerts are designed to highlight relevant consumer attributes, which assists in ensuring the consumer is likely to be in the Fund target market. • Additional steps are not required for advised clients beyond consideration of this TMD by the adviser. The client will be asked to confirm whether they are receiving personal advice when initially applying to invest in the Fund. • Unadvised clients accessing the Fund via a Platform/Wrap are not likely to be able to access the Fund unless the platform provider has a process where the client is asked questions relating to the TMD.

Review triggers
Material changes to key attributes, Fund investment objectives and/or fees.
Material deviations 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.
A 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 affect the product.

Mandatory review periods	
Review period	Maximum period for review
Initial review	1 year and 3 months
Subsequent review	Within 1 year and 3 months since the date of the last review

Distributor reporting requirements		
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 the end of the calendar quarter.	All distributors

If practicable, distributors should adopt the FSC data standards for reports to the Issuer. Distributors must report to the Issuer using the method specified at <https://affluencefunds.com.au/ddo/>. This link also provides contact details relating to this TMD for the Issuer.

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 assets that are generally less volatile than the ASX200 Index, measured over rolling 3 year periods.
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).

Term	Definition
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 (≤ 3 years)	The consumer has a short investment timeframe and may wish to redeem within three years.
Medium (3 – 5 years)	The consumer has a medium investment timeframe and is unlikely to redeem within three to five years.
Long (> 5 years)	The consumer has a long investment timeframe and is unlikely to redeem within five years.
Consumer's Risk (ability to bear loss) and Return profile	
The Issuer has adopted the Standard Risk Measure (<i>SRM</i>) to calculate the likely number of negative annual returns over a 20 year period, using the guidance and methodology outlined in the <i>Standard Risk Measure Guidance Paper For Trustees</i> . The assessment has been undertaken assuming likely returns after fees and costs but before taxes. 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.	
Low	The consumer is conservative or low risk in nature, seeks to minimise potential losses (e.g. could 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. could bear up to 4 negative returns over a 20 year period (SRM 3 to 5)) and comfortable with a moderate target return profile.

Term	Definition
	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	<p>The consumer is higher risk in nature and can accept higher potential losses (e.g. could bear up to 6 negative returns over a 20 year period (SRM 6)) in order to target a higher target return profile.</p> <p>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.</p>
Very high	<p>The consumer has a more aggressive or very high-risk appetite, seeks to maximise returns and can accept higher potential losses (e.g. could bear 6 or more negative returns over a 20 year period (SRM 7)).</p> <p>Consumer typically prefers growth assets such as shares, property and alternative assets.</p>
Review triggers and Distributor Reporting	
Significant Dealing	<p>Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the Fund that is not consistent with the TMD. Section 994G of the Act requires the Issuer to notify ASIC if it becomes aware of a significant dealing in the Fund that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors and the Issuer have discretion to apply its ordinary meaning. Whether or not a dealing is significant is a matter to be determined in the circumstances of each case and must be determined having regard to ASIC's policy in RG 274.</p> <p>The Issuer will rely on notifications of significant dealings to monitor and review the Fund, 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 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> <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 the consumer's intended product use is <i>Solution/Standalone</i> or <i>Core component</i> and the consumer's risk (ability to bear loss) and return profile is <i>Low</i>.</p>