

Target Market Determination

Trilogy Enhanced Income Fund

10 April 2024

Issuer: Trilogy Funds Management Limited
ABN 59 080 383 679
AFSL 261425



Introduction

This Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). This TMD describes the class of consumers that comprises the target market for the financial product and matters relevant to the product's distribution and review (specifically, distribution conditions, review triggers and periods, and reporting requirements). Distributors must take reasonable steps that will, or are reasonably likely to, result in distribution of the product being consistent with the most recent TMD (unless the distribution is excluded conduct).

This document is **not** a product disclosure statement (**PDS**) and is **not** a complete 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 PDS for the product before making a decision whether to buy this product.

Important terms used in this TMD are defined in the TMD Definitions which supplement this document. Capitalised terms have the meaning given to them in the product's PDS, unless otherwise defined. The PDS can be obtained at <https://www.trilogyfunds.com.au/investing/trilogy-enhanced-income-fund/>.

Target Market Summary

This product is intended for use up to a Core Component within a portfolio for a consumer who is seeking Capital Preservation and Income Distribution and has a Medium risk and return profile for that portion of their investment portfolio. It is likely to be consistent with the financial situation and needs of a consumer with a minimum investment timeframe of 30 days and who needs access to their capital on no more than 30 days' notice, under ordinary circumstances.

Fund and Issuer identifiers

Issuer	Trilogy Funds Management Limited
Issuer ABN	59 080 383 679
Issuer AFSL	261425
Fund name	Trilogy Enhanced Income Fund
ARSN	614 682 469
APIR Code	TGY9789AU
TMD issue date	10 April 2024
TMD Version	2.0
Distribution status of fund	Available

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

See Issuer instructions

Not in target market

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.

Investment products and diversification

A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio (for example, with an intended product use of *minor allocation*). 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 balanced or moderate diversified portfolio with a minor allocation to growth assets. In this case, a product with a *High risk*/return profile may be consistent with the consumer's objectives for that *minor allocation* notwithstanding that the risk/return profile of the consumer as a whole is *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
Consumer's investment objective		
Capital Growth	Not in target market	Investors seeking exposure to income-generating assets which aim to preserve capital and to provide monthly income distributions.
Capital Guaranteed	Not in target market	The Fund is designed to provide investors with monthly income distributions by investing directly and indirectly in a portfolio of cash, cash-style investments and other financial assets such as a range of short to medium bank term deposits, bills of exchange, promissory notes, bonds, fixed or floating rate debt securities as well as income securities and to enhance returns via exposure to the pooled mortgage portfolio of the Trilogy Monthly Income Trust.
Capital Preservation	In target market	The Fund is not capital guaranteed. While the unit price of the Fund is fixed at \$1.00, capital losses can occur in circumstances where an asset of the Fund incurs a capital loss. Therefore, the Fund is suitable for investors seeking to preserve their capital but who accept that there is a low risk they may lose some or all of their money. The Fund is not suitable for investors who cannot accept any loss of their capital.
Income Distribution	In target market	
Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (up to 100%)	Not in target market	Investors intending to hold an investment in the Fund as up to a Core component of their total Investable Assets.
Major allocation (up to 75%)	Not in target market	The Fund offers exposure to a portfolio of cash, cash-style investments and other financial assets, including investment in the Trilogy Monthly Income Trust which holds a direct portfolio of registered first mortgages over Australian property. Accordingly, the Fund's portfolio diversification is Medium (see diversification definitions below).
Core component (up to 50%)	In target market	
Minor allocation (up to 25%)	In target market	
Satellite allocation (up to 10%)	In target market	Investors should use the Fund as up to a Core component to spread the risks of investing in the Fund across a broad portfolio of investments.

Consumer Attributes	TMD indicator	Product description including key attributes
---------------------	---------------	--

Consumer's investment timeframe		
Minimum investment timeframe	30 days	The minimum suggested timeframe for holding an investment in the Fund is 30 days. Under ordinary circumstances it is expected investors will be able to access their capital on 30 days' notice (see below).

Consumer's Risk (ability to bear loss) and Return profile		
---	--	--

Low	Not in target market	Investors with a Medium risk and return profile who are comfortable with a moderate target return profile. The target benchmark for the Fund is the Official Cash Rate plus 1.50% p.a. assuming reinvestment of distributions but before fees and expenses and taxes, over a rolling 12 month period.
Medium	In target market	Investors with a High, Very High or Extremely High risk and return profile should consider whether the moderate target benchmark for the Fund is an acceptable level of return for the investor. Where such investors are seeking a higher return, then they will not be in the target market for the Fund.
High	See Issuer's instructions	Returns from the Fund are not guaranteed and there are risks involved in the Fund, which may include the following:
Very high	See Issuer's instructions	<ul style="list-style-type: none"> The value of an individual investment made by the Fund directly may change or become more volatile, potentially causing a reduction in the value of the Fund and increasing its volatility. At any time approximately 35% of the Fund's portfolio will be invested in the Trilogy Monthly Income Trust which invests primarily in mortgages and therefore the Fund could suffer a loss because of the Trilogy Monthly Income Trust operations. Defaults by borrowers in the Trilogy Monthly Income Trust may result in the delay/non-repayment of a loan and delays could occur between a loan going into default and the sale of the underlying security, and may reduce the amount of distributions payable to the Fund.
Extremely high	See Issuer's instructions	It is expected the Fund may experience an estimated 3 to less than 5 negative returns over a 20 year period (SRM 3 to 5).

Consumer's need to access capital		
-----------------------------------	--	--

Weekly	Not in target market	Investors seeking monthly liquidity under ordinary circumstances. The Fund is not an 'at call' cash account and should not be treated as such. 30 days' notice is generally required for processing withdrawals. However, withdrawals may be processed earlier than the end of the 30 days' notice period at the discretion of the Issuer, and if the liquidity position of the Fund allows this to occur.
Monthly	In target market	
Quarterly	In target market	In unusual circumstances, withdrawal processing may take longer than the 30 days and up to six months as per the Constitution.
Annually or longer	In target market	There is no established external secondary market for the sale of units in the Fund. However, investors may arrange for their own private sale of units with the approval of the Issuer. There is no right for investors to require their units to be purchased either by the Issuer or by any other person, or to have their units redeemed.

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 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.

Requirements 994B(8)	Explanation
<i>Target market and Product</i> RG 274.68(c)	<p>The Issuer considers that the Fund, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of investors in the target market on the basis of:</p> <ul style="list-style-type: none">• the relationship between the key attributes of the Fund and the target market as set out in this TMD• the terms of issue of units in the Fund• the investment mandate of the Fund• the investment capability of the manager of the Fund• the Issuer's assessment of the risks and benefits of the Fund• the Issuer's assessment of the likely investor outcomes of the Fund based on:<ul style="list-style-type: none">◦ the Fund's historical performance and financial modelling of the Fund's target performance based on the sets in the Portfolio◦ analysis of performance data in respect of the Issuer's products that are comparable to the Fund, and◦ results of stress testing and scenario analysis of the liquidity risk, market and investment risk, operational risk, strategic risk, governance risk of the Fund and comparable funds operated by the Issuer.
<i>Target market and distribution conditions and restrictions</i> RG 274.100	<p>The Issuer considers that the distribution conditions will make it more likely that the investors who acquire the Fund are in the target market on the basis of:</p> <ul style="list-style-type: none">• the Fund's advertisements and website content is directed towards consumers in the Fund's target market• the online and paper application forms for the Fund include specific questions and alerts relating to this TMD and relevant to the distribution conditions• where applicable, the restrictions imposed by, and level of supervision required under, the terms of any distribution agreements entered into by the Issuer and the distributors of the Fund• the distributors' past performance in relation to the distribution of financial products, about which the Issuer is aware, and• any other relevant information about a distributor, about which the Issuer is aware.

Distribution conditions/restrictions

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

Distribution Channel

Direct	<ul style="list-style-type: none">• Direct investors who are wholesale or sophisticated investors can invest in this product.• Retail investors are asked to complete an online or paper application form, including filtering questions relating to the TMD. The filtering questions have been designed to assist the Issuer to assess whether it is likely the investor is in the target market for the Fund. The Issuer will review the information provided in response to the filtering questions, assess those answers against the Fund's key attributes (set out above). Where the Issuer concludes the investor is not likely to be within the target market, the Issuer may reject the application or seek further information from the investor. The Issuer also uses these answers to analyse the extent of any distribution outside of the Fund's identified target market.
Platform/Wrap – General	<ul style="list-style-type: none">• Additional steps are not required for advised clients who receive personal advice beyond consideration of the issuer's TMD by the adviser.• Unadvised clients and clients who only receive general advice may not be able to access the Fund unless the platform provider has a process where the client is asked basic filtering questions relating to the TMD.
Adviser	<ul style="list-style-type: none">• Investor to confirm in the online or paper application form that they have received personal financial advised.• Financial advisers to provide details in the online or paper application form of their AFS licence, including their adviser number from the Moneysmart website, and confirm they have reviewed and considered the TMD in providing personal advice to the investor.

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 change to the frequency of returns paid by the Fund.

25% increase over average number of withdrawals, measured across a financial year.

Change to the Application Price or Withdrawal Price for Units from \$1.00 per Unit.

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 periods

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

Review period	Maximum period for review
Initial review	NA – initial review has already occurred
Subsequent review	At least once every year since the date of the last review of the TMD (for whatever reason)

Distribution reporting requirements

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

Reporting requirement	Reporting period	Which distributors this requirement applies to
Complaints (as defined in section 994A(1) of the Act) relating to the product. The distributor should provide all the content of the complaint, having regard to privacy.	As soon as practicable but no later than 10 business days following end of calendar quarter.	All distributors
Significant dealing outside of target market, under section 994F(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

If practicable, distributors should adopt the FSC data standards for reports to the Issuer. Distributors must report to the Issuer using the method specified at <https://www.trilogyfunds.com.au/>. This link also provides contact details relating to this TMD for the Issuer.

Definitions

In some instances, examples have been provided below. These examples are indicative only and not exhaustive.

Term	Definition
Consumer's investment objective	
Capital Growth	The consumer seeks to invest in a product designed or expected to generate capital return over the investment timeframe. The consumer prefers exposure to growth assets (such as shares or property) or otherwise seeks an investment return above the current inflation rate.
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.
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 that are generally lower in risk and less volatile than growth investments.
Income Distribution	The consumer seeks to invest in a product designed or expected to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (this may include high dividend-yielding equities, fixed income securities and money market instruments).
Consumer's intended product use (% of Investable Assets)	
Solution/Standalone (up to 100%)	The consumer may hold the investment as up to 100% of their total investable assets. The consumer is likely to seek a product with very high portfolio diversification.
Major allocation (up to 75%)	The consumer may hold the investment as up to 75% of their total investable assets. The consumer is likely to seek a product with at least high portfolio diversification.
Core Component (up to 50%)	The consumer may hold the investment as up to 50% of their total investable assets. The consumer is likely to seek a product with at least medium portfolio diversification.
Minor allocation (up to 25%)	The consumer may hold the investment as up to 25% of their total investable assets. The consumer is likely to seek a product with at least low portfolio diversification.
Satellite allocation (up to 10%)	The consumer may hold the investment as up to 10% of the total investable assets. The consumer may seek a product with very low portfolio diversification. Products classified as extremely high risk are likely to meet this category only.
Investable Assets	Those assets that the investor has available for investment, excluding the residential home.

Term	Definition
Portfolio diversification (for completing the key product attribute section of consumer's intended product use)	
<i>Note: exposures to cash and cash-like instruments may sit outside the diversification framework below.</i>	

Very low	The product provides exposure to a single asset (for example, a commercial property) or a niche asset class (for example, minor commodities, crypto-assets or collectibles).
Low	The product provides exposure to a small number of holdings (for example, a portfolio of real property assets or 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 product 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 product 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 product 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.

Consumer's intended investment timeframe	
Minimum	The minimum suggested timeframe for holding the product. Typically, this is the rolling period over which the investment objective of the product is likely to be achieved.

Term	Definition
------	------------

Consumer’s Risk (ability to bear loss) and Return profile

The Issuer has adopted the Standard Risk Measure (**SRM**) to estimate the likely number of negative annual returns for this product over a 20 year period, using the guidance and methodology outlined in the **Standard Risk Measure Guidance Paper For Trustees** (note the bands in the SRM guidance differ from the bands used in this TMD). 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 consumer requires to meet their investment objectives/needs. The Issuer has supplemented the SRM methodology by other risk factors. For example, the potential impact of liquidity or withdrawal limitations, valuation risks or risks of capital and other investment risks relating to investment generally and risks relating to the Fund specifically, which have been documented together with the SRM to substantiate the product risk rating.

A consumer’s desired product return profile would generally take into account the impact of fees, costs and taxes.

Low	<p>For the relevant part of the consumer’s portfolio, the consumer:</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. • The consumer typically prefers stable, defensive assets (such as cash).
Medium	<p>For the relevant part of the consumer’s portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a moderate or medium risk appetite, • 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>
High	<p>For the relevant part of the consumer’s portfolio, the consumer:</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>
Very high	<p>For the relevant part of the consumer’s portfolio, the consumer:</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>
Extremely high	<p>For the relevant part of the consumer’s portfolio, the consumer:</p> <ul style="list-style-type: none"> • has an extremely high risk appetite, • can accept significant volatility and losses, and • seeks to obtain accelerated returns (potentially in a short timeframe). <p>The consumer seeks extremely high risk, speculative or complex products which may have features such as significant use of derivatives, leverage or short positions or may be in emerging or niche asset classes (for example, crypto-assets or collectibles).</p>

Term	Definition
------	------------

Consumer's need to access capital	
--	--

This consumer attribute 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. Issuers should consider both the frequency for accepting the request and the length of time to accept, process and distribute the proceeds of such a request. 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 aligning the product to the consumer's need to access capital. Where a product is held on investment platforms, distributors also need to factor in the length of time platforms take to process requests for redemption for underlying investments. Where access to investment proceeds from the product is likely to occur through a secondary market, the liquidity of the market for the product should be considered.

Distributor Reporting	
-----------------------	--

Significant dealings	
----------------------	--

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. Section 994G of the Act requires the Issuer to notify ASIC if it becomes 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.

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.

Dealings outside this TMD may be significant because 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).

The distributor should have regard to:

- the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes),
- 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 and/or amber ratings attributed to the consumer).

Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:

- the consumer's intended product use is *whole portfolio*,
- the consumer's intended product use is *core component* or higher and the consumer's risk/return profile is *low*, or
- the relevant product has a green rating for consumers seeking *extremely high* risk/return.



Find out more.

Start a conversation with us today.

Call 1800 230 099 or
email investorrelations@trilogyfunds.com.au

QUEENSLAND

Registered office:
Level 26, 10 Eagle Street
Brisbane Qld 4000
GPO Box 1648
Brisbane Qld 4001

NEW SOUTH WALES

Level 12, 56 Pitt Street
Sydney NSW 2000

VICTORIA

Level 9, 350 Collins Street
Melbourne VIC 3000

T 1800 230 099
(within Australia)
+61 7 3039 2828