



Target Market Determination

Macquarie Separately Managed Account (SMA)

Issued by Macquarie Investment Services Limited (MISL)

ABN 73 071 745 401, AFSL 237495

Effective date: 1 July 2023

This Target Market Determination (**TMD**) describes the type of customer for which Macquarie's SMA product has been designed (**Target Market**), conditions on the distribution of Macquarie's SMA product (**Distribution Conditions**) the reporting requirements for distributors of Macquarie's SMA product (**Distributor Reporting Requirements**) and when we will review this TMD (**Review of this Target Market Determination**). Further information about this product can be found on the Macquarie website.

IMPORTANT! This TMD is not an offer document and is not intended to constitute advice. It has been prepared for the purposes of section 994B of the *Corporations Act 2001* (Cth) only and without taking into account any particular person's objectives, financial situation or needs. Please read the Macquarie SMA Product Disclosure Statement (**PDS**) available online at www.macquarie.com.au/managedaccounts.

Note this TMD does not apply to the distribution of this product to an investor who is a 'wholesale client' for the purposes of Chapter 7 of the *Corporations Act 2001*.

Target Market

The Macquarie SMA product is designed for clients who, at the point of acquiring the product:

- want access to one or more SMA Model Portfolios managed by a range of Investment Managers, containing listed securities and/or units in managed funds as well as cash, and with exposures to one or more asset classes such as Australian equities, international equities, property, fixed interest, alternative investments and cash,
- want access to investment management services and are comfortable with not selecting the particular securities that make up their selected SMA Model Portfolio(s),
- want an SMA investment structure which takes the form of a beneficial interest in the specific investments in the SMA Model Portfolio(s) selected,
- have one or more of the objectives or needs which are indicated by ticks in the table below,
- have at least \$5,000 to invest (the minimum investment amount required will depend on the SMA Model Portfolio(s) selected). Please refer to the Macquarie SMA PDS for details about the minimum investment for each SMA Model Portfolio); and
- do not have any of the objectives or needs which are indicated by crosses in the table below.

Client Objectives	Target Market Indicator	Product attributes
Investment objective		
Capital Growth	✓	The SMA offers a selection of SMA Model Portfolios provided by a range of investment managers (Investment Managers) covering a range of investment styles and investment objectives.
Capital Preservation	✓	
Income Distribution	✓	
Specialist (Sustainable/Ethical/ESG)	✓	
Diversification		
Very low	✓	The SMA offer a range of SMA Model Portfolios across single and multi-asset class investment styles, some of which are well diversified, some of which are more concentrated. The more diversified the SMA Model Portfolio, the less exposed an investor is to the performance of any single investment holding and/or asset class.
Low	✓	
Medium	✓	
High	✓	
Very high	✓	
Intended product use		
Solution/Standalone (up to 100% of investible assets)	✓	The SMA provides single and multi-asset class SMA Model Portfolios across different risk levels, providing diversification in style, investment manager and asset class.
Major Allocation (up to 75% of investible assets)	✓	
Core Component (up to 50% of investible assets)	✓	
Minor Allocation (up to 25% of investible assets)	✓	

Satellite Allocation (up to 10% of investible assets)	✓	
Minimum investment timeframe		
Short (Less than 2 years)	✗	The SMA offers a range of SMA Model Portfolios across different minimum investment timeframes. The SMA is generally not designed for investors with an investment timeframe of less than 2 years.
Medium (2 - 6 years)	✓	
Long (6+ years)	✓	
Ability to bear loss (or risk appetite)		
Very high	✓	The SMA offers a selection of SMA Model Portfolios across different risk levels and is generally designed for investors with a medium to very high tolerance to bearing loss, depending on the selected SMA Model Portfolio. The SMA is generally not designed for investors who have a low ability to bear loss.
High	✓	
Medium	✓	
Low	✗	
Need to access capital		
Daily	✗	The SMA offers a range of SMA Model Portfolios with differing levels of liquidity. Particular securities or investments within a SMA Model Portfolio may be difficult to purchase or sell, preventing the SMA Account from closing out a position or rebalancing within a timely period and at a fair price.
Within one week of request	✓	
Within one month of request	✓	
Within three months of request	✓	
Within one year of request	✓	
One year or longer	✓	

Additional Product Features

Fee Structure

Where stated in the Macquarie SMA PDS, a management fee applies to investments in the Macquarie SMA. The applicable Management fee depends on the SMA Model Portfolio(s) selected and is calculated based on the value invested in each SMA Model Portfolio. A transaction fee applies to each trade of listed securities within the Macquarie SMA. See the Macquarie SMA PDS for details on all of the fees and costs which apply.

Other Features

- **Individual tax record of investments** - SMA Model Portfolios allow the tax transparency of all the securities held, individual tax cost position and direct flow through of all income.
- **Visibility / transparency of portfolio holdings** - All investments and transactions within SMA Model Portfolios can be viewed securely online.
- **Ability to customise portfolio** - The SMA offers the ability to restrict certain securities or sectors from being included in an SMA Model Portfolio.
- **Ability to include in specie transfer of existing investments** - The SMA offers the ability, where permitted, to transfer securities (held in the same name) into and out of an SMA Model Portfolio without it resulting in a capital gains tax event.

Distribution Conditions

The Macquarie SMA is designed to be distributed through Australian Financial Services Licensees (AFSLs) and their representatives.

Distribution Conditions for all AFSLs other than MISL and Macquarie Investment Management Limited (MIML)

Distribution of the Macquarie SMA by all AFSLs (other than MISL and MIML) and their representatives is subject to the following conditions and restrictions:

- Only AFSLs or their representatives, who are licensed to provide personal advice on the product to retail clients may arrange for clients to apply for or acquire the product,
- Arranging for a client to apply for or acquire an interest in the product (whether it is an initial or subsequent investment) is permitted only where the AFSL or representative is implementing personal advice provided to the client to acquire that interest in the product,
- Arranging for a client to apply for or acquire an interest in the product is only permitted where the client holds an account with an eligible platform,
- Arranging for a client to apply for or acquire an interest in the product is only permitted where the client meets the product's eligibility criteria,
- General advice and any marketing or promotional materials or activities about the product must only be provided to, or made available through, channels associated with clients who typically receive, or are looking to receive, personal advice,
- The PDS for the product must only be made available through channels associated with clients who typically receive, or are likely to receive, personal advice; and
- Dealing in the product by an AFSL or its representatives is restricted to dealing which relates to the SMA Model Portfolio(s) that MISL has approved as being available for that particular AFSL and its representatives.

Distribution conditions for MISL and MIML

Distribution of the Macquarie SMA by MISL, MIML and their representatives is subject to the following conditions and restrictions:

- Except where a client is already invested in the Macquarie SMA, MISL will only issue the product to a person who has received personal advice to acquire the product; and
- Except where a client is already invested in the Macquarie SMA, MIML will only arrange for a client to acquire the product where the client has received personal advice to acquire the product.

Distributor Reporting Requirements

Distributors of these products must provide Macquarie with the following information in writing:

Complaints	
Reporting obligation	As soon as practicable but, in any case, within 10 business days after the end of each reporting period.
Reporting period	Every quarter, ending on: <ul style="list-style-type: none">• 31 March,• 30 June,• 30 September; and• 31 December.
Required detail	The full details of any complaints received relating to the Macquarie SMA.
Reporting method	For details see www.macquarie.com.au/ddo

Significant Dealings

Reporting obligation	As soon as practicable, but in any case, within 10 business days of becoming aware of the significant dealing.
Required detail	<ul style="list-style-type: none">• The date on which or the date range over which the dealing occurred,• A description of the dealing (including details of the impacted account(s)),• An explanation of why the dealing is considered significant,• An explanation of why the dealing is considered to be inconsistent with the TMD,• How the dealing was identified (e.g., through monitoring, complaints etc); and• Detail of what steps have been or will be taken in relation to the significant dealing.
Reporting method	For details see www.macquarie.com.au/ddo

Additional Information

Reporting obligation	As soon as practicable but, in any case, within 10 business days of receiving a request from Macquarie.
Required detail	Such additional complaint related information (such as further information relating to the nature of complaints) that Macquarie requests from time to time.
Reporting method	As specified in any request from Macquarie.

Review of this Target Market Determination

This TMD will be reviewed as follows:

Initial review	Within 12 months of the effective date.
Periodic review	Within 12 months from the completion of the last TMD review.
Review triggers	<p>This TMD will be reviewed should any of the following events occur:</p> <ul style="list-style-type: none">• A material, unexpected increase in complaints received about the products,• Implementation of a material product change that requires notification under section 1017B(1) of the <i>Corporations Act 2001</i>, except where a review of this TMD has already been completed in anticipation of that change,• Commencement of a change in law or other regulatory requirement materially affecting the product(s), except where a review of this TMD has already been completed in anticipation of that change,• The use of a regulatory order or direction (including the use by ASIC of its Product Intervention Powers) that expressly states or directly implies that this TMD is no longer appropriate; or• MISL reporting a significant dealing in the products to ASIC.

Definitions

Terms	Definition
Investment objective	
Capital Growth	For a client seeking to invest in an SMA Model Portfolio designed or expected to generate capital return over the investment timeframe. The client prefers exposure to growth assets (such as shares or property) or otherwise seeks an investment return above the current inflation rate.
Capital Preservation	For a client seeking to invest in an SMA Model Portfolio designed or expected to have low volatility and minimise capital loss. The client 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	For a client seeking to invest in an SMA Model Portfolio designed or expected to distribute regular and/or tax-effective income. The client prefers exposure to income-generating assets (this may include high dividend-yielding equities, fixed income securities and money market instruments).
Specialist (Sustainable/Ethical/ESG)	For a client seeking to invest in an SMA Model Portfolio designed or expected to generate returns with ethical, social and/or governance considerations as described in the Macquarie SMA PDS.
Diversification	
Very low	The SMA provides exposure to a single asset (for example, a commercial property) or a niche asset class (for example, minor commodities or collectibles).
Low	The SMA 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 SMA 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).
High	The SMA 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 SMA 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.
Intended product use	
Solution/Standalone (up to 100% of investible assets)	The SMA Model Portfolio may hold up to 100% of a client's total investible assets. The client is likely to seek a product with <i>very high</i> portfolio diversification.
Major Allocation (up to 75% of investible assets)	The SMA Model Portfolio may hold up to 75% of a client's total investible assets. The client is likely to seek a product with at least <i>high</i> portfolio diversification.

Core Component (up to 50% of investible assets)	The SMA Model Portfolio may hold up to 50% of a client's total investible assets. The client is likely to seek a product with at least <i>medium</i> portfolio diversification.
Minor Allocation (up to 25% of investible assets)	The SMA Model Portfolio may hold up to 25% of a client's total investible assets. The client is likely to seek a product with at least <i>low</i> portfolio diversification.
Satellite Allocation (up to 10% of investible assets)	The SMA Model Portfolio may hold up to 10% of a client's total investible assets. The client is likely to seek a product with at least <i>very low</i> portfolio diversification.
Investable Assets	Those assets that the client has available for investment, excluding the residential home.
Minimum investment timeframe	
The minimum suggested timeframe for a client holding a particular SMA Model Portfolio. Typically, this is the rolling period over which the investment objective of the SMA Model Portfolio is likely to be achieved. The SMA is generally not designed for investors with an investment timeframe of less than 2 years.	
Ability to bear loss (or risk appetite)	
<p>This TMD uses the Standard Risk Measure (SRM) to estimate the likely number of negative annual returns for the SMA over a 20 year period, using the guidance and methodology outlined in the <i>Standard Risk Measure Guidance Paper For Trustees</i>. However, 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 (including under conditions of market stress) or that a positive return could still be less than a client requires to meet their investment objectives/needs. The SRM methodology may be supplemented by other risk factors. For example, some SMA Model Portfolios may have liquidity or withdrawal limitations; may have underlying investments with valuation risks or risks of capital loss; 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 client's desired product return profile would generally take into account the impact of fees, costs and taxes.</p>	
Very high	<p>For the relevant part of the client's portfolio, the client:</p> <ul style="list-style-type: none"> • has a very high risk appetite, • 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 • seeks to maximise returns (typically over a medium or long timeframe). <p>The consumer typically prefers high growth assets (such as high conviction portfolios, hedge funds, and alternative investments).</p>
High	<p>For the relevant part of the client's portfolio, the client:</p> <ul style="list-style-type: none"> • has a high risk appetite, • 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 • seeks high returns (typically over a medium or long timeframe). <p>The consumer typically prefers growth assets (for example, shares and property).</p>
Medium	<p>For the relevant part of the client's portfolio, the client:</p> <ul style="list-style-type: none"> • has a moderate or medium risk appetite,

	<ul style="list-style-type: none"> • 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 • is comfortable with a moderate target return profile. <p>The consumer typically prefers defensive assets (for example, fixed income).</p>
Low	<p>For the relevant part of the client's portfolio, the client:</p> <ul style="list-style-type: none"> • has a conservative or low risk appetite, • 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 • is comfortable with a low target return profile. <p>The consumer typically prefers stable, defensive assets (such as cash).</p>
Need to access capital	
<p>This 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, considering the length of time an eligible platform takes to process requests for redemption for underlying investments as well as the liquidity of the market and likely realisable value on market.</p>	