**TARGET MARKET DETERMINATION**

**for units in the Eureka Asset-backed Loan Fund ARSN 655 086 338 issued by InvestSMART Funds Management Ltd ABN 067 751 759, AFSL 246441**

Dated 31 March 2022

## 1. Aim of this Target Market Determination

This Target Market Determination (**TMD**) is designed to be read by potential consumers in units in the Eureka Asset-backed Loan Fund (**the Product**) issued by InvestSMART Funds Management Ltd (the **Issuer**).

This TMD sets out details of:

- The target market for the Product, that is, who the Product has been designed for; and
- How the Issuer will monitor the distribution of the Product.

## 2. What is the Product?

The Product, units in the Eureka Asset-backed Loan Fund, are units in a pooled fund designed to provide consumers with an opportunity to access stable quarterly returns via exposure to loans to individuals who invest in a limited selection of the portfolio available through the InvestSMART Professionally Managed Accounts. Loans have a maximum value of $6,000 per individual with the assets of that managed account securing the loan and have a term of 20 months.

The Products' investment objective is for investors to receive a consistent targeted distribution of income above the hurdle return, after the management fees. The manager will only receive a fee if the income return is above the Hurdle Return as posted on the website www.eurekafund.com.au. There are no costs other than the management fees.

As the assets of the Product are illiquid and have no ready market, the Product is illiquid and will only offer withdrawal rights when the Product has available cash or other liquid assets. Investors will therefore have limited withdrawal rights.

The above summary is not intended to be a full description of the Product. Details of the Product are set out in the PDS. Potential consumers should read the PDS carefully in its entirety and obtain their own independent advice from a qualified professional as to whether the Product is appropriate to their own objectives, financial circumstances and needs.

Because of the risks of investment in the Product, the Product is not suitable for every potential consumer.

## 3. Who the Product has been designed for and not for?

The Product has been designed for:

- Consumers with higher than average income or assets who are seeking an income stream for a term in the form of higher interest rates, and who can tolerate a moderate to high level of risk of not achieving their financial goals (**Financial Risk**) to achieve those rates;
- Consumers who do not need liquidity and can wait to redeem their investment for a long period. and for consumers wanting to invest in the medium to long term for at least 5 years or more;

- Consumers wanting an investment that is not correlated with share markets.

The Product has **not** been designed for:

- Consumers with limited income and assets;
- Consumers seeking capital growth and not income;
- Consumers who are risk averse or could not tolerate any capital loss;
- Consumers who require their investments to be reasonably liquid and held only for the very short term of less than 24 months.

**4. Consistency between target market and the Product**

Based on an analysis of the key terms, features and attributes of the Product, the Issuer has determined that these are consistent with the likely objectives, financial situation and needs of the identified class of consumers.

**5. How is the Product to be distributed?**

The Issuer will be promoting the Product directly to existing clients of the Issuer and related companies of the Issuer;

- Using targeted email address lists;
- Using targeted adverts; and
- Via the Issuer's and related company websites.

**6. What are the distribution conditions?**

The Product must not be advertised on broad social media or through normal channels in a way that might imply it is suitable for all consumers indiscriminately.

The Issuer must take steps to distribute via means resulting in the distribution being slanted towards consumers who do not require liquidity, with higher-than-average income or assets (including consumers with their own self-managed super funds), who are seeking fixed interest-like returns and who can tolerate a moderate level of Financial Risk to achieve those returns.

This will be achieved by the Issuer using distribution methods such that the likelihood of consumers outside the target market taking up the Product is low.

**7. Adequacy of distribution conditions**

The Issuer will consider the following to determine the adequacy of its distribution methods:

- Is the distribution method likely to target potential consumers seeking an income stream for a term in the form of fees from small borrowers?
- Is the distribution method likely to target potential consumers who can tolerate a moderate level of investment risk to achieve those rates?
- Is the distribution method likely to target potential consumers who have more than a small amount of capital even if only a small proportion of which is being invested in the Product?
- Is the distribution method likely to target potential consumers who do not need liquidity and can wait to redeem their investment?
- Is the distribution method likely to target potential consumers who want an investment which is not correlated with share markets, that is, the value of the investment does not go up and down as share markets go up and down?

- Is the distribution method likely to target potential consumers who can invest without borrowing the whole or part of what they are investing?

If the distribution methods result in significant dealing outside of the Target Market this is an indication that the distribution methods are not adequate and need to be reconsidered to ensure compliance with the TMD.

A significant dealing is defined in the InvestSMART Group Design and Distribution Policy.

If the Issuer becomes aware of a significant dealing, the Issuer must review this TMD within 10 days, and cease distribution of the Fund.

**8. How will the Issuer review this TMD?**

12 months following this TMD, or earlier if there are any review triggers, the Issuer will conduct a review to see if this TMD is operating satisfactorily or needs to be modified.

The Issuer will follow a risk-based approach to determine the extent and depth of the review. Where it is considered that there is a very high or high risk of adverse consequences to consumers outside of the TMD, the Issuer will conduct fact-finds on a meaningful random sample of consumers to determine their financial objectives, circumstances and needs, and their reasons for investing in the Product.

Based on this review the Issuer may modify the TMD or may require modifications be made to the Product to ensure that its key features and attributes meet the needs of the class of consumer likely to invest in it.

Thereafter, this TMD will be reviewed at least every three years. Review triggers are as follows:

- A material change to the design, target market or distribution of the Product;
- A significant number of complaints which indicate that the Product was not suitable to the consumers complaining;
- Occurrence of a significant dealing;
- An external event such as an ASIC surveillance or inquiry or adverse media coverage indicating that the TMD needs to be reviewed;
- A change in the economy (such as a recession) which indicates that investment in the Product is riskier than it previously might have been;
- The Issuer for other reasons concludes that the distribution conditions are inadequate or need modification.

**9. How the Issuer will report on and monitor this TMD?**

The Issuer must immediately report any complaint to the Compliance Manager. The Issuer must report to the board of the Issuer within 10 days if the Issuer becomes aware of a significant dealing.