

Target Market Determination Definitions

About this document

This Target Market Determination ('TMD') Definition's document outlines the important terms used in the Netwealth GSS Managed Funds TMDs, Netwealth Managed Account Service TMD and the Netcash TMD.

1 March 2023

Version 2.0 (current)

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.
Regular Income	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)	
Whole portfolio (up to 100%)	The consumer intends to hold the investment as 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 <i>High</i> portfolio diversification (see definitions below).
Major allocation (up to 75%)	The consumer intends to hold the investment as a part or the majority (up to 75%) of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least <i>High</i> portfolio diversification (see definitions below).
Core allocation (up to 50%)	The consumer intends to hold the investment as a core component, up to 50%, of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least <i>Medium</i> portfolio diversification (see definitions below).
Minor allocation (up to 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 <i>Low</i> portfolio diversification (see definitions below).
Satellite allocation (up to 10%)	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 10% of the total <i>investable assets</i> (see definition below). The consumer is likely to be

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	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 (as used in 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 Australian equities.
Medium	1-2 asset classes, single country, broad exposure within asset class, e.g. Australian 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.
Consumer's Risk (ability to bear loss) and Return profile	
Low	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) and is comfortable with a low target return profile. Consumer typically prefers defensive assets such as cash and fixed income.
Medium	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) and comfortable with a moderate target return profile. Consumer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.
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) in order to target a higher target return profile. 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.
Very high	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). Consumer typically prefers growth assets such as shares, property and alternative assets.

Consumer's need to withdraw money

Daily/Weekly/Monthly/ Quarterly/Annually or longer	<p>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.</p> <p>As these assets are only available through a Wrap Platform, consumers could be exposed to a delay between requesting for a redemption and receiving the funds in their bank account.</p>
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Distributor Reporting

Significant dealings	<p>Netwealth will rely on notifications of significant dealings to monitor and review the product, TMD and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.</p> <p>Netwealth considers that dealings outside TMD may be significant because:</p> <ul style="list-style-type: none">• 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). <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">• it constitutes more than half of the distributor's total retail product distribution conduct in relation to the product over the reporting period.
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