

Target Market Determination – Zank Income 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 Zank Income 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 consumers seeking Income Distribution to be used as a Satellite/small allocation within a portfolio where the consumer has a Medium-term investment timeframe, High risk/return profile and does not need access to their capital within at least one year from the date of their investment.
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Fund	Zank Income Fund	Issuer	Vasco Responsible Entity Services Limited
ARSN	ARSN 637 888 307	Issuer ABN	ACN 160 969 120
APIR Code	N/A	Issuer AFSL	AFSL 434533
Date TMD approved	28 February 2023	TMD Status	Current
TMD Version	3.0		

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
Consumer's investment objective		
Capital Growth	Not considered in target market	The Investment Manager's strategy is to make loans to borrowers for business and investment purposes with a medium risk profile, with a focus on capital preservation. The Fund aims to generate a Target Return of 7.5% per annum. Investors should note that this is a target only and is not a forecast or guaranteed return and actual returns may be lower than the target return. In some instances, the Fund may make loans secured by a second registered mortgage where the Investment Manager considers that the return is appropriate to the risk profile of the loan.
Capital Preservation	Potentially in target market	
Capital Guaranteed	Not considered in target market	

Income Distribution	In target market	While the unit price of the Fund is fixed at \$1.00, capital losses can occur in circumstances where an asset of the Fund incurs a capital loss. Therefore while an investment in the Fund could experience capital loss and is higher risk and more volatile than cash or fixed income securities, the Fund is expected to exhibit lower volatility than listed equities or listed REITs in a market downturn.
Consumer's intended product use (% of investable assets)		
Whole portfolio (up to 100%)	Not considered in target market	The Fund's portfolio of assets is diversified by size, by borrower and by borrower activity (development of commercial, retail, residential and specialised property), but the Fund may lend to a single borrower who exceeds 5.0% of the Fund's assets. Accordingly, the Fund's portfolio diversification is Low (see diversification definitions below). The Fund is therefore considered suitable as a Satellite/small allocation product. However, the Fund may also be suitable as a Minor allocation for investors who have a high conviction to the Fund's strategy and with a Very High Risk profile.
Major allocation (up to 75%)	Not considered in target market	
Core Component (up to 50%)	Not considered in target market	
Minor allocation (up to 25%)	Potentially in target market	
Satellite/small allocation (up to 10%)	In target market	
Consumer's investment timeframe		
Short (≤ 2 years)	Not considered in target market	There is a Minimum Term of 12 months before Investors can request a withdrawal from the Fund and loans are expected to be made for a term between 3 and 24 months, although loans may be made or extended beyond this. The suggested minimum timeframe for investing is a period longer than 2 years.
Medium (> 2 years and ≤ 6 years)	In target market	
Long (> 6 years)	In target market	
Consumer's Risk (ability to bear loss) and Return profile		
Very high	In target market	The Fund is in a high risk band. However, the Fund may also be suitable as a Satellite/small allocation for investors with a Medium risk profile who have a high conviction to the Fund's strategy. The Fund invests in a portfolio of loans with a medium/high risk profile. All loans will be secured by a registered first or second ranking mortgage (Real Property Mortgage). The Fund does not use any derivative products.
High	In target market	
Medium	Potentially in target market	

Low	Not considered in target market	<p>The returns from the Fund are not guaranteed and there are risks involved in the Fund, which may include the following:</p> <ul style="list-style-type: none"> • Defaults by borrowers may result in the delay/non-repayment of a loan and delays could occur between a loan going into default and the sale of the underlying security and may reduce the amount of distributions payable by the Fund. • The Fund's underlying investments may become 'illiquid' in some circumstances, resulting in delays, or at worst, funds may become frozen, and this may impact withdrawals from the Fund. • If a loan is impaired (i.e. not recovered in full) then the value of an investment may fall.
Consumer's need to withdraw money		
Daily	Not considered in target market	<p>There is a minimum investment term (Minimum Term) of 12 months from the date an Investor subscribes their funds before the Investor can request a withdrawal from the Fund. Once the Minimum Term is reached, an Investor may be able to withdraw from the Fund pursuant to Withdrawal Offers made by the Responsible Entity, which are expected to be made on a quarterly basis. Withdrawal offers are not guaranteed and may be suspended or scaled back.</p> <p>Investors seeking to have access to their capital before the expiry of the Minimum Term are not within the target market. Investors who may require access to capital more frequently than quarterly after the expiry of their Minimum Term are also not in the target market.</p>
Weekly	Not considered in target market	
Monthly	Not considered in target market	
Quarterly before the Minimum Term	Not considered in target market	
Quarterly or longer after the Minimum Term	In target market	
Annually or longer	In target market	

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).

The product can be distributed via the following methods:

Distribution Conditions/restrictions	
Condition	Rationale
Direct	<p>Direct investors who are wholesale or sophisticated investors can invest in this product.</p> <p>Retail investors are asked to complete a paper-based application form, including filtering questions designed to assist the Issuer to understand whether the investor is likely to be within the target market. The Issuer will review the information provided in response to the questions, assess those answers against the Fund's key attributes (set out above), and assess whether it is likely the investor is in the target market and an investment in the Fund would likely be consistent with the likely objectives, financial situation and needs of the investor. Where the Issuer concludes the investor is not likely to be within the target market, the Issuer may reject the application or seek further information from the investor.</p>
Adviser	<p>Investor is to confirm through a paper-based application if they are financially advised.</p> <p>Financial advisers to provide details of their AFS licence, including their adviser number from the Moneysmart website, and confirm that they have reviewed and considered the TMD in providing personal advice to the investor.</p>
Review triggers	
<ol style="list-style-type: none"> 1) Any material change to key attributes, fund investment objective and/or fees which may reasonably suggest the TMD is no longer appropriate. 2) Any material deviation from benchmark / objective over sustained period. 3) The key attributes have not performed as disclosed by a material degree and for a material period. 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. 5) The liquidity of the product has changed, reasonably suggesting that this TMD is no longer appropriate. 6) Determination by the Issuer of a Significant Dealing to be reported to ASIC which reasonably suggests that TMD is no longer appropriate. 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. 8) The receipt of a Product Intervention Power order from ASIC. 9) The receipt of regulatory orders or directions that affects the product. 	
Mandatory review periods	
Review period	Maximum period for review

Initial Review	1 Year from the date of this TMD.	
Subsequent review	At least once every year since the date of the last review of this TMD (for whatever reason).	
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

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
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 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	
Whole portfolio (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 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 medium to 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 low to medium portfolio diversification.
Satellite / small 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 low portfolio diversification.
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	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).
Consumer's Risk (ability to bear loss) and Return profile	
Short (≤ 2 years)	Short (≤ 2 years) The consumer has a short investment timeframe and may wish to redeem within two years.
Medium (> 2 years and ≤ 6 years)	Medium (> 2 years and ≤ 6 years) The consumer has a medium investment timeframe and is unlikely to redeem within two years but may wish to redeem within six years.
Long (> 6 years)	Long (> 6 years) The consumer has a long investment timeframe and is unlikely to redeem within six years.
Consumer's Risk (ability to bear loss) and Return profile	
<p>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 <u>Standard Risk Measure Guidance Paper For Trustees</u>. 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>

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.
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.</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"> • 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>Whole Portfolio</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>.