

## Target Market Determination – Managed Discretionary Accounts –Portfolio Two



### 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 investors for whom the Managed Discretionary Account, 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 the Philo Capital Adviser Pty Ltd design and distribution arrangements for its MDA service.

This document is **not** a Managed Discretionary Account disclosure statement and is **not** a summary of the Managed Discretionary Account features or terms of the Managed Discretionary Account. This document does not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring this Managed Discretionary Account should carefully read the MDA Agreement, Investment Program and Statement of Advice for the MDA service before making a decision whether to invest through this Managed Discretionary Account.

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 MDA Agreement, unless otherwise defined. The MDA Agreement will be provided at the time a Statement of Advice is provided

### Target Market Summary

**This Managed Discretionary Account is likely to be appropriate for an investor seeking a portfolio where the investor has a medium to longer term investment timeframe, a medium risk/return profile and needs infrequent access to capital.**

### Managed Discretionary Account and Issuer identifiers

|                          |                                |
|--------------------------|--------------------------------|
| <b>Issuer</b>            | Philo Capital Advisers Pty Ltd |
| <b>Issuer ABN</b>        | ABN 70 119 185 974             |
| <b>Issuer AFSL</b>       | AFSL 301808                    |
| <b>Portfolio type</b>    | Medium Target Return and Risk  |
| <b>Date TMD approved</b> | 1 October 2021                 |
| <b>TMD Version</b>       | Version 1                      |
| <b>TMD Status</b>        | <i>Current</i>                 |

**Description of Target Market**

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

**TMD indicator key**

The Investor Attributes for which the Managed Discretionary Account 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, Investor Attributes, indicates a description of the likely objectives, financial situation and needs of the class of investors that are considering this Managed Discretionary Account. Column 2, TMD indicator, indicates whether an investor meeting the attribute in column 1 is likely to be in the target market for this Managed Discretionary Account.

Generally, an investor is unlikely to be in the target market for the Managed Discretionary Account if:

- **one or more** of their Investor Attributes correspond to a **red** rating, or
- **three or more** of their Investor Attributes correspond to an **amber** rating.

Definitions of terms are in the attachment or otherwise in the MDA Agreement.

| Investor Attributes              |                       | Managed Discretionary Account description including key attributes  |
|----------------------------------|-----------------------|---|
| Investor 's investment objective | TMD Indicator for MDA |   |
| Capital Growth                   |                       | This portfolio is suitable for investors who seek a bias toward defensive assets designed to provide stability with some capital growth. The portfolio may invest via an appropriately selected blend of specialist active and passive investment managers. |
| Capital Preservation             |                       |   |
| Capital Guaranteed               |                       |   |
| Income Distribution              |                       |   |

| Investor Attributes  |                              | Managed Discretionary Account description including key attributes   |
|--|------------------------------|--|
| <b>Investor 's intended Managed Discretionary Account use (% of Investable Assets)</b> | <b>TMD Indicator for MDA</b> |  |
| Solution/Standalone (75-100%)  |                              | The portfolio is intended to meet an investor's principal portfolio needs, comprising, as it does a range of growth and defensive assets               |
| Core Component (25-75%)  |                              |  |
| Satellite/small allocation (<25%)  |                              |  |
| <b>Investor 's investment timeframe</b>  | <b>TMD Indicator for MDA</b> |  |
| Short ( $\leq 2$ years)  |                              | The minimum suggested investment timeframe is one which allows an investor to participate in a full market cycle                                       |
| Medium ( $> 2$ years)  |                              |  |
| Long ( $> 8$ years)  |                              |  |
| <b>Investor 's Risk (ability to bear loss) and Return profile</b>                      | <b>TMD Indicator for MDA</b> |  |
| Low  |                              | There is a moderate risk of a negative return from the portfolio overall in one or more years during the recommended holding period for the portfolio. |
| Medium   |                              |  |
| High   |                              |  |
| Very High  |                              |  |

| Investor's need to withdraw money | TMD Indicator for MDA |  |
|-----------------------------------|-----------------------|--|
| Daily                             |                       | <p>The investments held in the portfolio may include</p> <ul style="list-style-type: none"> <li>• Unlisted managed funds</li> <li>• Exchange traded funds</li> <li>• Securities listed on the Australian Stock Exchange</li> <li>• Fixed income investments such as bank deposits, bonds issued by government, semi government or corporate issuers</li> <li>• Investments listed directly on overseas share markets</li> <li>• Cash investments such as cash management accounts</li> </ul> <p>Each of these asset types are likely to be liquid within a month but the portfolio is not intended for daily or very short term cash needs</p> |
| Weekly                            |                       |  |
| Monthly                           |                       |  |
| Quarterly                         |                       |  |
| Annually or longer                |                       |  |

| Investor's Other requirements   | TMD Indicator for MDA | Managed Discretionary Account description including key attributes   |
|---|-----------------------|--|
| Individual tax management of investments  |                       | Investments are held directly for each client and not pooled, although the portfolio may hold pooled investments. Investments may be removed from the portfolio to be dealt with individually. |
| Visibility / transparency of portfolio holdings                                       |                       | Each investment held in the portfolio is reported separately through reports available on the platform, although investments held within managed funds are not directly visible                |
| Ability to customise portfolio or accommodate other holdings                          |                       | The portfolio offers the ability to exclude or vary holdings in particular investments   |
| Ability to include <i>in specie</i> transfer of existing investments                  |                       | Existing holdings can be transferred in specie into the portfolio if appropriate   |
| Management of the portfolio without the investor needing to approve every transaction |                       | Individual transaction and corporate action decisions are made by the portfolio manager within the terms of the Investment Program   |

|  |  |  |
|--|--|--|
| Awareness of or specific inclusion of ESG requirements in portfolio construction |  | Most underlying investments in this portfolio are managed with some consideration of ESG factors, but not all will do this and not all will include or exclude investments solely on ESG factors |
|--|--|--|

**Appropriateness**

Note: This section is required under RG 274.64–66

The Issuer has assessed the Managed Discretionary Account and formed the view that the Managed Discretionary Account, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of investors in the target market, as the attributes of this Managed Discretionary Account in Column 3 of the table above are likely to be suitable for investors 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   | <i>applicable</i> |
|--|--|-------------------|
| Clients must hold all MDA investments on a regulated platform      | Philo operating requirements including reporting only applies where investments are held on a regulated platform and PCA has the benefit of the relief in RG179  | ✓                 |
| Only to be acquired by investors who have received personal advice | This portfolio may only be held by those who have received personal financial advice that it is appropriate for them, who continue to have access to personal financial advice and where that continuing suitability is reviewed and affirmed at least every 13 months | ✓                 |

| <b>Review triggers</b>  |
|---|
| This part is required under section 994B(5)(d) of the Act.  |
| Material change to key attributes, fund investment objective and/or fees.   |
| Monitoring process identifies systematic breaches of PCA policy   |
| Material deviation from benchmark / objective over a 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 Managed Discretionary Account or distribution of the Managed Discretionary Account. |
| The use of Product Intervention Powers, regulator orders or directions that affects the Managed Discretionary Account.  |

| <b>Mandatory review periods</b>                                    |                                  |
|--|----------------------------------|
| This part is required under section 994B(5)(e) and (f) of the Act. |                                  |
| <b>Review period</b>   | <b>Maximum period for review</b> |
| Initial review   | 15 months                        |
| Subsequent review  | 3 years                          |

| <b>Distributor reporting requirements</b>                          |                         |   |
|--|-------------------------|---|
| This part is required under section 994B(5)(g) and (h) of the Act. |                         |   |
| <b>Reporting requirement</b>                                       | <b>Reporting period</b> | <b>Which distributors this requirement applies to</b> |
|  |                         |   |

|   |   |                  |
|---|---|------------------|
| Complaints (as defined in section 994A(1) of the Act) relating to the Managed Discretionary Account design, Managed Discretionary Account 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.<br><br>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 |

Distributors must report to Philo Capital Advisers using the standard form available on [www.philocapital.com.au/ddo](http://www.philocapital.com.au/ddo).

## Definitions



| Term  | Definition  |
|---|---|
| <b>Investor 's investment objective</b>   |   |
| Capital Growth  | The investor seeks to invest to generate capital return. The investor prefers exposure to growth assets (such as shares or property) or otherwise seeks an investment return above the current inflation rate.  |
| Capital Preservation  | The investor seeks to invest to reduce volatility and minimise loss in a market down-turn. The investor 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 investor seeks a guarantee or protection against capital loss whilst still seeking the potential for capital growth (typically gained through a derivative arrangement). The investor would likely understand the complexities, conditions and risks that are associated with such Managed Discretionary Accounts.                                  |
| Income Distribution   | The investor seeks to invest to provide regular and/or tax-effective income. The investor prefers exposure to income-generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments).  |
| <b>Investor 's intended Managed Discretionary Account use (% of Investable Assets)</b>  |   |
| Solution/Standalone (75-100%)   | The investor intends to hold the portfolio as either a part or the majority (up to 100%) of their total investable assets (see definition below). The investor typically prefers exposure to a Managed Discretionary Account with at least high portfolio diversification (see definitions below).  |
| Core Component (25-75%)   | The investor intends to hold the portfolio as a major component, up to 75%, of their total investable assets (see definition below). The investor typically prefers exposure to a Managed Discretionary Account with at least medium portfolio diversification (see definitions below).   |
| Satellite (<25%)  | The investor intends to hold the portfolio 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 investor is likely to be comfortable with exposure to a Managed Discretionary Account with low portfolio diversification (see definitions below). |
| Investable Assets   | Those assets that the investor has available for investment, excluding the family home.   |
| <b>Portfolio diversification (for completing the key Managed Discretionary Account attribute section of investor 's intended Managed Discretionary Account use)</b> |   |
| Low   | Single asset class, single country, low or moderate holdings of securities - e.g. high conviction Australian equities.  |



| <b>Term</b>   | <b>Definition</b>   |
|---|---|
| Medium  | 1-2 asset classes, single country, broad exposure within asset class, e.g. Australian equities “ASX 200”.   |
| High  | Highly diversified across either asset classes, countries or investment managers, e.g. Australian multi-manager balanced fund or global multi-asset Managed Discretionary Account (or global equities).   |
| <b>Investor ’s intended investment timeframe</b>                  |   |
| Short ( $\leq 2$ years)   | The investor has a short investment timeframe and may wish to redeem within two years.  |
| Medium ( $> 2$ years)   | The investor has a medium investment timeframe and is unlikely to redeem within two years.  |
| Long ( $> 8$ years)   | The investor has a long investment timeframe and is unlikely to redeem within eight years.  |
| <b>Investor ’s Risk (ability to bear loss) and Return profile</b> |   |
| Low   | The investor is conservative or low risk in nature, seeks to minimise potential losses and is comfortable with a low target return profile. The investor typically prefers defensive assets such as cash and fixed income.  |
| Medium  | The investor is moderate or medium risk in nature, seeking to minimise potential losses and comfortable with a moderate target return profile. The investor 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 investor is higher risk in nature and can accept higher potential losses in order to target a higher target return profile. The investor 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 investor has a more aggressive or very high risk appetite, seeks to maximise returns and can accept higher potential losses and possibly other risk factors, such as leverage). The investor typically prefers growth assets such as shares, property and alternative assets.   |
| <b>Investor’s need to withdraw money</b>                          |   |
| Daily/Weekly/Monthly/Quarterly/<br>Annually or longer             | The investor seeks to invest in a Managed Discretionary Account which permits full or substantial redemption requests at this frequency under ordinary circumstances and the issuer is typically able to meet that request within a reasonable period.  |
| <b>Investor ’s Other requirements</b>                             |   |

| Term  | Definition   |
|---|--|
| Individual tax management of investments  | The customer is seeking a Managed Discretionary Account that provides the ability to actively manage the investor's tax position in the investments which are held in the portfolio  |
| Visibility / transparency of portfolio holdings                                       | The investor is seeking a Managed Discretionary Account that provides a clear understanding of the constituents in their portfolio although the portfolio may hold investments which are not themselves transparent.   |
| Ability to customise portfolio or accommodate other holdings                          | The investor requires the ability to specifically include, exclude or manage specific investments or classes of investment for particular reasons, such as ESG considerations, or because they have existing holdings which need to be accommodated in portfolio design.   |
| Ability to include <i>in specie</i> transfer of existing investments                  | The investor has existing holdings which they expect to be incorporated into their portfolio and where ownership is to carry on, subject to subsequent portfolio management considerations. This may be for tax, transaction cost or other reasons.  |
| Management of the portfolio without the investor needing to approve every transaction | The investor is willing to delegate to decision making on portfolio changes to a suitably authorised and competent organisation which will operate the account in accordance with the Investment Program   |
| Awareness of or specific inclusion of ESG requirements                                | The investor has expressed a preference for a portfolio which has some regard to Environmental, Sustainability and Governance factors.   |
| <b>Distributor Reporting</b>  |  |
| Significant dealings  | A dealing cannot occur outside the TMD since all investments are the subject of personal financial advice on a continuing basis and this is "excluded conduct". However, a distributor may consider a dealing (or group of dealings) <u>outside the TMD</u> to be significant if the investors are outside the target market and in aggregate they constitute more than half of the distributor's total retail Managed Discretionary Account distribution conduct over the reporting period. |