

Target Market Determination

Trilogy Enhanced Income Fund

1 October 2021

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-enhanced-income-fund/>.

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 or a Core Component not exceeding 50% 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 Enhanced Income Fund—Ordinary Units
ARSN	614 682 469
APIR Code	TGY9789AU
Date TMD approved	1 October 2021
TMD Version	1.0
TMD Status	Ceased

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 exposure to income-generating assets which aim to provide monthly income distributions.
Capital Preservation	Amber	The Fund is designed to provide investors with monthly income distributions by investing directly and indirectly in a portfolio of cash, cash-style investments and other financial assets such as a range of short to medium bank term deposits, bills of exchange, promissory notes, bonds, fixed or floating rate debt securities as well as income securities and to enhance returns via exposure to the pooled mortgage portfolio of the Trilogy Monthly Income Trust.
Capital Guaranteed	Red	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.
Income Distribution	Green	

Consumer Attributes	TMD Indicator	Product description including key attributes
Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (50-100%)	Red	Investors intending to hold an investment in the Fund as a smaller part of their total Investable Assets.
Core Component (25-50%)*	Green	The Fund offers exposure to a portfolio of cash, cash-style investments and other financial assets, including investment in the Trilogy Monthly Income Trust which holds a direct portfolio of registered first mortgages over Australian property. Accordingly, the Fund's portfolio diversification is Low to Medium (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. *Where the Fund is to form a Core Component of a portfolio it should generally not exceed 50% of the investor's Investable Assets.
Consumer's investment timeframe		
Short (≤ 2 years)	Green	Investors seeking to invest in the Fund for the Medium term.
Medium (2 - 5 years)	Green	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 target benchmark for the Fund is the Official Cash Rate plus 1.50% p.a. assuming reinvestment of distributions but before fees and expenses and taxes, over a rolling 12 month period.
Medium	Amber	However, the returns from the Fund are not guaranteed and there are risks involved in the Fund, which may include the following:
High	Green	<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. At any time approximately 35% of the Fund's portfolio will be invested in the Trilogy Monthly Income Trust which invests primarily in mortgages and therefore the Fund could suffer a loss because of the Trilogy Monthly Income Trust operations.
Very 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. <p>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).</p>

Consumer Attributes	TMD Indicator	Product description including key attributes
Consumer's need to withdraw money		
Daily	Red	Investors seeking monthly liquidity under ordinary circumstances.
Weekly	Red	The Fund is not an 'at call' cash account and should not be treated as such. 30 days' notice is generally required for processing withdrawals. However, withdrawals may be processed earlier than the end of the 30 days notice period at the discretion of the Issuer, and if the liquidity position of the Fund allows this to occur. In some circumstances, withdrawal processing may take longer than the 30 days and up to 6 months.
Monthly	Green	
Quarterly	Green	
Annually or longer	Green	There is no established external secondary market for the sale of units in the Fund. However, investors may arrange for their own private sale of units with the approval of the Issuer. There is no right for investors to require their units to be purchased either by the Issuer or by any other person, or to have their units redeemed.

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 wholesale or sophisticated investors can invest in this product. Retail investors are asked to complete an online or paper application form, including filtering questions relating to the TMD.
Platform/Wrap—General	<ul style="list-style-type: none"> Additional steps are not required for advised clients beyond consideration of the issuer's TMD by the adviser. Unadvised clients may not be able to access the Fund unless the platform provider has a process where the client is asked basic filtering questions relating to the TMD.
Adviser	<ul style="list-style-type: none"> Investor to confirm in the online or paper application form that they are financially advised. Financial advisers to provide details in the online or paper application form of their AFS licence, including their adviser number from the Moneysmart website, and confirm they have reviewed and considered the TMD in providing personal advice to the investor.

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.

25% 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 1 October 2022
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 <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 (\leq 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> <ul style="list-style-type: none"> • 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>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.