



**AUSTRALIAN  
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Private fund since 1925



## Australian Securities Income Fund Target Market Determination

# Australian Securities Income Fund

## Target Market Determination

### Legal Disclaimer

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 Australian Securities Limited'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 Australian Securities Income Fund before making a decision whether to buy this product.

Important terms used in this TMD are defined in the TMD Definitions which can be found in the [Appendix: Definitions](#) section. Capitalised terms have the meaning given to them in the product's PDS, unless otherwise defined. The PDS can be obtained on our website - [www.australiansecurities.com.au](http://www.australiansecurities.com.au)

## Target Market Summary

### Product Description

The Australian Securities Income Fund is a Managed Investment Scheme that allows investors to invest in Mortgage Securities via contributory sub-schemes which are packaged individually.

### Product Key Characteristics

- 1 to 5 years term;
- Up to 66.66% of the underlying property value;
- Monthly Interest Payments;
- First Mortgage Securities;
- Minimum investment \$50,000;
- Two-Tiered Risk Product.

### Suitability Statement

This product is likely to be appropriate for a consumer seeking regular income returns and capital preservation. This product may be used within any weighted allocation in the consumer's investment portfolio where the consumer has a medium and/or long term investment time frame, medium risk/return profile and not requiring to access the capital for a duration longer than a year.

## Fund and Issuer identifiers

|                          |  |
|--------------------------|--|
| <b>Issuer</b>            | Australian Securities Limited            |
| <b>Issuer ABN</b>        | 69 005 428 231                           |
| <b>Issuer AFSL</b>       | 260499                                   |
| <b>Fund</b>              | <b>Australian Securities Income Fund</b> |
| <b>ARSN</b>              | 605 224 600                              |
| <b>Date TMD approved</b> | 1 October 2021                           |
| <b>TMD Version</b>       | 1.0                                      |
| <b>TMD Status</b>        | Current                                  |

## Description of Target Market

This part is required under section 994B(5)(b) of the Act.

### 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:

### Instructions

In the tables on the next page, 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.

### TMD Indicator key

|                         |                                     |  |
|-------------------------|-------------------------------------|--|
| <b>In target market</b> | <b>Potentially in target market</b> | <b>Not considered in target market</b> |
|-------------------------|-------------------------------------|--|

### 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   | Yellow        | The Australian Securities Income Fund offers investors the ability to invest in mortgage securities to receive regular income payments as well as have their capital secured, but not guaranteed, against real property. The Fund only lends the monies invested, up to 66% of the property value.<br><br>The Fund does not pass-through increase in property values as capital growth. A consumer whose objective is to obtain capital growth and income distribution, can still be in the target market.  |
| Capital Preservation   | Green         |   |
| Capital Guaranteed   | Red           |   |
| Income Distribution  | Green         |   |
| <b>Consumer's intended product use (% of Investable Assets)</b>  |               |   |
| Solution/Standalone (75-100%)                                    | Yellow        | Consumers can invest in multiple sub-schemes therefore the consumer has the ability to reduce exposure by allocating investments to further sub-schemes.<br><br>Where consumers reach 100% of investable assets with one sub-scheme, consumer's risk and return profile must be considered as well as their need to withdraw money.   |
| Core Component (25-75%)  | Green         |   |
| Satellite/small allocation (<25%)                                | Green         |   |
| <b>Consumer's investment timeframe</b>                           |               |   |
| Short (≤ 2 years)  | Green         | The Fund allows access to investments between 1 year to 5 years. A sub-scheme may also extend for subsequent periods..  |
| Medium (> 2 years)   | Green         |   |
| Long (> 8 years)   | Yellow        |   |
| <b>Consumer's Risk (ability to bear loss) and Return profile</b> |               |   |
| Low  | Red           | The characteristics of the sub-schemes offered in the Australian Securities Income Fund adopt a risk rating of Medium. The investments are first mortgage securities, secured against real property and the term of the investments are between 1 year and 5 years.<br><br>The Australian Securities Income Fund provides a two-tiered structure:<br>- Tier 1 – invested funds are lent up to 60% of the property value. Investors in this tier receive ranking priority.<br>- Tier 2 – invested funds are lent up to 66.66% (6.66% of the Property Value is Tier 2 product) of the property value. Investors in this tier rank 2nd in priority.<br><br>Consumers that wish to invest in Tier 2, a 'Medium' risk/return profile will not be in the target market. |
| Medium   | Green         |   |
| High   | Green         |   |
| Very High  | Green         |   |
| <b>Consumer's need to withdraw money</b>                         |               |   |
| Daily  | Red           | The fund does not permit withdrawals of funds during the investment. The Sub-schemes offer 1 year to 5 years terms.   |
| Weekly   | Red           |   |
| Monthly  | Red           |   |
| Quarterly  | Red           |   |
| Annually or longer   | Green         |   |

## Appropriateness

Note: This section is required under RG 274.64–66.

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. A minimum investment identified in the PDS is required for investment in a mortgage sub-scheme.

## Distribution Channels

The Australian Securities Income Fund will be distributed via the methods below:

- Online – Website, Email and LabGroup;
- Direct contact;
- Licensed Financial Advisor.

The chosen distribution channels allow for the consumers to be in the target market as there is a ‘screening process’ which the

consumers must go through. When the product reaches the consumers by online or direct contact, the consumers must complete a questionnaire to ensure that their investment objectives are in line the Target Market Determination document. Consumers that apply to invest via Licensed Financial Advisor will have obtained financial advice to invest in the Australian Securities Income Fund, which ensures that consumers are suitable for the product regardless of whether they are within the Target Market.

## Distribution conditions/restrictions

This part is required under section 994B(5)(c) of the Act

| Distribution Condition   | Distribution Condition Rationale  |
|--|---|
| Consumers that wish to invest in tier 2 products must have a ‘High’ risk/return profile.   | Although part of the same product, Tier 2 classified investments carry a higher risk due to their second ranking nature and higher exposure to the value of the property.               |
| Consumers likely to reasonably foresee financial hardship if product underperforms or income payments halt due to defaults, should not invest. | Where a consumer may reasonably face financial hardship if the investment underperforms, ASL [the issuer] may not be able to immediately return funds to the consumer that is affected. |
| Questionnaire at consumer registration must be completed.  | A questionnaire developed by Australian Securities Limited in line with the TMD must be completed by the consumer in order to assess the suitability of the product for the consumer.   |
| The performance of the product is not guaranteed.  | ASL has an assurance fund used to ensure a regular income, in the event of late interest payments by the borrower.  |
| Consumers cannot sell interests in sub-scheme(s) during the period of investment, unless approved by ASL.                                      |   |

## Review triggers

This part is required under section 994B(5)(d) of the Act

| 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.  |
| Frequent withdrawal requests before the maturity of the capital invested.   |

## Mandatory review periods

This part is required under section 994B(5)(e) and (f) of the Act.

| Mandatory review periods |                           |
|--------------------------|---------------------------|
| Review period            | Maximum period for review |
| Initial review           | October 2022              |
| Subsequent review        | 1-year periods            |

## Distributor reporting requirements

This part is required under section 994B(5)(g) and (h) of the Act.

| 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.<br>See Definitions for further detail.   | As soon as the distributor becomes aware of the significant dealing. | All distributors                               |
| To the extent a distributor is aware, dealings outside the target market, including the 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                               |

## Appendix: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 (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).   |
| <b>Consumer's intended product use (% of Investable Assets)</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 investable assets (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 investable assets (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 investable assets (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 their residential home.  |
| <b>Portfolio diversification (for completing the key product attribute section of consumer's intended product use)</b> |   |
| 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).   |

## Appendix:Definitions cont.

| Term   | Definition  |
|--|---|
| <b>Consumer's intended investment timeframe</b>                  |   |
| Short ( $\leq 2$ 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.  |
| <b>Consumer's Risk (ability to bear loss) and Return profile</b> |   |
| 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.  |
| <b>Consumer's need to withdraw money</b>                         |   |
| Daily/Weekly/<br>Monthly/Quarterly/<br>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.  |



## Appendix:Definitions cont.

| Term                         | Definition  |
|------------------------------|---|
| <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 Solution / Standalone, or</li> <li>• the consumer’s intended product use is Core component and the consumer’s risk (ability to bear loss) and return profile is Low.</li> </ul> |



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