

DNR CAPITAL AUSTRALIAN EQUITIES INCOME PORTFOLIO

Target Market Determination (TMD)

Target Market Summary

This product is likely to be appropriate for a consumer seeking capital growth and regular income to be used within an investment portfolio where the consumer has a medium or long investment timeframe, high or very high risk/return profile and needs daily access to capital.

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 Red/Amber Green (RAG) colour coding:

In target market	Potentially in target market	Not considered in target market
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Appropriateness

DNR Capital 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 below, as the features of this product shown in the table above are likely to be suitable for consumers with the attributes identified with a green TMD Indicator.

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).

Definitions of terms are in the attachment.

TMD Characteristic				RAG
1: Investment Objective	1.1: Investment Objective Description	<p>The consumer seeks to invest in a concentrated portfolio of Australian equities with a focus on generating dividend income. The Portfolio is designed for consumers who seek to generate a capital return in addition to receiving income on a regular quarterly calendar year basis and who can make use of franking credits under Australian income tax law.</p> <p>A consumer who does not have the ability to bear loss of capital or who seeks a capital guarantee, should not invest in the Portfolio. A consumer who seeks income more regularly than on a quarterly calendar year basis should not invest all investable assets in the Portfolio.</p>		
	1.2: Capital Growth	Do the product investment objectives align with those of an investor seeking Capital Growth	In Target Market	Green
	1.3: Capital Preservation	Do the product investment objectives align with those of an investor seeking Capital Preservation	Not considered in Target Market	Red
	1.4: Capital Guaranteed	Do the product investment objectives align with those of an investor seeking Capital Guaranteed	Not considered in Target Market	Red
	1.5: Regular Income	Do the product investment objectives align with those of an investor seeking Regular Income?	In Target Market	Green
2: Product Use	2.1: Product Use Description	<p>Single asset class, single country, low holdings of securities.</p> <p>The consumer seeks to invest in a concentrated portfolio of approximately 15- 30 Australian equities with a focus on generating dividend income.</p> <p>A consumer who is seeking a diversified portfolio including assets other than Australian equities should not invest all investable assets in the Portfolio.</p>		

	2.2: Solution / Standalone (75% - 100%)	Is the product intended to be used as a Solution / Standalone product	Potentially in Target Market	Amber
	2.3: Core Component (25% - 75%)	Is the product intended to be used as a core component product	In Target Market	Green
	2.4: Satellite (0% - 25%)	Is the product intended to be used as a satellite product	In Target Market	Green
3: Investment Timeframe	3.1: Investment Timeframe Description	The minimum investment time horizon is 5 years. A consumer who seeks to invest for less than 2 years and has no ability to bear loss of the invested capital at the time of initial investment should not invest in the Portfolio.		
	3.2: Short (< 2 years)	Is it appropriate for investors to hold the product for 0-2 years before selling	Not considered in Target Market	Red
	3.3: Medium (2 – 8 years)	Is it appropriate for investors to hold the product for 2-8 years before selling	In Target Market	Green
	3.4: Long (> 8 years)	Is it appropriate for investors to hold the product for more than 8 years before selling	In Target Market	Green
4: Risk and return	4.1: Risk and Return description	The investor is prepared to accept higher volatility in pursuit of higher growth. A consumer who does not have the ability to bear loss of capital, or who seeks a capital guarantee should not invest in the Portfolio.		
	4.2: Very high risk & return	Does the product have very high risk and return attributes	In Target Market	Green

	4.3: High risk & return	Does the product have high risk and return attributes	In Target Market	Green
	4.4: Medium risk & return	Does the product have medium risk and return attributes	Not considered in Target Market	Red
	4.5: Low risk & return	Does the product have low risk and return attributes	Not considered in Target Market	Red
5: Customer's need to withdraw money	5.1: Customer's withdrawal needs description.	The consumer seeks to invest in a product which permits redemption requests daily in ordinary circumstances and redemption proceeds are normally available within 5 business days.		
	5.2: Daily	Product suitable for investors that redeem interests daily	In Target Market	Green
	5.3: Weekly	Product suitable for investors that redeem interests weekly	In Target Market	Green
	5.4: Monthly	Product suitable for investors that redeem interests monthly	In Target Market	Green
	5.5: Quarterly	Product suitable for investors that redeem interests quarterly	In Target Market	Green
	5.6: Annually or longer	Product suitable for investors that redeem interests annually or longer	In Target Market	Green
Other elements				
	Available Direct?	No.		

Distribution conditions	Available through all distributors?	No.	
	Restricted to select distributors?	Yes.	
	Available to customers who have not received personal advice?	No.	
	Advised distribution conditions	In accordance with MDA legislation and best interests duty	
Review triggers			
	Review triggers	<p>Material change to key attributes, 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 about the product or distribution of the product. The use of Product Intervention Powers, regulator orders or directions that affects the product.</p>	
Distributor reporting requirements			
<p>If practicable, distributors should adopt the FSC data standards for reports to DNR Capital. Distributors must report to DNR Capital Pty Ltd by email to DDO@dnrcapital.com.au</p>			
	How and when to send reports	Report on each acquisition that is outside of target market, 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

	Use complaints reporting standard?	Report on each 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
	Significant dealing	Report on each significant dealing as per statutory obligations s994F(6).	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing

This Target Market Determination (TMD) has been prepared by DNR Capital Pty Ltd, AFS Representative - 294844 of DNR AFSL Pty Ltd ABN 39 118 946 400, AFSL 301658. It is required under section 994B of the *Corporations Act 2001 (Cth)*. 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 DNR Capital'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. It is general information only and is not intended to be a recommendation to invest in any product or financial service mentioned above. The information in this document has been prepared for general purposes and does not take into account the investment objectives, financial situation or needs of any particular person nor does the information constitute investment advice. Before making any financial investment decisions you should obtain legal and taxation advice appropriate to your particular needs. Investment in a DNR Capital product can only be made on completion of all the required documentation. DNR Capital does not guarantee the repayment of capital from the portfolio or the investment performance of the portfolio.

Portfolio and Issuer Identifiers			
Issuer	DNR Capital Pty Ltd	Portfolio	DNR Capital Australian Equities Income Portfolio
Issuer ABN	72 099 071 637	Issuer AFSL	Authorised Representative (AR No. 294844) of DNR AFSL Pty Ltd (AFSL 301658)
Date TMD approved	26/10/2021		
TMD Version	Version 1.1	TMD Status	Current

Review Period	Initial review	Maximum Period for Review	1 year and 3 months
	Subsequent review		3 years

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.
Capital Guaranteed	The consumer seeks a guarantee or protection against capital loss whilst still seeking the potential for capital growth.
Regular Income	The consumer seeks to invest in a product designed to generate regular investor income. The consumer prefers income-generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments).
Consumer's intended product use	
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).
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).
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).
Investable Assets	Those assets that the investor has available for investment, excluding the family home.
Portfolio diversification (for completing the key product attribute section of consumer's intended product use)	
Very low	Single asset class, single country, low holdings of securities - e.g. high conviction Aussie Equities.
Low	Single Asset Class, Single Country, Moderate number of holdings, e.g. Aussie Equities Fund.
Medium	1-2 Asset Classes, Single Country, Broad exposure within asset class, e.g. Aussie Equities All Ords.
Medium High	Greater diversification across either asset classes or countries, e.g. global equities or Australian multi-asset.
High	Highly diversified across either asset classes, countries or investment managers, e.g. Australian multi-manager balanced fund or Global Equities extending beyond benchmark.
Very high	Diversified across asset classes AND across countries e.g. global multi-asset product.

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>	
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	
<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	<p>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.</p>