

Target Market Determination

Mason Stevens Credit Fund

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 to review the target market and certain other information. It forms part of Mason Stevens Limited'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 Mason Stevens Credit Fund (ARSN 162 0550512) before making a decision on whether to buy this product.

Target Market Summary

The Mason Stevens Credit Fund (Fund) is likely to be appropriate for a consumer:

- seeking **stable returns** derived from fixed income securities;
- seeking **a stand alone investment that provides exposure to fixed income securities or a complement to an existing investment strategy that includes gaining exposure to fixed income securities**;
- that has an investment timeframe of **three to five years with a low risk/return** profile; and
- that only needs to withdraw their investment no more frequently than **monthly**.

Fund and Issuer identifiers

Table 1: Summary of Mason Stevens Limited as issuer of the Fund

Issuer	Mason Stevens Limited	ISIN Code	N/A
Issuer ABN	91 14 1447 207	Market Identifier Code	N/A
Issuer AFSL	351578	Product Exchange Code	N/A
Fund	Mason Stevens Credit Fund	Date TMD approved	30 September 2021
ARSN	162 055 512	TMD Version	v1
APIR Code	MST0002AU	<i>TMD Status</i>	Current

Description of Target Market

TMD indicator key

The Consumer Attributes for which the Fund 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 Table 2 below, Column 1 – “Consumer Attributes” - indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering the Fund. Column 2 - “TMD indicator” - indicates whether a consumer having the attributes in Column 1 of Table 2 is likely to be in the target market for the Fund.

Generally, a consumer is unlikely to be in the target market for the Fund 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 these 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).

Table 2: Summary of the class of consumers that fall within the target market for the Fund

Consumer Attributes	TMD Indicator	Product description including key attributes
Consumer’s investment objective		
Capital Growth	Red	The Fund seeks to generate return in excess of the RBA Cash Rate by 2.5% per annum after fees and expenses over a period of 3 to 5 years by investing in fixed income securities that are expected to deliver income and yield.
Capital Preservation	Green	
Capital Guaranteed	Red	
Regular Income	Green	
Consumer’s intended product use (% of Investable Assets)		
Solution/Standalone (75-100%)	Green	The Fund will generally form part of the fixed income assets component of an investor’s investment portfolio and is suitable for those investors who are seeking to generate returns through investing in fixed income securities over a period of 3 to 5 years.
Core Component (25-75%)	Green	
Satellite/small allocation (<25%)	Green	
Consumer’s investment timeframe		
Short (≤ 2 years)	Red	Three to five years.
Medium (> 2 years)	Amber	
Long (> 8 years)	Green	
Consumer’s Risk (ability to bear loss) and Return profile		
Low	Green	The SRM for the Fund is 0.5 to less than 1, which fits into the low risk band.
Medium	Green	
High	Green	
Very High	Green	



Consumer's need to withdraw money		
Daily		The Fund is priced monthly, with the possibility of monthly withdrawals and quarterly distributions.
Weekly		
Monthly		
Quarterly		
Annually or longer		

Standard Risk Measurement calculations have been conducted in line with the guiding principles outlined by the joint ASFA/FSC Working Group.

These calculations implied that the Fund would fit into the low risk label, with an estimated number of negative annual returns between 0.5 to 1 over a 20-year period.

Table 3: Summary of the level of risk associated with the Fund

Risk Band	Risk Label	Estimated number of negative annual returns over any 20 year period
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very High	6 or greater

Mason Stevens uses a statistical approach in calculating the return and risk characteristics of the Fund, with this approach having a set of underlying assumptions regarding returns and volatility.

These assumptions include a normal distribution of returns, as well as multi-period rebalancing, where each individual year was considered as a separate period.

This statistical approach may be described as a Monte Carlo approach and uses repeated random sampling to compute results.

Every methodology has its limitations, and it is important to understand the limitations and implicit assumptions used in the approach.

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 in Table 2 above, as the features of this product in Column 3 of Table 2 above are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2 of Table 2.



Distribution conditions/restrictions

Table 4: Summary of the distribution conditions for the Fund

Distribution Condition	Distribution Condition Rationale	<i>applicable</i>
There are no distribution conditions	Not applicable	<input checked="" type="checkbox"/>

Table 5: Summary of the review triggers for the Fund

Review triggers
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 Fund or the distribution of the Fund.
ASIC exercises its Product Intervention Powers that affect the Fund.
Changes to legislation which materially impacts upon the design or distribution of the Fund and reasonably suggests that this TMD is no longer appropriate.

Table 6: Summary of the mandatory review periods for the Fund

Mandatory review periods	
Review period	Maximum period for review
Initial review	1 year and 3 months
Subsequent review	3 years and 3 months

Table 7: Summary of the distributor reporting requirements for the Fund

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 end of calendar quarter.	All distributors

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must email the data requirements specified in this TMD to fm@masonstevens.com.au. The Product Disclosure Document for the product can also be found at masonstevens.com.au/resource-hub/.

Disclaimer

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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 <u>Standard Risk Measure Guidance Paper For Trustees</u>. 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	<p>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.</p> <p>Consumer typically prefers defensive assets such as cash and fixed income.</p>
Medium	<p>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.</p> <p>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>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.</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. 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).</p> <p>Consumer typically prefers growth assets such as shares, property and alternative assets.</p>
Consumer's need to withdraw money	
<p>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</p>	

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

