

Target Market Determination – Funds Management

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 the Issuer's design and distribution arrangements for the product.

This document is not a product disclosure statement. It is not a summary of the product features or terms of the product. This document does not consider any person's objectives, financial situation or needs.

Important terms used in this TMD are defined in the TMD Definitions, which supplement this document.

Target Market Summary

The Scheme is a property syndicate whereby investors own freehold apartments in a hotel rental pool managed by the Issuer. This product is likely to be appropriate for consumers seeking income distributions, to be used as a small or satellite allocation within an investment portfolio, where the consumer has a medium to long term investment timeframe, medium to high risk/return profile, and does not require access to capital.

Scheme and Issuer identifiers

| | |
|-------------------|--|
| Issuer | Lexden Financial Services Limited |
| Issuer ABN | 55 010 810 607 |
| Issuer AFSL | 237628 |
| Scheme | Mantra Hindmarsh Square Managed Investment Scheme |
| ARSN | 089 814 193 |
| Date TMD approved | 28 September 2021 |
| TMD Version | 2.0 |
| 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 |
|------------------|------------------------------|---------------------------------|

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 product features (including its key attributes).

| Consumer Attributes | TMD Indicator | Product description including key attributes |
|---|---------------|---|
| Consumer's investment objective | | |
| Capital Growth | | Suitable for investors seeking potential returns through monthly income distributions. |
| Capital Preservation | | |
| Capital Guaranteed | | |
| Income Distribution | | The Scheme is a direct property syndicate whereby investors own freehold apartments in a hotel rental pool managed by the Issuer. |
| Consumer's intended product use (% of investable assets) | | |
| Solution/Standalone (75-100%) | | The Scheme offers exposure to hotel income generated from Adelaide's tourism & hospitality sector. |
| Core Component (25-75%) | | |
| Satellite/Small allocation (<25%) | | Owners are entitled to receive income from the Scheme, up to 14 nights of free accommodation each year, a 25% discount on accommodation for other personal use. Apartment owners may also benefit from capital gains from their direct property holding. |

| Consumer Attributes | TMD Indicator | Product description including key attributes |
|--|---------------|--|
| | | This product is most suitable as a small or satellite allocation within a broader investment portfolio. |
| Consumer's investment timeframe | | |
| Short (≤ 2 years) | | Suitable for investors seeking to invest in the Scheme for the long term. |
| Medium (2-5 years) | | |
| Long (> 5 years) | | The Scheme is suited to investors with an investment horizon of three years or more. |
| Consumer's risk (ability to bear loss) and return profile | | |
| Low | | <p>The Scheme generates income from hotel operations in the Adelaide CBD. This concentrated source of revenue is solely dependent on the demand for hotel accommodation in Adelaide. Consumers should be aware there will be seasonal fluctuations in revenue as well as long-term changes in demand.</p> <p>Investors have received an average annual income return of 8.5% to 6.0% over the ten years to June 2021.</p> <p>It is expected in normal operations, the Scheme may experience an estimated one to less than two nil annual income returns over 20 years.</p> |
| Medium | | |
| High | | |
| Very High | | |
| Consumer's need to withdraw money | | |
| Daily | | <p>Scheme assets are held in trust for all owners for the term of the Scheme, whereby the Scheme must end no later than in 2079.</p> <p>Until then, scheme assets are not redeemable. They are required for hotel operations.</p> |
| Weekly | | |
| Monthly | | |
| 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, with the attributes identified with a green TMD Indicator.

Distribution

The Issuer considers that the distribution conditions below will make it likely that the investors who acquire direct real property covered by this Scheme are in the target market because of the following:

- The Property Owner can only sell to another party when the buyer agrees to be bound by the Scheme's Constitution in writing, and the Issuer approves the transaction.

Distribution conditions/restrictions

| Distribution channel | Distribution condition and rationale |
|----------------------|---|
| Direct | Membership is limited to the owners of apartments in Mantra Hindmarsh Square, 61 Hindmarsh Square, Adelaide, SA 5000. To become an owner, the Applicant must sign an application form and a contract of sale. The Applicant is not required to pay consideration to acquire an interest in the Scheme. |
| Platform/Wrap | Not applicable |
| Adviser | Not applicable |

Review triggers

| Event | Conditions |
|----------------------------|---|
| Significant product change | A material change to key attributes, fund investment objective or fees. |
| Scheme performance | The Scheme has significantly and persistently not achieved its investment objectives. |
| Complaints | A significant number, or an unexpectedly high number, of complaints about the Scheme or its distribution. |
| Significant dealings | Determination by the Issuer of an ASIC reportable Significant Dealing outside the TMD. |
| Regulator intervention | The use of Product Intervention Powers, regulator orders or directions that affect the Scheme. |

Mandatory review periods

| Review period | The maximum period for review |
|-------------------|-------------------------------|
| Initial review | One year and three months |
| Subsequent review | Three years and three 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 provide all the content of the complaint, having regard to privacy. | Within ten business days following the end of a calendar quarter. | All distributors |
| Significant dealing outside of target market, under s994F(6) of the Act. | As soon as practicable but no later than ten business days after the distributor becomes aware of the significant dealing. | All distributors |
| To the extent a distributor is aware, dealings outside the target market, including why the acquisition is outside of the target market and whether acquisition occurred under personal advice. | Within ten business days following the end of a calendar quarter. | All distributors |
| Other information requested by the Issuer to meet its design and distribution obligations. | As soon as practical. | All distributors |

Distributors must report to the Issuer using the method specified at www.lexden.com.au. This link also provides contact details relating to this TMD for the Issuer.

Disclaimer

The document is issued by Lexden Financial Services Limited (ABN 55 010 810 607, AFSL Number 237628) (**Responsible Entity**). Registered office: Level 2, 1 Southbank Blvd, Southbank, VIC 3006.

The Responsible Entity authorises no person to give information or make representations in connection with this Scheme not contained in this TMD. Information or representations not contained in this TMD may not be relied on as having been authorised by the Responsible Entity, its directors, or any other person in connection with the Offer. The Scheme's business, financial condition, operations, and prospects may have changed since the date of this TMD.

Certain statements in this TMD constitute forward-looking statements. These forward-looking statements are based on current expectations, estimates, and projections about the Scheme's business and the industry in which the Scheme invests and the beliefs and assumptions of the Responsible Entity. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Responsible Entity's control. As a result, any or all of the forward-looking statements in this TMD may turn out to be inaccurate.

Definitions

| Term | Definition |
|--|--|
| Consumer's investment objective | |
| Capital Growth | The consumer seeks to invest in a product designed to generate a capital gain. The consumer prefers exposure to growth assets (shares or property) or seeks an investment return above the current inflation rate. |
| Capital Preservation | The consumer seeks to invest in a product to reduce volatility and minimise the loss in a market downturn. The consumer prefers exposure to defensive assets (such as cash or fixed-income securities) that are generally lower in risk and less volatile than growth investments. |
| 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. |
| Income Distribution | The consumer seeks to invest in a product designed to distribute regular or tax-effective income. The consumer prefers exposure to income-generating assets (typically, high dividend-yielding equities, REITs, fixed income securities and money market instruments). |
| Consumer's intended product use (% of investable Assets) | |
| Solution/Standalone (75-100%) | The consumer intends to hold the investment in part or the majority (up to 100%) of their total investable assets (see definition below). The consumer typically prefers exposure to a product with at least High portfolio diversification (see definitions 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). The consumer typically prefers exposure to a product with at least medium portfolio diversification (see definitions below). |
| Satellite (<25%) | The consumer intends to hold the investment as a smaller part of their total portfolio, indicating it would be suitable for up to 25% of the total investable assets (see definition below). The consumer is likely to be comfortable with exposure to a product with Low portfolio diversification (see definitions below). |
| Investable Assets | Those assets that the investor has available for investment, excluding the residential home. |
| Portfolio diversification (for completing the key product attribute section of consumer's intended product use) | |
| Low | Single asset class, single country, low or moderate securities holdings - e.g., high conviction Aussie equities. |

| Term | Definition |
|--|---|
| Medium | 1-2 asset classes, single country, broad exposure within an asset class, e.g., Aussie equities "All Ords". |
| High | Highly diversified across either asset classes, countries, or investment managers, e.g., Australian multi-manager balanced Scheme or global multi-asset product (or global equities). |
| Consumer's intended investment timeframe | |
| Short (≤ 2 years) | The consumer has a short investment timeframe and may wish to redeem within two years. |
| Medium (2-5 years) | The consumer has a medium investment timeframe and is unlikely to redeem within two to five years. |
| Long (> 5 years) | The consumer has a long investment timeframe and is unlikely to redeem within five years. |
| Investable Assets | Those assets that the investor has available for investment, excluding the residential home. |
| Consumer's risk (ability to bear loss) and return profile | |
| <p>The Issuer has adopted the Standard Risk Measure (SRM) to calculate the likely number of negative annual returns over 20 years, using the guidance and methodology outlined in the Standard Risk Measure Guidance Paper for Trustees. The assessment has been undertaken assuming likely returns after fees and costs but before taxes. 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.</p> | |
| Low | <p>The consumer is conservative or low risk, seeks to minimise potential losses (e.g., can bear up to 1 negative return over 20 years (SRM 1 to 2)) and is comfortable with a low target return profile.</p> <p>The consumer typically prefers 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., can bear up to 4 negative returns over 20 years (SRM 3 to 5)) and comfortable with a moderate target return profile.</p> <p>The 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> |
| High | The consumer has a higher risk nature and can accept higher potential losses (e.g., can bear up to 6 negative returns over 20 years (SRM 6)) to target a higher target return profile. |

| Term | Definition |
|--|---|
| | The 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. |
| Very high | <p>The consumer has a more aggressive or very high-risk appetite, seeks to maximise returns, and accepts higher potential losses (e.g., can bear six or more negative returns over 20 years (SRM 7)).</p> <p>The consumer typically prefers growth assets such as shares, property, and alternative assets.</p> |
| Consumer's need to withdraw money | |
| <p>The Issuer has considered 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.</p> | |
| Daily, weekly, monthly, quarterly, annually, or longer. | The consumer seeks to invest in a product that permits redemption requests at this frequency under ordinary circumstances, and the Issuer is typically able to meet that request within a reasonable period. |
| Review triggers and 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 Scheme 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 Scheme that is not consistent with the TMD. Neither the Act nor ASIC defines when dealing is 'significant', and distributors and the Issuer have the discretion to apply its ordinary meaning. Whether or not a dealing is significant is a matter to be determined in the circumstances of each case and must be determined having regard to ASIC's policy in RG 274.</p> <p>The Issuer will rely on notifications of significant dealings to monitor and review the Scheme, this TMD, and its distribution strategy and meet its 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 constitute an individual transaction that 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 timeframes), |

| Term | Definition |
|------|--|
| | <ul style="list-style-type: none"> • 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"> • the consumer's intended product use is Solution / Standalone, or • the consumer's intended product use is the Core component, and the consumer's risk (ability to bear loss) and return profile is Low. |