

Target Market Determination

Trilogy Monthly Income Trust - Platform Units

16 March 2023

Issuer: Trilogy Funds Management Limited
ABN 59 080 383 679
AFSL 261425



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 the 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 the 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 at <https://www.trilogyfunds.com.au/investing/trilogy-monthly-income-trust/>.

Target market summary

This product is likely to be appropriate for a consumer seeking Income distributions with a level of capital preservation. To be used as a Satellite / small allocation within a portfolio where the consumer has a Medium investment timeframe, Medium to High risk/return profile and needs Monthly access to capital.

Fund and Issuer identifiers

Issuer	Trilogy Funds Management Limited
Issuer ABN	59 080 383 679
Issuer AFSL	261425
Fund	Trilogy Monthly Income Trust—Platform Units
ARSN	121 846 722
APIR Code	TGY9172AU
Date TMD approved	16 March 2023
TMD Version	1
TMD Status	Current

Description of Target Market

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

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	TMD Indicator	Product description including key attributes
Consumer's investment objective		
Capital Growth	Red	Investors seeking returns available from an asset class that is not directly subject to the volatility of equity markets.
Capital Preservation	Amber	The Fund is designed to source loans secured by registered first mortgages held over Australian real estate to generate monthly income returns for investors. At present, the loans in the Fund are for the purposes of financing property development, construction and refinancing completed stock.
Capital Guaranteed	Red	The Fund aims to provide investors with a monthly distribution based on the net returns from the loans, cash, and any other investments held by the Fund.
Income Distribution	Green	While the unit price of the Fund is fixed at \$1.00, capital losses can occur in circumstances where an asset of the Fund incurs a capital loss. Therefore, while an investment in the Fund could experience capital loss and is higher risk and more volatile than cash or fixed income securities, the Fund is expected to exhibit lower volatility than listed equities or listed REITs in a market downturn.

Consumer Attributes	TMD Indicator	Product description including key attributes
Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (75-100%)	Red	Investors intending to hold an investment in the Fund as a satellite / small part of their total Investable Assets.
Core Component (25-75%)	Red	The Fund offers exposure to a portfolio of loans secured by registered first mortgages held over property geographically spread across Australia's states and territories. At present, the Fund's loans are for property development, construction or refinance and a single loan or single borrower may exceed 5% of the Fund's assets. Accordingly, the Fund's portfolio diversification is Low (see diversification definitions below).
Satellite/small allocation (<25%)	Green	Investors should use the Fund as a Satellite / small allocation to spread the risks of investing in the Fund across a broad portfolio of investments.
Consumer's investment timeframe		
Short (\leq 2 years)	Amber	Investors seeking to invest in the Fund for the Medium term.
Medium (2 - 5 years)	Green	For the Platform Class, there is no minimum investment term, however, the Fund is managed with the intention of generating returns over the Medium term. The minimum suggested timeframe for holding an investment in the Fund is two years.
Long (> 5 years)	Green	
Consumer's Risk (ability to bear loss) and Return profile		
Low	Red	The consumer is higher risk in nature and can accept higher potential losses. The Fund aims to provide monthly income distributions to investors while maintaining a fixed unit price of \$1.00 per unit.
Medium	Amber	However, the returns from the Fund are not guaranteed and there are risks involved in the Fund, which may include the following: <ul style="list-style-type: none"> • The value of an individual investment made by the Fund directly may change or become more volatile, potentially causing a reduction in the value of the Fund and increasing its volatility.
High	Green	<ul style="list-style-type: none"> • Defaults by borrowers may result in the delay/non-repayment of a loan and delays could occur between a loan going into default and the sale of the underlying security, and may reduce the amount of distributions payable by the Fund. • The Fund's underlying investments may become 'illiquid' in some circumstances, resulting in delays, or at worst, funds may become frozen, and this may impact withdrawals from the Fund.
Very High	Green	It is expected the Fund may experience an estimated 3 to less than 6 negative returns over a 20 year period (SRM 3 to 6).

Consumer's need to withdraw money		
Daily	Red	Investors seeking Monthly liquidity under ordinary circumstances. There is no minimum investment term for the Platform Class.
Weekly	Red	
Monthly	Green	The Fund is not an 'at call' cash account and should not be treated as such. While the Fund is operated as a liquid trust, it should be noted that the underlying assets are not necessarily liquid in nature and therefore the Constitution provides a maximum of 15 months within which the Issuer must meet withdrawal requests from the holders of Platform Units and still treat the trust as liquid.
Quarterly	Green	
Six Monthly	Green	
Annually or longer	Green	<p>Withdrawals of Platform Units may be scaled back, delayed or suspended in certain circumstances depending on market conditions. Where insufficient funds are available to meet withdrawal requests from holders of Platform Units and withdrawal amounts are reduced on a pro rata basis, this pro-rating of withdrawal amounts may be subject to the additional two limitations below whereby the Issuer has the discretion to limit the number of Platform Units that may be withdrawn as at a particular withdrawal date:</p> <ul style="list-style-type: none"> • by any one Platform Investor to 15% of their total investment account value, and • by all Platform Investors to 2% of the total Platform Units on issue at the time. <p>There is no established external secondary market for the sale of Platform Units in the Fund. However, investors may arrange for their own private sale of Platform Units with the approval of the Issuer. There is no right for investors to require their Platform Units to be purchased either by the Issuer or by any other person, or to have their Platform Units redeemed</p>

Appropriateness

Note: This section is required under RG 274.64–66 and RG 274.100.

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.

Requirement	Explanation
s 994B(8) <i>Target market and Product</i> RG 274.68(c)	<p>The Issuer considers that the Fund, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of investors in the target market on the basis of:</p> <ul style="list-style-type: none">• the relationship between the key attributes of the Fund and the target market as set out in this TMD• the terms of issue of units in the Fund• the investment mandate of the Fund• the investment capability of the manager of the Fund• the Issuer's assessment of the risks and benefits of the Fund• the Issuer's assessment of the likely investor outcomes of the Fund based on:<ul style="list-style-type: none">◦ the Fund's historical performance and financial modelling of the Fund's target performance based on the assets in the Portfolio◦ analysis of performance data in respect of the Issuer's products that are comparable to the Fund, and◦ results of stress testing and scenario analysis of the liquidity risk, market and investment risk, operational risk, strategic risk, governance risk of the Fund and comparable funds operated by the Issuer.
<i>Target market and distribution conditions and restrictions</i> RG 274.100	<p>The Issuer considers that the distribution conditions will make it more likely that the investors who acquire the Fund are in the target market on the basis of:</p> <ul style="list-style-type: none">• the Fund's advertisements and website content is directed towards consumers in the Fund's target market• the online and paper application forms for the Fund include specific questions and alerts relating to this TMD and relevant to the distribution conditions• where applicable, the restrictions imposed by, and level of supervision required under, the terms of any distribution agreements entered into by the Issuer and the distributors of the Fund• the distributors' past performance in relation to the distribution of financial products, about which the Issuer is aware, and• any other relevant information about a distributor, about which the Issuer is aware.

Distribution conditions/restrictions

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

Distribution channel	Distribution condition
Direct	<ul style="list-style-type: none">• Direct investors who are investment platforms (Platform Investor), also referred to as wraps and investor directed portfolio services, can invest in the Platform Class.• Retail investors cannot invest in the Platform Class directly.
Platform/Wrap—General	<ul style="list-style-type: none">• Advised clients may indirectly invest in the Platform Class through a Platform Investor. Clients who invest in this product through a Platform Investor are classified as Indirect Investors and do not become unit holders in the Fund, acquire the rights of a unit holder in the Fund, receive distributions or reports directly from the Issuer, nor directly participate in investor meetings. The Platform Investor, being the operator of the investment platform, has those rights and can exercise, or decline to exercise, them on behalf of the Indirect Investors.• Additional steps are not required for advised clients beyond consideration of the issuer's TMD by the adviser.• Unadvised clients cannot invest in the Platform Class, either directly or indirectly.

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 change to the frequency of returns paid by the Fund.

50% increase over average number of withdrawals, measured across a financial year.

Change to the Application Price or Withdrawal Price for Units from \$1.00 per Unit.

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
Initial review	By 16 March 2024
Subsequent review	At least once every year since the date of the last review of the TMD (for whatever reason).

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 the Issuer using the method specified at <https://www.trilogyfunds.com.au/>. 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 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".
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 - 5 years)	The consumer has a medium investment timeframe and is unlikely to redeem within two to five years.
Long (> 5 years)	The consumer has a long investment timeframe and is unlikely to redeem within five years.

Term	Definition
Consumer's Risk (ability to bear loss) and Return profile	
<p>The Issuer has adopted 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. 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.</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).</p> <p>Consumer typically prefers growth assets such as shares, property and alternative assets.</p>

Term	Definition
Review triggers and Distributor Reporting	
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 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</p> <ul style="list-style-type: none"> • 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>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:</p> <ul style="list-style-type: none"> • 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.



Find out more.

Start a conversation with us today.

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