

## DNR CAPITAL MANAGED DISCRETIONARY ACCOUNT (MDA) SERVICE

### Target Market Determination (TMD)

#### *Target Market Summary*

This service is likely to be appropriate for an externally advised consumer seeking capital growth to be used as a core or satellite component within a 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 |
|------------------|------------------------------|---------------------------------|

#### *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 | The MDA Services are designed for Australian resident retail investors that are externally advised, who will rely on DNR Capital <sup>1</sup> 's skills and competence to manage their portfolio. Investors will be seeking exposure to Australian equities, generally apart of a diversified investment strategy for medium to long investment term |                                 |       |
|                         | 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   |

<sup>1</sup> NB MDA Provider is DNR AFSL Pty Ltd. The trading name is DNR Capital  
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|                                |  |  |                                 |       |
|--------------------------------|--|--|---------------------------------|-------|
|                                | <b>1.5: Regular Income</b>                     | Do the product investment objectives align with those of an investor seeking Regular Income?   | Potentially in Target Market    | Amber |
| <b>2: Product Use</b>          | <b>2.1: Product Use Description</b>            | Single asset class, single country, low holdings of securities within each portfolio. A consumer who is seeking a diversified portfolio including assets other than Australian equities should not invest all investable assets in a DNR Capital portfolio.      |                                 |       |
|                                | <b>2.2: Solution / Standalone (75% - 100%)</b> | Is the product intended to be used as a Solution / Standalone product  | Potentially in Target Market    | Amber |
|                                | <b>2.3: Core Component (25% - 75%)</b>         | Is the product intended to be used as a core component product   | Potentially in Target Market    | Green |
|                                | <b>2.4: Satellite (0% - 25%)</b>               | Is the product intended to be used as a satellite product  | In Target Market                | Green |
| <b>3: Investment Timeframe</b> | <b>3.1: Investment Timeframe Description</b>   | The minimum investment time horizon for DNR Capital portfolios 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 initial time of investment should not invest in these portfolios. |                                 |       |
|                                | <b>3.2: Short (&lt; 2 years)</b>               | Is it appropriate for investors to hold the product for 0-2 years before selling   | Not considered in Target Market | Red   |
|                                | <b>3.3: Medium (2 – 8 years)</b>               | Is it appropriate for investors to hold the product for 2-8 years before selling   | In Target Market                | Green |
|                                | <b>3.4: Long (&gt; 8 years)</b>                | Is it appropriate for investors to hold the product for more than 8 years before selling   | In Target Market                | Green |

|   |   |   |                                 |       |
|---|---|---|---------------------------------|-------|
| <b>4: Risk and return</b>                   | <b>4.1: Risk and Return description</b>             | The investor is prepared to accept higher volatility in pursuit of higher growth.<br>A consumer who does not have the ability to bear loss of capital or seeks a capital guarantee, should not invest in a DNR Capital portfolio. |                                 |       |
|   | <b>4.2: Very high risk &amp; return</b>             | Does the product have very high risk and return attributes  | In Target Market                | Green |
|   | <b>4.3: High risk &amp; return</b>                  | Does the product have high risk and return attributes   | In Target Market                | Green |
|   | <b>4.4: Medium risk &amp; return</b>                | Does the product have medium risk and return attributes   | Not considered in Target Market | Red   |
|   | <b>4.5: Low risk &amp; return</b>                   | Does the product have low risk and return attributes  | Not considered in Target Market | Red   |
| <b>5: Customer's need to withdraw money</b> | <b>5.1: Customer's withdrawal needs description</b> | The consumer seeks to invest in a portfolio which permits redemption requests daily in ordinary circumstances and redemption proceeds are normally available within 5 business days.  |                                 |       |
|   | <b>5.2: Daily</b>                                   | Product suitable for investors that redeem interests daily  | In Target Market                | Green |
|   | <b>5.3: Weekly</b>                                  | Product suitable for investors that redeem interests weekly   | In Target Market                | Green |
|   | <b>5.4: Monthly</b>                                 | Product suitable for investors that redeem interests monthly  | In Target Market                | Green |
|   | <b>5.5: Quarterly</b>                               | Product suitable for investors that redeem interests quarterly  | In Target Market                | Green |
|   | <b>5.6: Annually or longer</b>                      | Product suitable for investors that redeem interests annually or longer   | In Target Market                | Green |

| Consumer's other requirements  |  |   |
|--|--|---|
| <b>Individual tax management of investment</b>                       | <p>DNR Capital at all times maintains as full an understanding as may reasonably be expected of an investment manager in respect of Australian tax law in so far as those tax laws affect the investment and returns on investment of a portfolio.</p> <p>DNR Capital will be entirely responsible for the management of the portfolio for tax purposes and will not take into account a consumer's specific tax position when making its decisions, unless the consumer has provided specific instructions.</p> |   |
| <b>Visibility/ Transparency of portfolio holdings</b>                | <p>Reports (including portfolio holdings and valuations) are available via the DNR Capital client portal.</p>  |   |
| <b>Ability to customise portfolio or accommodate other holdings</b>  | <p>Under the MDA Services agreement, DNR Capital has complete discretion to manage an externally advised client's portfolio in accordance with the Investment Program that communicates the investment strategy and which is subject to annual review by the adviser. Client directed holdings are permitted.</p>  |   |
| <b>Ability to include in specie transfer of existing investments</b> | <p>In specie transfers are permitted.</p>  |   |
| Other elements   |  |   |
| <b>Distribution conditions</b>                                       | <b>Available Direct?</b>   | No. This portfolio is available via dealer groups/ personal advice houses only  |
|  | <b>Available through all distributors?</b>   | No. This portfolio is available via dealer groups/ personal advice houses only  |
|  | <b>Restricted to select distributors?</b>  | Yes. This portfolio is available via dealer groups/ personal advice houses only |

|  |  |   |   |
|--|--|---|---|
|  | <b>Available to customers who have not received personal advice?</b> | No. This portfolio is available via dealer groups/ personal advice houses only  |   |
|  | <b>Advised distribution conditions</b>                               | In accordance with MDA legislation and best interests duty  |   |
| <b>Review triggers</b>   |  |   |   |
|  | <b>Review triggers</b>   | <p>Material change to key attributes, investment objective and/or fees.<br/> Material deviation from benchmark / objective over sustained period.<br/> Key attributes have not performed as disclosed by a material degree and for a material period.<br/> Determination by the issuer of an ASIC reportable Significant Dealing.<br/> Material or unexpectedly high number of complaints about the product or distribution of the product.<br/> The use of Product Intervention Powers, regulator orders or directions that affects the product.</p> |   |
| <b>Distributor reporting requirements</b>  |  |   |   |
| If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to DNR Capital Pty Ltd by email to <a href="mailto:DDO@dnrcapital.com.au">DDO@dnrcapital.com.au</a> |  |   |   |
|  | <b>How and when to send reports</b>                                  | 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 |
|  | <b>Use complaints reporting standard?</b>                            | Report on each complaint (as defined in section 994A(1) of the Act) relating to the product design, product availability and  | Within 10 business days following end of calendar quarter |

|  |                            |  |  |
|--|----------------------------|--|--|
|  |                            | distribution. The distributor should provide all the content of the complaint, having regard to privacy. Report to DNR Capital using FSC data standard for DDO complaints. |  |
|  | <b>Significant dealing</b> | 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 |                  |                    |   |
|----------------------------------|------------------|--------------------|---|
| <b>Issuer</b>                    | DNR AFSL Pty Ltd | <b>Product</b>     | DNR Capital Managed Discretionary Account (MDA) Service |
| <b>Issuer ABN</b>                | 39 118 946 400   | <b>Issuer AFSL</b> | AFSL 301658   |
| <b>Date TMD approved</b>         | 26/10/2021       |                    |   |
| <b>TMD Version</b>               | Version 1.1      | <b>TMD Status</b>  | Current   |

|                      |                   |                                  |                      |
|----------------------|-------------------|----------------------------------|----------------------|
| <b>Review Period</b> | Initial review    | <b>Maximum Period for Review</b> | 1 year and 3 months  |
|                      | Subsequent review |                                  | 3 years and 3 months |

## 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.  |
| 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). |
| <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).   |
| 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.   |
| <b>Portfolio diversification (for completing the key product attribute section of consumer's intended product use)</b> |   |
| 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.   |

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|--|---|
| 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.  |
| <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 (<b>SRM</b>) to calculate the likely number of negative annual returns over a 20 year period, using the guidance and methodology outlined in the <b><u>Standard Risk Measure Guidance Paper For Trustees</u></b>. 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>  |
| <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</p>  |   |

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/<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. |
|---|--|