

Target Market Determination

AUSTRALIAN ETHICAL BALANCED FUND - WHOLESALE

Australian
Ethical



Target market summary

This product is suitable for investors seeking capital growth and income through exposure to a diversified range of asset classes, including Australian and international shares, property, fixed income securities and alternative investments, who can bear a medium to high level of risk over a long investment horizon of eight years or greater and wish to invest in a generally ethical and sustainable manner in line with the Australian Ethical Charter.

This product may be suitable as part of a diversified portfolio of investments being either a core or satellite exposure, and is appropriate for investors who seek up to daily access for redemptions.

The product is not suitable for investors requiring capital guarantees or cannot withstand bearing capital losses within a short investment timeframe, or for investors who do not wish to invest in a generally ethical and sustainable manner in line with the Australian Ethical Charter.

Identifiers

Product Name	Australian Ethical Balanced Fund - Wholesale		
Issuer Name	Australian Ethical Investment Ltd	TMD Version	2
Issuer ABN	47003188930	TMD Status	Current
Issuer AFSL	229949	TMD Date	15/09/2023
ARSN	89919255	PDS Link	Click here
APIR Code	AUG0017AU		
ISIN	AU60AUG00176		

Description of target market

TMD INDICATOR KEY

The Consumer Attributes for which the product is likely to be appropriate have been assessed using a green/yellow/red rating methodology with appropriate colour coding.

In target market

Potentially in target market

Not 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 yellow 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).

Definitions of terms are provided on page 5 of this document. Additional product information is available in the PDS.

Consumer Attributes	TMD indicator	Product description including key attributes
Consumer's investment objective		
Capital Growth	Green	To seek a balance between capital growth and a moderate level of income through a diversified portfolio of assets that meet our Ethical Criteria. The product aims to achieve returns 3.50% above inflation after management costs over a 10 year period.
Capital Preservation	Green	
Capital Guaranteed	Red	
Income Distribution	Yellow	
Consumer's intended product use		
Solution/Standalone (75-100%)	Green	The opportunity to invest in a diversified portfolio of asset types and markets to reduce the volatility of returns. Asset classes include, but are not limited to, Australian and international shares, property and fixed income securities.
Core Component (25-75%)	Green	
Satellite/Small Allocation (<25%)	Green	
Investment timeframe		
Short (\leq 2 years)	Red	The minimum suggested investment timeframe is 8 years.
Medium (>2 years)		
Long (> 8 years)	Green	
Consumer's Risk (ability to bear loss) and Return profile		
Low	Red	Suitable for consumer's with Medium to High risk and return profiles. This is due to the product's exposure to equity assets which have a volatile return pattern, the inclusion of more defensive assets in this product helps to moderate this volatility. A consumer should note that the product's investment universe will generally be more limited than non-ethically, non sustainably invested peers and the returns and volatility may be higher or lower than these peers over equivalent periods.
Medium	Green	
High	Green	
Very High	Yellow	
Consumer's need to withdraw money		
Daily	Green	Redemption requests may be made daily
Weekly	Green	
Monthly	Green	
Quarterly	Green	
Annually or longer	Green	

Appropriateness

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.

Distribution conditions / restrictions

Distribution Condition	Applicable	Distribution Condition Rationale
There are no distribution conditions	Yes	Not required

Review processes

REVIEW TRIGGERS

- Material change to key attributes, fund investment objective and/or fees.
- Material deviation from benchmark / objective over sustained period.
- 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

Review period	Maximum period for review
Initial review	1 year and 3 months
Subsequent review	1 year

Distributor reporting requirements

If practicable, distributors should adopt the FSC data standards for reports to the Issuer and provide the reports via email to DDO@australianethical.com.au. Refer to the Additional Information section of this document for any further guidance which may be provided on this process.

Reporting Requirement	Reporting Period	Applicability
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.	Reports are to be sent quarterly, within 10 days of the period end.	Yes
Significant dealing outside of target market, under s994F(6) of the Act. See definitions for further details	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.	Yes
To the extent a distributor is aware of dealings outside the target market these should be reported to the issuer, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	Reports are to be sent yearly, within 10 days of the period end.	Yes

Disclaimer

Important information about this document

This target market determination (TMD) is made by [Australian Ethical Investment Ltd ABN 47 003 188 930 AFSL No. 229949] (Issuer) pursuant to section 994B of the Corporations Act 2001 (Cth). The Issuer is the trustee of the Australian Ethical Balanced Fund - Wholesale (ARSN: 89919255) (Fund) and the issuer of the Product.

This document is not a summary of the Fund or the Product, or the Product Disclosure Statement for the Product (PDS). It does not (and is not intended to) set out a summary of the terms or features of the Product.

This document is intended to provide a record of the Issuer's assessment of the Product, which forms the basis of this TMD. It also details the Product's distribution channel(s) and distribution strategy which must align to this TMD. This document is also used as a basis for the periodic review of the Product's suitability for distribution to the identified target market.

This document does not (and is not intended to) provide or constitute financial product advice. The target market described in this TMD is general in nature only and does not make any statement or representation that a particular person is or is not in the target market described in this TMD. This TMD does not take into account the objectives, financial situation and needs of any particular person and the Issuer makes no representation as to whether or not the Fund or the Product is suitable for any particular person.

Prior to making any decision in relation to the Fund or the Product, investors should obtain and consider the PDS, and obtain financial product advice if necessary. The PDS may be obtained by contacting the Issuer on 1800 021 227. This TMD should not be taken by a person to be a substitute for obtaining and considering the PDS or obtaining financial product advice that takes into account the person's objectives, financial situation and needs.

An investment in the Product is subject to investment risk, including the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and performance of the Product may differ materially from the forecasts, estimates and opinions set out in this TMD. No guarantee as to the repayment of capital, the performance of the Product or any rate of return described in this TMD is made by the Issuer or any other person.

This material is not intended for distribution to, or use by, any person in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

The Issuer, and its officers, employees, agents and advisers, believe that the information in this TMD and the sources on which the information is based (which may be sourced from third parties) are correct as at the date of this TMD. While every care has been taken in the preparation of this TMD, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by Issuer, or its officers, employees, agents or advisers. To the fullest extent permitted under law, the Issuer excludes all liability for information provided in this TMD.

No part of this TMD may be reproduced or distributed in any manner without the prior written permission of the Issuer.

Definitions

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 (≤ 2 years)	The consumer has a short investment timeframe and may wish to redeem within two years.
Medium (> 2 years)	The consumer has a medium investment timeframe and is unlikely to redeem within two years.
Long (> 8 years)	The consumer has a long investment timeframe and is unlikely to redeem within eight years.

Consumer's risk (ability to bear loss) and return profile

Issuers should undertake a comprehensive risk assessment for each product. The FSC strongly recommends adoption of 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. 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. Issuers may wish to supplement the SRM methodology by also considering other risk factors. For example, some products may use leverage, derivatives or short selling, may have liquidity or withdrawal limitations, or otherwise may have a complex structure or increased investment risks, which should be documented together with the SRM to substantiate the product risk rating. A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.

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 (SRM 1 to 2)) 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 (SRM 3 to 5)) 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 (SRM 6)) 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.
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Consumer's need to withdraw money

Issuers should consider in the first instance the redemption request frequency under ordinary circumstances. However, the redemption request frequency is not the only consideration when determining the ability to meet the investor's requirement to access capital. To the extent that the liquidity of the underlying investments or possible liquidity constraints (e.g. ability to stagger or delay redemptions) could impact this, this is to be taken into consideration in completing this section.

Daily/Weekly/Monthly/ Quarterly/Annually or longer	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.
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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 product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning. The issuer will rely on notifications of significant dealings to monitor and review the product, 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 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, • the consumer's intended product use is <i>Solution / Standalone</i>, or • the consumer's intended product use is <i>Core component</i> and the consumer's risk (ability to bear loss) and return profile is <i>Low</i>.
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