

Target Market Determination

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 Product before making a decision whether to buy this product.

Important terms used in this TMD are defined in the TMD Definitions at the end of this document. Capitalised terms have the meaning given to them in the product's PDS, unless otherwise defined. The PDS can be obtained by The PDS can be obtained by accessing <https://www.eqt.com.au/>.

Summary

This product is likely to be appropriate for a consumer seeking Absolute Returns with low correlation to traditional asset classes over rolling three year periods to be used as a core or small allocation within a portfolio where the consumer has a medium investment timeframe, a medium to high risk/return. This product is an RG240 hedge fund and may have complex features. It is likely to only be appropriate for investors who have received personal advice.

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|------------------------|-------------------------|-------------------|--|
| Issuer | Equity Trustees Limited | Fund | Dalton Street Capital Absolute Return Fund |
| Issuer ABN | 46 004 031 298 | ARSN | 609 717 820 |
| Issuer AFSL | 240975 | APIR Code | ETL0469AU |
| ISIN Code | AU60ETL04693 | Date TMD approved | 2021-09-07 |
| Market Identifier Code | | TMD Version | 1 |
| Product Exchange code | | TMD Status | Available |

DESCRIPTION OF TARGET MARKET

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 | Green | To deliver Absolute Returns with low correlation to traditional asset classes over rolling three year periods. |
| Capital Preservation | Yellow | |
| Capital Guaranteed | Red | |
| Income Distribution | Yellow | |
| Consumer's intended product use (% of Investable Assets) | | |
| Solution/Standalone (75-100%) | Red | The product is designed for investors seeking Absolute Returns with low correlation to traditional asset classes. The portfolio will seek to diversify by holding an underlying portfolio of Pan Asian stocks hedged into Australian Dollars. Leveraged long and short positions are achieved through derivative positions over the developed APAC equity indices on an intra-day basis. |
| Core Component (25-75%) | Yellow | |
| Satellite/small allocation (<25%) | Green | |
| Consumer's investment timeframe | | |
| Short (≤ 2 years) | Red | The minimum suggested investment timeframe for the Fund is 5 years. |
| Medium (> 2 years) | Green | |
| Long (> 8 years) | Yellow | |
| Consumer's Risk (ability to bear loss) and Return profile | | |
| Low | Red | <p>The investment strategy is based on mathematically established principles of behavioural finance and rigorous logic that aims to provide positive returns through all market cycles. The Fund provides investors with long-term asset growth through the investment in an underlying physical portfolio of stocks across the Australasian equity markets, hedged into Australian Dollars, which acts as collateral to a Managed Futures trading strategy driven by a complex algorithm. Investor need to be aware that returns can be affected by the following risks: The equity component produces a negative return due to poor equity markets and/or stock selection</p> <ul style="list-style-type: none"> ● Low intra-day volatility causing the derivative component to produce a negative return ● Breakdown of the subordinate relationship between the US and APAC markets ● Extremely low market volumes ● Government intervention ● Central Bank intervention ● Natural disasters |
| Medium | Green | |
| High | Yellow | |
| Very high | Red | |
| Consumer's need to withdraw money | | |
| Daily | Green | The Fund offers daily pricing and liquidity |
| 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 | | |
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| Distribution conditions/restrictions | Distribution Condition Rationale | |
| Distribution only permitted to those who have received personal advice | Investors should consider the suitability of an investment in the Fund in view of their personal financial circumstances, investment objectives, risk appetite and needs and may want to seek advice before making an investment decision. | |
| 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 | |
| Subsequent review | 1 year | |
| Distributor reporting requirements | | |
| 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 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. | 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 on this website: www.eqt.com.au/DDOreporting. This link also provides contact details relating to this TMD for the Issuer.

Issued by Equity Trustees Limited ABN 46004031298 AFSL 240975 (Issuer). Issuer is the responsible entity and issuer of units in the managed investment scheme referred to in this material. This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction.

Definitions

| Term | Definition |
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| 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. |
| 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). |

| Term | Definition |
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Consumer's intended investment timeframe

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| 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 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.

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| 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. |

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.

| Term | Definition |
|---|--|
| 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. |

Distributor Reporting

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| Significant dealings | <p data-bbox="504 359 2134 422">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 data-bbox="504 486 1086 518">Dealings outside this TMD may be significant because:</p> <ul data-bbox="526 534 1993 590" 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 data-bbox="504 614 1052 646">In each case, the distributor should have regard to:</p> <ul data-bbox="526 654 2116 758" 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 data-bbox="504 782 1635 813">Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:</p> <ul data-bbox="526 821 1848 909" 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 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. |
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