

# Target Market Determination – Spatium Small Companies Fund

This Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (**The Act**). It sets out a class of consumers for whom the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs. The TMD additionally outlines distribution conditions and information related to review and monitoring as well as certain other information. It forms part of the Issuer’s design and distribution arrangements for the Spatium Small Companies Fund (**Product**).

This document is **not** a product disclosure statement and **not** a summary of the product features or terms of the product. This document provides general information only and does not take into account any person’s individual objectives, financial situation or needs. Persons interested should carefully read the Product Disclosure Statement (PDS) for the Product before making a decision whether to buy this Product.

Target Market Summary	This product is likely to be appropriate for wholesale clients (as defined in section 761G of the Corporations Act) seeking Capital Growth to be used as a Satellite/small allocation product within a portfolio where the consumer has a medium-long term investment timeframe, high to very high risk/return profile and needs at least monthly access to capital.
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<b>Fund</b>	Spatium Small Companies Fund	<b>Issuer</b>	Vasco Trustees Limited
<b>ARSN</b>	N/A	<b>Issuer ACN</b>	138 715 009
<b>Date TMD approved</b>	15/10/2021	<b>Issuer AFSL</b>	344486
<b>TMD Status</b>	<i>Current</i>	<b>TMD Version</b>	1.0

## 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
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### 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.

Definitions of terms are in the attachment or otherwise in the PDS.

### 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
<b>Consumer's investment objective</b>		
Capital Growth		The investment objective of the Fund is to generate capital gains by investing predominantly in listed Australian equity securities with an aim to exceed the return achieved by the S&P/ASX Small Ordinaries Index, over the long-term. The Investment Manager seeks to manage risk by investing in listed companies that are mispriced or undervalued relative to their peer set, benchmark, industry or macro environment and as a result, often face less deterioration in a declining market environment. Distributions may be paid annually. Distributions and returns are not guaranteed.
Capital Preservation		
Capital Guaranteed		
Income Distribution		

<b>Consumer's intended product use (% of investable assets)</b>		
Solution/standalone (75-100%)		The Fund is not highly diversified. It invests in a range of listed Australian equity securities that are mainly small companies, and is most suitable as a satellite/small allocation product in an investor's portfolio.
Core Component (25-75%)		
Satellite/small allocation (<25%)		
<b>Consumer's investment timeframe</b>		
Short ( $\leq 2$ years)		The recommended investment term is at least three (3) to five (5) years.
Medium ( $\leq 6$ years)		
Long ( $> 6$ years)		
<b>Consumer's Risk (ability to bear loss) and Return profile</b>		
Very high		<p>The Fund is in a high to very high risk band. It invests only in listed equity securities and is aiming to exceed the return achieved by the S&amp;P/ASX Small Ordinaries Index. There are associated risks including diversification risk and small company risks, notwithstanding the Fund:</p> <ul style="list-style-type: none"> <li>• does not (and can not) invest outside the ASX300;</li> <li>• maintains an average 25-40 positions within the portfolio at any given point in time;</li> <li>• invests in a sector and industry agnostic portfolio of listed companies;</li> <li>• where possible, maintains each investment within the portfolio on an equally weighted basis and;</li> <li>• actively promotes a capacity limit of \$160 million for the Fund to ensure the above criteria is not compromised and where controllable, that performance does not deteriorate.</li> </ul> <p>Other relevant risks are highlighted in the Fund PDS.</p>
High		
Medium		
Low		
<b>Consumer's need to withdraw money</b>		
Daily		Subject to available liquidity and the Trustee's discretion, Investors may be able to withdraw at least the minimum redemption amount of \$10,000 from the Fund by giving a Withdrawal Request to the Trustee with 14 days' notice prior to the end of each calendar month.
Weekly		
Monthly		
Quarterly		The minimum holding amount for the investment is \$100,000 and should an Investor's holding amount fall below this minimum, the Trustee may redeem all Units held by the investor.
Annually or longer		

## Eligibility Criteria

The Offer is generally only available to persons who, if they reside in Australia, are a wholesale client as defined in section 761G of the Corporations Act and, if they reside in Singapore, are an accredited investor or certain other person prescribed under section 305 of the Securities and Futures Act.

## 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 AND REVIEW

This product can only be offered and/or issued in accordance with the relevant product terms and conditions outlined in the Product Disclosure Statement (as amended from time to time).

Distribution Conditions/restrictions	
Condition	Rationale
There are no distribution conditions	Not applicable
Review triggers	
<ol style="list-style-type: none"><li>1) Any material change to key attributes, fund investment objective and/or fees which may reasonably suggest the TMD is no longer appropriate.</li><li>2) Any material deviation from benchmark / objective over sustained period.</li><li>3) The key attributes have not performed as disclosed by a material degree and for a material period.</li><li>4) Any significant increase in fund outflow or losses suffered by unit holders which reasonably suggests the product is not going to achieve its investment objective over a certain time.</li><li>5) The liquidity of the product has changed, reasonably suggesting that this TMD is no longer appropriate.</li><li>6) Determination by the Issuer of a Significant Dealing to be reported to ASIC which reasonably suggests that TMD is not longer appropriate.</li><li>7) The receipt of a Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) from consumers who have acquired this product, regarding the product design, features, availability and distribution condition that would reasonably suggest the TMD is no longer appropriate.</li><li>8) The receipt of a Product Intervention Power order from ASIC</li><li>9) The receipt of regulator orders or directions that affects the product.</li></ol>	
Mandatory review periods	
Review period	Maximum period for review
Initial Review	1 year

Subsequent review	3 years	
<b>Distributor reporting requirements</b>		
<b>Reporting requirement</b>	<b>Reporting period</b>	<b>Which distributors this requirement applies to</b>
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 the end of the calendar quarter.	All distributors

*This document provides general information only and does not take into account a person's individual objectives, financial situation or needs. Before making an investment decision a person should critically assess whether this product is appropriate and obtain financial advice tailored to the person having regard to personal objectives and circumstances. This document 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
<b>Consumer's investment objective</b>	
Capital Growth	The consumer seeks to invest in a product designed to generate capital return. The consumer prefers exposure to growth assets 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).
<b>Consumer's intended product use</b>	
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 portfolio diversification (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). Consumer typically prefers exposure to a product with at least Medium portfolio diversification (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 portfolio diversification (see definitions below)
Investable Assets	Those assets that the investor has available for investment, excluding the residential home.
<b>Portfolio diversification (for completing the key product attribute section of consumer's intended product use)</b>	
Low	Low Single asset class, single country, low or moderate holdings of securities - e.g. high conviction Aussie equities.
Medium	Medium 1-2 asset classes, single country, broad exposure within asset class, e.g. Aussie equities "All Ords".
High	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).
<b>Consumer's Risk (ability to bear loss) and Return profile</b>	
Short (≤ 2 years)	Short (≤ 2 years) The consumer has a short investment timeframe and may wish to redeem within two years.

Medium ( $\leq 6$ years)	Medium ( $\leq 6$ years) The consumer has a medium investment timeframe and is unlikely to redeem within six years.
Long ( $> 6$ years)	Long ( $> 6$ years) The consumer has a long investment timeframe and is likely to redeem within six years or greater
<b>Consumer's Risk (ability to bear loss) and Return profile</b>	
<p>Issuers should undertake a comprehensive risk assessment for each product. The FSC strongly recommends adoption of the Standard Risk Measure (<i>SRM</i>) to calculate the likely number of negative annual returns over a 20 year period, using the guidance and methodology outlined in the <i>Standard Risk Measure Guidance Paper For Trustees</i>. 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.</p> <p>A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.</p>	
Very high	<p>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).</p> <p>Consumer typically prefers growth assets such as shares, property and alternative assets.</p>
High	<p>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.</p> <p>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.</p>
Medium	<p>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.</p> <p>Consumer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.</p>
Low	<p>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.</p> <p>Consumer typically prefers defensive assets such as cash and fixed income.</p>
<b>Consumer's need to withdraw money</b>	
<p>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.</p>	

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.
<b>Distributor Reporting</b>	
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.</p> <p>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"> <li>• they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or</li> <li>• 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).</li> </ul> <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> <li>• the nature and risk profile of the product (which may be indicated by the product’s risk rating or withdrawal timeframes),</li> <li>• 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</li> <li>• 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).</li> </ul> <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"> <li>• it constitutes more than half of the distributor’s total retail product distribution conduct in relation to the product over the reporting period,</li> <li>• the consumer’s intended product use is <i>Solution / Standalone</i>, or</li> <li>• 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>.</li> </ul>