

# Target Market Determination

## Affluence LIC Fund

Invest Differently

### Target Market Summary

This product is intended for use as up to a **core component within a portfolio** for a consumer who is seeking a blend of **capital growth and income distributions** and has a **high or very high** risk and return profile for that portion of their investment portfolio. It is likely to be consistent with the financial situation and needs of a consumer with a minimum investment timeframe of **at least 3 and preferably 5 years** and who needs access to capital **monthly or less frequently**.

### Fund and Issuer identifiers

Issuer	Affluence Funds Management Limited
Issuer ABN	68 604 406 297
Issuer AFSL	475940
TMD contact details	<a href="mailto:invest@affluencefunds.com.au">invest@affluencefunds.com.au</a>
Fund name	Affluence LIC Fund
ARSN	634 532 424
APIR Code	AFX6930AU
ISIN Code	AU60AFX69300
Market Identifier Code	N / A
Product Exchange code	N / A
TMD issue date	24 January 2024
TMD Version	2.0
Distribution status of Fund	Available

### Introduction

This Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). This TMD describes the class of consumers that comprises the target market for the financial product and matters relevant to the product's distribution and review (specifically, distribution conditions, review triggers and periods, and reporting requirements). Distributors must take reasonable steps that will, or are reasonably likely to, result in distribution of the product being consistent with the most recent TMD (unless the distribution is excluded conduct).

This document is **not** a product disclosure statement (**PDS**) and is **not** a complete 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 PDS for the Affluence LIC Fund (**Fund**) 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 from: <https://affluencefunds.com.au/invest/> or by calling the Issuer on 1300 233 583.

# Description of Target Market

## Investment products and diversification

A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio (for example, with an intended product use of *minor allocation*). 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 balanced or moderate diversified portfolio with a minor allocation to growth assets. In this case, a product with a *High* risk / return profile may be consistent with the consumer's objectives for that *minor allocation* notwithstanding that the risk / return profile of the consumer as a whole is *Medium*. In making this assessment, distributors should consider all features of a product (including its key attributes).



The FSC has provided more detailed guidance on how to take this *portfolio view* for diversification, available on the [FSC website](#). This guidance only applies where a product is held as part of a diversified portfolio.

### TMD indicator key

The Consumer Attributes for which the product is likely to be appropriate have been assessed using a red and green rating methodology:

**In Target Market**

**Not 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.

### 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 the features of this product in Column 3 of the table below are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2.

Consumer Attributes	TMD indicator	Product description including key attributes
<b>Consumer's investment objective</b>		
Capital Growth	<b>In Target Market</b>	The Fund aims to provide investors with: <ul style="list-style-type: none"> <li>• A minimum distribution yield of 5% per annum, paid quarterly.</li> <li>• A total annualised return excess of the ASX 200 Index over rolling 3 year periods.</li> </ul>
Capital Preservation	<b>Not In Target Market</b>	<ul style="list-style-type: none"> <li>• Access to a diversified portfolio of predominantly equity based investments.</li> <li>• Volatility of returns which is significantly less than the ASX 200 Index, over rolling 3 year periods.</li> </ul>
Capital Guaranteed	<b>Not In Target Market</b>	The Fund seeks to achieve its objective by investing predominantly in ASX Listed Investment Companies (LICs). The Fund may also invest in cash and derivatives such as exchange traded index options for hedging purposes.
Income Distribution	<b>In Target Market</b>	

Consumer Attributes	TMD indicator	Product description including key attributes
<b>Consumer's intended product use (% of Investable Assets)</b>		
Solution / Standalone (up to 100%)	<b>Not In Target Market</b>	The Fund aims to invest in 20-35 LICs that meet one or more of the following criteria: <ul style="list-style-type: none"> <li>Alpha Generators – LICs that can outperform the market.</li> <li>Discount Capture – LICs trading at an attractive discount to NTA.</li> <li>Event Driven – special situations such as IPOs, capital raisings and other corporate activities.</li> </ul>
Major allocation (up to 75%)	<b>Not In Target Market</b>	Fund investments are likely to be diversified by underlying LIC, manager, investment style and geography. However, a significant proportion of investments are likely to be exposed to equity markets in Australia and globally.
Core component (up to 50%)	<b>In Target Market</b>	The Fund has High portfolio diversification and is most likely to be suitable for consumers seeking up to a Core Component, particularly where the consumer is comfortable to have a large proportion of their portfolio devoted to growth assets.
Minor allocation (up to 25%)	<b>In Target Market</b>	
Satellite allocation (up to 10%)	<b>In Target Market</b>	
<b>Consumer's investment timeframe</b>		
Minimum investment timeframe	N / A	Five years. 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.
<b>Consumer's Risk (ability to bear loss) and Return profile</b>		
Low	<b>Not In Target Market</b>	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 (High).
Medium	<b>Not In Target Market</b>	
High	<b>In Target Market</b>	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.
Very high	<b>In Target Market</b>	Distributions are not guaranteed, nor is the return of investor capital.
Extremely high	<b>Not In Target Market</b>	
<b>Consumer's need to access capital</b>		
Weekly	<b>Not In Target Market</b>	The Issuer endeavours to process withdrawals monthly. The withdrawal cut-off date is the last business day of each month. Withdrawal requests received by the withdrawal cut-off date will usually be paid approximately 10 days after the end of the month.
Monthly	<b>In Target Market</b>	
Quarterly	<b>In Target Market</b>	In extreme cases, withdrawals may be limited or suspended. The Issuer provides no secondary market or otherwise facilitates the sale of units.
Annually or longer	<b>In Target Market</b>	

## Distribution conditions / restrictions

Distribution conditions	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"> <li>• Advertisements and website content is directed towards consumers in the Fund target market.</li> <li>• 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. Where the Issuer concludes the investor is not likely to be within the target market, the Issuer may reject the application or seek further information from the investor.</li> <li>• 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.</li> <li>• 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.</li> </ul>

## Review triggers

- A material change to the investment strategy, key attributes, risk profile or liquidity profile of the Fund or taxation consequences for investors in the Fund. A change to the fees or other costs of the Fund that may materially affect the return to investors.
- Where the Fund has materially underperformed relative to its investment objectives for a period of at least three years.
- Key attributes have not performed as disclosed by a material degree and for a material period.
- A significant dealing in this Fund in relation to retail clients that is inconsistent with this TMD.
- A significant number, or an unexpectedly high number, of complaints are received about the Fund or its distribution.
- Any surveillance, direction, notice, investigation or enforceable instrument by or from the regulator about or relating to the Fund's features, target market or distribution strategy.

## Mandatory TMD review periods

Review period	Maximum period for review
Initial review	Initial review has already occurred
Subsequent review	Not more than one year and three months since the date of the last review of the TMD (by April 2025).

## 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. The distributor should provide all the content of the complaint, having regard to privacy.	As soon as practicable but within 10 business days after end of calendar quarter.	All distributors
Significant dealing outside of target market, under section 994F(6) of the Act. See Definitions for further detail.	As soon as practicable but within 10 business days after distributor becomes aware of the significant dealing that is outside of target market.	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

In some instances, examples have been provided below. These examples are indicative only and not exhaustive.

Term	Definition
<b>Consumer's investment objective</b>	
Capital Growth	The consumer seeks to invest in a product designed or expected to generate capital return over the investment timeframe. 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 designed or expected to have low volatility and minimise capital loss over the recommended minimum investment period. The consumer prefers exposure to defensive assets 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 or expected to distribute regular and / or tax-effective income. The consumer prefers exposure to income-generating assets (this may include high dividend-yielding equities, fixed income securities and money market instruments).
<b>Consumer's intended product use (% of Investable Assets)</b>	
Solution / Standalone (up to 100%)	The consumer may hold the investment as up to 100% of their total <i>investable assets</i> . The consumer is likely to seek a product with <i>very high</i> portfolio diversification.
Major allocation (up to 75%)	The consumer may hold the investment as up to 75% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>high</i> portfolio diversification.
Core Component (up to 50%)	The consumer may hold the investment as up to 50% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>medium</i> portfolio diversification.
Minor allocation (up to 25%)	The consumer may hold the investment as up to 25% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>low</i> portfolio diversification.
Satellite allocation (up to 10%)	The consumer may hold the investment as up to 10% of the total <i>investable assets</i> . The consumer may seek a product with <i>very low</i> portfolio diversification. Products classified as <i>extremely high</i> risk are likely to meet this category only.
<i>Investable Assets</i>	Those assets that the investor has available for investment, excluding the residential home.
<b>Portfolio diversification (for completing the key product attribute section of consumer's intended product use)</b> Note: exposures to cash and cash-like instruments may sit outside the diversification framework below.	
Very low	The product provides exposure to a single asset (for example, a commercial property) or a niche asset class (for example, minor commodities, crypto-assets or collectibles).
Low	The product provides exposure to a small number of holdings (for example, a portfolio of real property assets or fewer than 25 securities) or a narrow asset class, sector or geographic market (for example, a single major commodity (e.g. gold) or equities from a single emerging market economy).
Medium	The product provides exposure to a moderate number of holdings (for example, up to 50 securities) in at least one broad asset class, sector or geographic market (for example, Australian fixed income securities or global natural resources).
High	The product provides exposure to a large number of holdings (for example, over 50 securities) in multiple broad asset classes, sectors or geographic markets (for example, global equities).
Very high	The product provides exposure to a large number of holdings across a broad range of asset classes, sectors <u>and</u> geographic markets with differing levels of correlation.

Term	Definition
<b>Consumer's intended investment timeframe</b>	
Minimum	The minimum suggested timeframe for holding the product. Typically, this is the rolling period over which the investment objective of the product is likely to be achieved.
<b>Consumer's Risk (ability to bear loss) and Return profile</b>	
<p>The Issuer has adopted the Standard Risk Measure (<b>SRM</b>) to estimate the likely number of negative annual returns for this product over a 20 year period, using the guidance and methodology outlined in the <b><u>Standard Risk Measure Guidance Paper For Trustees</u></b> (note the bands in the SRM guidance differ from the bands used in this TMD). However, 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 (including under conditions of market stress) or that a positive return could still be less than a consumer requires to meet their investment objectives / needs. The Issuer has supplemented the SRM methodology with an analysis of other risk factors such as the potential impact of any leverage, derivatives or short selling, the potential impact of any liquidity or withdrawal limitations, valuation risks, risks of capital loss and any use of complex structures, which have been 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	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> <li>• has a conservative or low risk appetite,</li> <li>• seeks to minimise volatility and potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period (SRM 1 to 2)), and</li> <li>• is comfortable with a low target return profile.</li> </ul> <p>The consumer typically prefers defensive assets such as cash and fixed income.</p>
Medium	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> <li>• has a moderate or medium risk appetite,</li> <li>• seeks low volatility and potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5)), and</li> <li>• is comfortable with a moderate target return profile.</li> </ul> <p>The consumer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.</p>
High	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> <li>• has a high risk appetite,</li> <li>• can accept high volatility and potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 5 or 6)), and</li> <li>• seeks high returns (typically over a medium or long timeframe).</li> </ul> <p>The 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>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> <li>• has a very high risk appetite,</li> <li>• can accept very high volatility and potential losses (e.g. has the ability to bear 6 to 7 negative returns over a 20 year period (SRM 6 or 7)), and</li> <li>• seeks to maximise returns (typically over a medium or long timeframe).</li> </ul> <p>The consumer typically prefers growth assets such as shares, property and alternative assets.</p>
Extremely high	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> <li>• has an extremely high risk appetite,</li> <li>• can accept significant volatility and losses, and</li> <li>• seeks to obtain accelerated returns (potentially in a short timeframe).</li> </ul> <p>The consumer seeks extremely high risk, speculative or complex products which may have features such as significant use of derivatives, leverage or short positions or may be in emerging or niche asset classes (for example, crypto-assets or collectibles).</p>

Term	Definition
<b>Consumer's need to access capital</b>	
	This consumer attribute addresses the likely period of time between the making of a request for redemption / withdrawal (or access to investment proceeds more generally) and the receipt of proceeds from this request under ordinary circumstances.
<b>Distributor Reporting</b>	
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. Section 994G of the Act requires the Issuer to notify ASIC if it becomes 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 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>The distributor should have regard to:</p> <ul style="list-style-type: none"> <li>• the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes),</li> <li>• 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</li> <li>• the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red ratings attributed to the consumer).</li> </ul> <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"> <li>• it constitutes more than half the distributors total retail product distribution conduct in relation to the product over a quarter,</li> <li>• the consumer's intended product use is a <i>major allocation</i>, or</li> <li>• the consumer's intended product use is <i>core component</i> or higher and the consumer's risk / return profile is <i>low or medium</i>.</li> </ul>

## Disclaimer

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