

Target Market Determination - Managed Portfolios

MDA service



Managed
Portfolios

About this document:

This Target Market Determination (TMD) is necessitated by section 994B of the Corporations Act 2001 (Cth) (the Act). It delineates the category of consumers that the product, inclusive of its key characteristics, would likely align with their probable goals, financial circumstances, and requirements. Furthermore, the TMD outlines the conditions that would instigate a review of the target market, along with other pertinent details. This document is integral to the issuer's design and distribution strategy for the product.

This document does not serve as a product disclosure statement and does not summarize the product's features or terms. It does not consider individual objectives, financial circumstances, or needs, and it does not provide any financial product advice. Individuals interested in procuring this product should meticulously review the Product Disclosure Document (PDS) for the product and the investment options within the product before deciding to purchase.

Name of product	Banyantree Investment Management Risked Based Model Portfolios
Product Issuer	Australian Financial Freedom Pty Ltd (ABN: 75 093 217 700) (AFSL 234665)
Date of TMD	01/05/2023
Status	Current
Version	1

Product Description	<p>This product is a Direct Holder Identification Number (HIN) based model portfolio run through an MDA (Managed Discretionary Account) Service. By choosing our Model Portfolio, consumers will invest in a diverse array of assets that are expertly overseen on their behalf.</p>
Key product attributes	<p>This product offers consumers access to an array of Model Portfolio options featuring diverse investment strategies. Consumers, in consultation with their advisors, can choose a Model Portfolio tailored to meet their unique needs. Some of the significant features of the Models include:</p> <p>Key Attributes of the Product:</p> <ol style="list-style-type: none"> 1. Each Managed Portfolio option is meticulously designed, monitored, and managed by the investment management team at Banyantree Investment Management. 2. Full transparency concerning the assets included in the portfolio is ensured. 3. Customization of investment preferences within a Model Portfolio is facilitated, allowing the exclusion and substitution of specific investments as per individual preferences. 4. Greater control over personal tax outcomes is a distinct advantage. 5. Efficient and straightforward administration of the Model Portfolios is ensured, including managing income receipts, corporate actions, and reporting on your behalf. 6. Clients maintain direct ownership of assets on their individual Holder Identification Number (HIN) and personal bank account.

The Target Market

The information that follows provides a summary of the broad class of consumers who are the intended target market for this product. This is based on the product's key attributes and its alignment with the consumer's objectives, financial circumstances, and needs.

The objectives, financial situations, and needs outlined below illustrate the overall target market for the product. However, these should be reviewed in conjunction with the sub-target markets specified further in this document to determine if a consumer fits within the target market for the product and the Managed Portfolio option they choose to invest in.

Important terms used in this TMD are defined in the Definitions section of this document

Customer's objectives, financial situation and needs	Target Market
Customer's objectives	<p>A consumer's objectives should be in accordance with the table found under the section 'Sub-target markets for investment categories within this product'. This table delineates the target market for each investment category that a Model Portfolio option within this product may be part of. For each category, it defines the class of consumers that the category is intended for based on their probable objectives.</p> <p>A consumer will be considered within the target market for this product if they meet all the consumer objectives relevant for the Model Portfolio option they plan to invest in, and their financial situations and needs align with those specified in this table.</p>
Consumer's financial situation	<p>Consumer Lifestyle: This product caters to all life stages given the range of investment durations and risk profiles available within the Model Portfolio options.</p> <p>Initial Investment Threshold: This product is aimed at customers who intend to make an investment starting at a minimum of \$50,000, as per the requirement for a particular Model Portfolio option.</p>
Consumers Needs	<p>Consumer's desired level of decision making: This product caters to consumers who prefer a certain degree of involvement in their investment decisions, which can include:</p> <ol style="list-style-type: none"> 1. Convenient access to continuously monitored and managed Model Portfolio options. 2. The flexibility to customize their investment by excluding or substituting certain assets within the product. 3. The option to switch between Model Portfolio options using existing investments that are common across these options. 4. The opportunity to manage tax implications of underlying investments in the Model Portfolios. 5. The assurance of transparent visibility into the holdings within their Model Portfolio. <p>This product could be a suitable choice for consumers seeking one or more of the following investment strategies:</p> <ul style="list-style-type: none"> • Ready-made diversified portfolio solutions that accommodate a variety of risk/return profiles. These risk portfolios incorporate a mix of asset classes such as Australian Equities, International Equities, Fixed Interest & Hybrids assets, and Listed Property.

SUB-TARGET MARKET FOR INVESTMENT CATEGORIES WITHIN THIS PRODUCT

Model	Investment Objective	Investment Timeframe	Intended Product use	Risk and return profile	Consumers Need to withdraw money
Balanced	Seeking capital growth and/or income distribution.	With at least a medium-term (>5 years) investment time frame.	Seeking a standalone solution (75-100%), core (25-75%) of an investor's broader portfolio of investments.	Willing to accept medium risk. This model portfolio has an SRM of 4 to 5.	Who may need to withdraw part or most of their investment on a relatively short notice (i.e 5 business days) under normal circumstances
Conservative	Seeking capital preservation and income distribution.	With at least a short-term (>3 years) investment time frame.	Seeking a standalone solution (75-100%), core (25-75%) of an investor's broader portfolio of investments.	Willing to accept low risk. This model portfolio has an SRM of 1 to 2.	Who may need to withdraw part or most of their investment on a relatively short notice (i.e 5 business days) under normal circumstances
Growth	Seeking capital growth	With at least a long-term (>6 years) investment time frame.	Seeking a standalone solution (75-100%), core (25-75%) of an investor's broader portfolio of investments.	Willing to accept high risk. This model portfolio has an SRM of 5 to 6.	Who may need to withdraw part or most of their investment on a relatively short notice (i.e 5 business days) under normal circumstances

Moderately Conservative	Seeking capital preservation and income distribution.	With at least a medium-term (>4 years) investment time frame.	Seeking a standalone solution (75-100%), core (25-75%) of an investor's broader portfolio of investments.	Willing to accept medium- low risk. This model portfolio has an SRM of 3 to 4.	Who may need to withdraw part or most of their investment on a relatively short notice (i.e 5 business days) under normal circumstances
--------------------------------	---	---	---	--	---

Who this product is not designed for:

This product has not been designed for consumers who:

- Are seeking to fully manage their own portfolio of investments;
- Do not have a financial adviser.
- Are seeking access to unlisted investment trusts.

Appropriateness

The Issuer has evaluated the product and concluded that its key attributes are likely to align with the objectives, financial circumstances, and needs of the target market consumers as outlined earlier. This is attributed to the fact that the product:

- Is tailored for consumers desiring access to an extensive selection of investment options across various risk based categories, which are continuously monitored and managed.
- Offers consumers the ability to personalize their investment preferences within the Model Portfolios and effectively manage tax outcomes based on their specific financial situations.

Distribution Conditions/Restrictions

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

This product can only be distributed under the following circumstances:

Distribution Channels	Permitted Distribution Channels	Distribution conditions	Distribution Condition Rational
Through approved provider	Yes	<p>Distributor is required to provide confirmation:</p> <ul style="list-style-type: none">• They have provided the consumer with personal advice in relation to the product; or• If personal advice has not been provided, then they have assessed that the consumer fits within the target market for this product.	<p>Distribution should occur through an approved provider in the manner subscribed because:</p> <ul style="list-style-type: none">• the product features and attributes may be complex in nature;
Directly to customers	No	Not applicable	The product features and attributes may be complex in nature;

Review Triggers

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

Certain situations or occurrences may indicate that the Target Market Determination (TMD) may no longer be appropriate. These could include, but are not limited to:

Review Triggers	Description
ASIC reportable significant dealings outside of TMD.	The Issuer identifies any ASIC reportable significant dealings outside of the TMD.
Complaints from consumers and distributors.	A significant or unexpected volume of complaints related to the product, as defined under section 994A(1) of the Act, over an appropriate period.
Material product and/or regulatory change	Significant alterations to key product attributes, investment goals, fees, terms and/or conditions indicating that this TMD might no longer be valid.
Product performance	If the Issuer identifies persistent or significant underperformance of a Model Portfolio option which could jeopardize the achievement of its investment objectives, suggesting that this TMD may no longer be suitable.
Material breach	A significant violation of financial services law related to the design and/or distribution of the product.
Notification from ASIC	A notification from ASIC relating to any concerns about the design and/or distribution of the product.

Where a review trigger has occurred, this target market determination will be reviewed within 10 business days.

Mandatory Reviews

This part is required under section 994B(5)(e) and (f) of the Act.

Review Triggers	Description
Initial Review	1 year, 3 months.
Subsequent review	3 years.

Distributor Reporting Requirements

This part is required under section 994B(5)(g) and (h) of the Act

Reporting Requirements	Reporting Period	Distributors applicable 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.	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing	All distributors

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to the Issuer via email at admin@managedportfolios.com.au. This email address should also be used to contact the Issuer regarding any details relating to this TMD.

Definitions

Investment Objectives:

Term	Definition
Capital Growth	The consumer aims to invest in a product engineered to yield capital growth. The consumer favors having exposure to appreciating assets (like equities or real estate) or is otherwise in pursuit of an investment return that surpasses the prevailing rate of inflation.
Capital Preservation	The consumer aims to invest in a product designed to temper volatility and minimize potential losses during a market downturn. The consumer favors exposure to defensive assets (like cash or fixed income securities) which typically carry lower risk and exhibit less volatility compared to growth-oriented investments
Income Distribution	The consumer is interested in investing in a product aimed at providing regular and/or tax-efficient income. The consumer tends to prefer exposure to assets that generate income, usually including high dividend-yielding equities, fixed income securities, and money market instruments.

Intended Product Use (% of investable assets):

Term	Definition
Stand Alone Solution (75-100%)	The consumer plans to hold the Model Portfolio as either a component or as the majority (up to 100%) of their total investable assets (see definition below). Generally, the consumer prefers exposure to a product with a high degree of portfolio diversification (see definitions below).
Core Component (25-75%)	The consumer intends to allocate the Model Portfolio as a significant portion, up to 75%, of their total investable assets (see definition below). Typically, the consumer prefers exposure to a product with at least medium-level portfolio diversification (see definitions below).
Investable assets	Those assets that the investor has available for investment, excluding the residential home.

Definitions

Intended Investment timeframe

Term	Definition
Short (< 3 Years)	The consumer has a short investment timeframe and may wish to redeem within three years.
Medium (>3 Years)	The consumer has a medium investment timeframe and is unlikely to redeem within three years.
Long (>7 years)	The consumer has a long investment timeframe and is unlikely to redeem within seven years.

Consumers Risk and Return Profile

The Standard Risk Measure (SRM) is a tool that helps investors compare different investment options based on their expected number of negative annual returns over a 20-year span. This metric, determined by industry standards, provides an assessment of risk and potential losses. However, it doesn't provide a comprehensive risk analysis. For instance, it doesn't specify the potential magnitude of a negative return or the possibility that a positive return may still not meet an investor's financial objectives.

In general, when an investor is considering the return profile of a desired product, they usually factor in the effects of fees, costs, and taxes.

Term	Definition
Low	The investor is of a conservative or low-risk temperament, aiming to minimize potential losses. For instance, they are capable of withstanding one negative return over a 20-year timeframe (corresponding to an SRM of 1 to 2). They are also content with a modest target return profile.
Medium	The investor has a moderate or medium risk tolerance, aiming to limit possible losses. They are equipped to handle up to four negative returns over a 20-year period (corresponding to an SRM of 3 to 5).
High	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.

Investment Category Guidelines for Model Portfolios

Term	Definition
Australian Businesses	Model portfolios which invest predominately in Australian investments (ASX 300).
Listed Property	Model portfolios which invest predominately in listed property securities in Australia and around the world.
International Shares	Model portfolios which invest predominately in international investments.
Fixed Interest & Hybrids	Model portfolios which invest predominately in either Australia or international Fixed Interest & Hybrids investments.

Investment Category Guidelines for Model Portfolios

Model Portfolio		SC Conservative	SC Moderately Conservative	SC Balanced	SC Growth
Australian Businesses		0-10%	0-35%	0-50%	0-70%
International Businesses		0-10%	0-20%	0-30%	0-40%
A-REITs		0-5%	0-15%	0-20%	0-25%
Fixed Interest & Hybrids		0-80%	0-70%	0-60%	0-50%
Cash		20-100%	15-100%	10-100%	5-100%

Distributor Reporting: Significant Dealings

Under Section 994F(6) of the Act, distributors must inform the Issuer if they notice a significant transaction with the product that deviates from the Target Market Determination (TMD). Neither the Act nor the ASIC provides a concrete definition of a 'significant' dealing, leaving distributors to interpret its meaning.

The Issuer relies on these notifications about significant dealings to monitor and review the product, its TMD, and its distribution strategy. It also uses these notifications to fulfill its own reporting obligations to the ASIC, if applicable.

A dealing that falls outside the TMD may be deemed significant if it forms a substantial portion of the distributor's overall conduct related to the product, or if it's an individual transaction that has resulted in, or is likely to lead to, substantial harm to the consumer or a group of consumers.

In each instance, the distributor should consider the product's nature and risk profile (informed by the product's risk rating or withdrawal periods), the actual or potential damage to a consumer (which may be indicated by their intended investment amount, intended product usage, or capacity to absorb loss), and how much the distribution deviates from the TMD.

Objectively, a distributor might regard a dealing (or set of dealings) outside the TMD as significant if it represents more than half of the distributor's total retail distribution of this specific product during the reporting period, or if the consumer's intended use or risk and return profile does not align with the descriptions within the investment category that the Managed Portfolio option belongs to.