# Target Market Determination

## FERMAT ILS YIELD FUND - IU CLASS

## INTRODUCTION

This Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). This TMD describes the class of consumers that comprises the target market for the financial product and matters relevant to the product's distribution and review (specifically, distribution conditions, review triggers and periods, and reporting requirements). Distributors must take reasonable steps that will, or are reasonably likely to, result in distribution of the product being consistent with the most recent TMD (unless the distribution is excluded conduct).

This document is not a product disclosure statement (**PDS**) and is **not** a complete 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 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 accessing https://www.eqt.com.au/insto/.

| Target Market Summary | **This product is intended for use as a satellite allocation for a consumer who is seeking capital growth and regular income and has a high risk and return profile for that portion of their investment portfolio. It is likely to be consistent with the financial situation and needs of a consumer with a minimum 5 year investment timeframe<br>This product is classified as a Hedge Fund under ASIC Regulatory Guide RG240 and may have complex features. This product is likely to be suitable for investors who have received personal advice.** |
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## FUND AND ISSUER IDENTIFIERS

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|---|---|---|---|
| Issuer | Equity Trustees Limited | ISIN Code | AU60ETL09999 |
| Issuer ABN | 46 004 031 298 | Market Identifier Code | |
| Issuer AFSL | 240975 | Product Exchange Code | |
| Fund manager | Fermat Capital Management, LLC | TMD issue date | 18.02.2025 |
| TMD contact details | DDOCompliance@eqt.com.au | TMD Version | 1 |
| Fund name | Fermat ILS Yield Fund - IU Class | Distribution status of fund | Available / Current |
| ARSN | 154 923 494 | | |
| APIR Code | ETL0999AU | | |

# 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 | See issuer instructions | 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.

## 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 the features of this product in Column 3 of the table below are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2.

## INVESTMENT PRODUCTS AND DIVERSIFICATION

A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio (for example, with an intended product use of *minor allocation*). 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 balanced or moderate diversified portfolio with a minor allocation to growth assets. In this case, a product with a *High* risk/return profile may be consistent with the consumer's objectives for that *minor allocation* notwithstanding that the risk/return profile of the consumer as a whole is *Medium*. In making this assessment, distributors should consider all features of a product (including its key attributes).

The FSC has provided more detailed guidance on how to take this *portfolio view* for diversification, available on the FSC website. This guidance only applies where a product is held as part of a diversified portfolio.

| Consumer Attributes | TMD Indicator | Product description including key attributes |
|---|---|---|
| **Consumer's investment objective** | | |
| Capital Growth | In target market | The Fund typically invests in Insurance Linked Securities.<br>The Fund is likely to be suitable for investor seeking capital growth and regular income. The Fund's investment objective is to outperform the Eurekahedge ILS Advisers Index. |
| Capital Preservation | Not in target market | |
| Income Distribution | In target market | |
| **Consumer's intended product use (% of Investable Assets)** | | |
| Solution/Standalone (up to 100%) | Not in target market | The Fund typically invests in the Master Fund. The Master Fund's expected allocation is as follows:<br>Catastrophe Bonds 75% - 100%<br>Other Catastrophe Instruments 0% - 25%<br>Bonds and loans issued by companies within the insurance sector 0% - 10%<br>Cash and Cash Equivalents 0% - 10%<br>Whilst the Fund may borrow for the purpose of short-term cash flow management, the Fund's underlying strategy does not employ leverage.<br>The Fund would typically be considered to have a Low level of portfolio diversification. |
| Major allocation (up to 75%) | Not in target market | |
| Core component (up to 50%) | Not in target market | |
| Minor allocation (up to 25%) | Not in target market | |
| Satellite allocation (up to 10%) | In target market | |
| **Consumer's investment timeframe** | | |
| Minimum investment timeframe | 5 | The minimum suggested timeframe for holding investments in the Fund is 5 years. |
| **Consumer's Risk (ability to bear loss) and Return profile** | | |
| Low | Not in target market | This Fund is considered high risk. It would likely be suitable for investors who have a high risk appetite and can accept very high volatility and potential losses in order to achieve the target returns and typically prefers growth assets. |
| Medium | Not in target market | |
| High | In target market | |
| Very high | In target market | |
| Extremely high | Not in target market | |
| **Consumer's need to access capital** | | |
| Within one week of request | Not in target market | Subject to any applicable Lock Up Period, Investors can submit an application to withdraw their investment before 3pm 12 days prior to the last Business Day of the month in Sydney. At least 90% of the Funds will generally be available within 10 Business Days after the applicable valuation date. However the Issuer has discretion to make payment up to 24 months days following acceptance of a request. |
| Within one month of request | Not in target market | |
| Within three months of request | In target market | |
| Within one year of request | In target market | |
| Within 5 years of request | In target market | |
| Within 10 years of request | In target market | |
| 10 years or more | In target market | |
| At issuer discretion | Not in target market | Not applicable. |

## Distribution conditions/ restrictions

| Distribution conditions | Distribution condition rationale | Distributors this condition applies to |
|---|---|---|
| Direct investment is available to wholesale investors only. Suitable for retail distribution through dealing if distributor is reasonably satisfied that distribution is necessary to implement personal advice given to the consumer. | The Issuer considers that the distribution condition will make it likely that consumers who acquire the product will be in the target market for the product, or the product will otherwise be appropriate for them. | All distributors |

## Review triggers

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| 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 TMD review periods

| Review Period | Maximum period for review |
|---|---|
| Initial review | 15 months |
| Subsequent review | 15 months |

## 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. The distributor should provide all the content of the complaint, having regard to privacy. | As soon as practicable but no later than 10 business days following end of calendar quarter. | All distributors |
| Significant dealing outside of target market, under section 994F(6) of the Act.<br>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 |

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. Distributors must report to the Issuer by contacting DDOCompliance@eqt.com.au.

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# Definitions

| Term | Definition |
|---|---|
| **Consumer's investment objective** | |
| Capital Growth | The consumer seeks to invest in a product designed or expected to generate capital return over the investment timeframe. 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 designed or expected to have low volatility and minimise capital loss. The consumer prefers exposure to defensive assets that are generally lower in risk and less volatile than growth investments (this may include cash or fixed income securities). |
| Income Distribution | The consumer seeks to invest in a product designed or expected to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (this may include high dividend-yielding equities, fixed income securities and money market instruments). |
| **Consumer's intended product use (% of Investable Assets)** | |
| Solution/Standalone (up to 100%) | The consumer may hold the investment as up to 100% of their total *investable assets.* The consumer is likely to seek a product with *very high* portfolio diversification. |
| Major allocation (up to 75%) | The consumer may hold the investment as up to 75% of their total *investable assets.* The consumer is likely to seek a product with at least *high* portfolio diversification. |
| Core Component (up to 50%) | The consumer may hold the investment as up to 50% of their total *investable assets.* The consumer is likely to seek a product with at least *medium* portfolio diversification. |
| Minor allocation (up to 25%) | The consumer may hold the investment as up to 25% of their total *investable assets.* The consumer is likely to seek a product with at least *low* portfolio diversification. |
| Satellite allocation (up to 10%) | The consumer may hold the investment as up to 10% of the total *investable assets.* The consumer may seek a product with very *low* portfolio diversification. Products classified as *extremely high* risk are likely to meet this category only. |
| *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)**<br>**Note: exposures to cash and cash-like instruments may sit outside the diversification framework below.** | |
| Very low | The product provides exposure to a single asset (for example, a commercial property) or a niche asset class (for example, minor commodities, crypto-assets or collectibles). |
| Low | The product provides exposure to a small number of holdings (for example, fewer than 25 securities) or a narrow asset class, sector or geographic market (for example, a single major commodity (e.g. gold) or equities from a single emerging market economy). |
| Medium | The product provides exposure to a moderate number of holdings (for example, up to 50 securities) in at least one broad asset class, sector or geographic market (for example, Australian fixed income securities or global natural resources). |

| Term | Definition |
|---|---|
| High | The product provides exposure to a large number of holdings (for example, over 50 securities) in multiple broad asset classes, sectors or geographic markets (for example, global equities). |
| Very high | The product provides exposure to a large number of holdings across a broad range of asset classes, sectors and geographic markets with limited correlation to each other. |
| **Consumer's intended investment timeframe** | |
| Minimum | The minimum suggested timeframe for holding the product. Typically, this is the rolling period over which the investment objective of the product is likely to be achieved. |
| **Consumer's Risk (ability to bear loss) and Return profile** | |
| This TMD may use the Standard Risk Measure (SRM) as an input to the assessment of the risk and return profile of the product, but may not necessarily be the only input used. The SRM estimates the likely number of negative annual returns for a product over a 20 year period. The SRM may be supplemented by other risk factors, such as the potential size of a negative or positive return, liquidity or withdrawal limitations, underlying investments with valuation risks or risks of capital loss, the use of leverage or short selling, or otherwise may have complex structures.<br>A consumers desired product return profile will generally take into account the impact of fees, costs and taxes. | |
| Low | For the relevant part of the consumer's portfolio, the consumer:<br>• has a conservative or low risk appetite,<br>• seeks to minimise volatility and potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period (SRM 1 to 2)), and<br>• is comfortable with a low target return profile.<br>The consumer typically prefers stable, defensive assets (such as cash). |
| Medium | For the relevant part of the consumer's portfolio, the consumer:<br>• has a moderate or medium risk appetite,<br>• seeks low volatility and potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5)), and<br>• is comfortable with a moderate target return profile.<br>The consumer typically prefers defensive assets (for example, fixed income). |
| High | For the relevant part of the consumer's portfolio, the consumer:<br>• has a high risk appetite,<br>• can accept high volatility and potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 5 or 6)), and<br>• seeks high returns (typically over a medium or long timeframe).<br>The consumer typically prefers growth assets (for example, shares and property). |
| Very high | For the relevant part of the consumer's portfolio, the consumer:<br>• has a very high risk appetite,<br>• can accept very high volatility and potential losses (e.g. has the ability to bear 6 to 7 negative returns over a 20 year period (SRM 6 or 7)), and<br>• seeks very high returns (typically over a medium or long timeframe).<br>The consumer typically prefers high growth assets (such as high conviction portfolios, hedge funds, and alternative investments). |

| Term | Definition |
|---|---|
| Extremely high | For the relevant part of the consumer's portfolio, the consumer:<br>• has an extremely high risk appetite,<br>• can accept extremely high volatility and potential losses (eg. has the ability to bear more than 7 negative returns over a 20 year period), and<br>• seeks to maximise returns (potentially in a short timeframe).<br>The consumer seeks extremely high risk, speculative or complex products which may have features such as significant use of derivatives, leverage or short positions or may be in emerging or niche asset classes (for example, crypto-assets or collectibles). |
| **Consumer's need to access capital** | |
| This consumer attribute addresses the likely period of time between the making of a request for redemption/withdrawal (or access to investment proceeds more generally) and the receipt of proceeds from this request under ordinary circumstances. Issuers should consider both the frequency for accepting the request and the length of time to accept, process and distribute the proceeds of such a request. 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 aligning the product to the consumer's need to access capital. Where a product is held on investment platforms, distributors also need to factor in the length of time platforms take to process requests for redemption for underlying investments. Where access to investment proceeds from the product is likely to occur through a secondary market, the liquidity of the market for the product and likely realisable value on market should be considered, including in times of market stress. | |
| **Distributor Reporting** | |
| Significant dealings | 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.<br>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.<br>Dealings outside this TMD may be significant because:<br>• they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or<br>• 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).<br>In each case, the distributor should have regard to:<br>• the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes),<br>• 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<br>• the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red and/or amber ratings attributed to the consumer).<br>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:<br>• it constitutes more than half of the distributor's total retail product distribution conduct in relation to the product over the quarter,<br>• the consumer's intended product use is *solution/standalone,*<br>• the consumer's intended product use is core component or higher and the consumer's risk/return profile is *low,* or<br>• the relevant product has a green rating for consumers seeking *extremely high* risk/return. |