



RHODES ASSET
MANAGEMENT

RHODES FINANCIAL GROUP

Target Market Determination

Premium Income Class in the Rhodes Credit Fund

Company:	Rhodes Asset Management Ltd
ACN:	165 917 813
AFSL:	464772
Date Updated:	28 September 2021



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 Rhodes Asset Management Ltd'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 the Rhodes Premium Income Fund (**Fund**), which is constituted by the Premium Income Class of Units in the Rhodes Credit Fund, before making a decision whether to buy this product.

Target Market Summary

This product is likely to be appropriate for a consumer seeking regular income to be used as a core component within a portfolio where the consumer has a *short/medium term investment timeframe, medium risk/return profile* (Balanced/Growth) and *does not require access to capital in the short term*.

Fund and Issuer Information

Issuer	Rhodes Asset Management Ltd (Rhodes)
Issuer ABN	99 165 917 813
Issuer AFSL	464 772
Fund	Rhodes Credit Fund
ARSN	606 834 011
Class of Units	Premium Income Class
Date TMD approved	29 September 2021
TMD Version	1
TMD Status	Current



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.

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 incl. Key Attributes
Consumer's investment objective		
Capital Growth		The Fund is an unlisted mortgage fund which provides investors with exposure to a range of secured loans. The Fund's management aims to moderate investor risk via diversification and by exercising professional judgement in relation to the loans advanced. However, the Fund is not suitable for investors who cannot tolerate any loss of capital as there is always some risk of borrower default and non-recoverability of loans. Rhodes expects to pay distributions monthly however, this may depend on a number of factors, including future earnings, capital requirements, and financial conditions.
Capital Preservation		
Capital Guaranteed		
Income Distribution		
Consumer's intended product use (% of Investible Assets)		
Solution/Standalone (75-100%)		The Fund is appropriate for an investor who wishes to receive regular income. The Fund constitutes a low diversification product and therefore it should in
Core Component (25-75%)		



Satellite/Small Allocation (<25%)		most cases receive a small allocation in an investor's portfolio.
Consumer's investment timeframe		
Short (less than 2 years)		The recommended investment horizon is a minimum of 12 months to 3 years.
Medium (more than 2 years)		
Long (more than 8 years)		
Consumer's risk (ability to bear loss) and return profile		
Low		The product is designed for consumers with a medium level of tolerance for risk. Consumers with a low tolerance for risk may consider the product if the product represents a low proportion of the respective consumers' investment portfolio.
Medium		
High		
Very High		
Consumer's need to withdraw money		
Daily		With respect of the nature of the Fund's investment, the product is designed for consumers who do not have short term liquidity requirements.
Weekly		
Monthly		The product has a minimum investment term of 12 months. Withdrawal offers may be made thereafter quarterly on a pro rata basis providing sufficient liquidity is available.
Quarterly		
Annually or longer		

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 conditions / restrictions

Distribution Condition	Distribution Condition Rationale
<p>The product is considered suitable for:</p> <ul style="list-style-type: none"> Consumers who have received personal financial advice. Consumers who have not received personal financial advice. 	<p>Where a consumer is a client of a distributor and has received personal financial advice the distributor may rely on the excluded conduct provisions set out at section 994E(3) of the Corporations Act 2001.</p> <p>Where a consumer is a client of a distributor and has not received personal financial advice from them, the distributor must ensure the client has been reviewed by the distributor and deemed to be within the TMD.</p> <p>Where a consumer is making an application for the product directly with the issuer, as part of the investment application process, and in addition to confirming that the PDS has been read, that the consumer has acknowledged the product's attributes set out in the target market determination and that a record of the acknowledgement is retained.</p>

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

Mandatory review period	
Review period	Maximum period for review
Initial review	1 year and 3 months
Subsequent review	1 year and 3 months

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	Within 10 business days following end of calendar quarter.	All distributors



provide all the content of the complaint, having regard to privacy.		
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

If practicable, distributors should adopt the FSC data standards for reports to the Issuer. Distributors must report to Rhodes Asset Management Ltd by emailing admin@rhodesam.com.au.

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.
Income Distribution	The consumer seeks to invest in a product designed to generate regular 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 investable assets (see definition 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).
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 20% of the total investable assets (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, Highly concentrated portfolio e.g. property development fund.
Low	Single Asset Class, Single Country, Moderately concentrated portfolio e.g. multiple property holdings fund.
Medium	1-2 Asset Classes, Single Country, Broad exposure within asset class(es) e.g. mix of real property and interest-bearing financial assets (real property backed).
Medium High	Greater diversification across either asset classes or countries, e.g. global or Australian multi-asset REITs.
High	Highly diversified across either asset classes, countries or investment managers e.g. global or Australian multi-manager balanced fund.
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	
Very High	The consumer has a more aggressive or very high risk appetite, seeks to maximise returns and can accept higher potential losses. Consumer typically prefers growth assets such as shares, property and alternative assets.
High	The consumer is higher risk in nature and can accept higher potential losses 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.
Medium	The consumer is moderate or medium risk in nature, seeking to minimise potential losses 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.
Low	The consumer is conservative or low risk in nature, seeks to minimise potential losses and is comfortable with a low target return profile. Consumer typically prefers defensive assets such as cash and fixed income.
Consumer's need to withdraw money	
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 timeframe),- 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>Solution / Standalone</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>.
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