

## Target Market Determination

|                      |  |                    |              |
|----------------------|--|--------------------|--------------|
| <b>Issuer</b>        | Pinnacle Fund Services Limited (PFSL)              |                    |              |
| <b>ABN</b>           | 29 082 494 362                                     | <b>AFSL</b>        | 238 371      |
| <b>Fund</b>          | Longwave Australian Small Companies Fund - Class A |                    |              |
| <b>ARSN</b>          | 630 979 449  |                    |              |
| <b>APIR</b>          | WHT9368AU  | <b>ISIN</b>        | AU60WHT93688 |
| <b>Date Approved</b> | 19 August 2021                                     | <b>TMD Version</b> | 1            |

### SUMMARY

This product is likely to be appropriate for a consumer seeking capital growth to be used as a small allocation within a portfolio where the consumer has a minimum investment timeframe of 5 years, and a high risk/return profile.

The Target Market Determination (TMD) is required under section 994B of the *Corporations Act 2001* (Cth) (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 PFSL's design and distribution obligations 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 for Longwave Australian Small Companies Fund - Class A before making a decision whether to invest in the product.

### 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

### 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 customer meeting the attribute in column 1 is likely to be in the target market for the 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 (INCLUDING KEY ATTRIBUTES)   |
|--|---------------|--|
| <b>Consumer's investment objective</b>                           |               |  |
| Capital Growth   | Green         | The Fund aims to outperform the Benchmark over the long term.  |
| Capital Preservation   | Red           |  |
| Capital Guaranteed   | Red           |  |
| Regular Income   | Red           |  |
| <b>Consumer's intended product use</b>                           |               |  |
| Solution / Standalone (75-100%)                                  | Red           | The Fund is comprised of 90-100% Australian and New Zealand equities and 0-10% cash and cash equivalents. The portfolio diversification of the Fund is Medium. |
| Core component (25-75%)  | Red           |  |
| Satellite / small allocation (0-25%)                             | Green         |  |
| <b>Consumer's investment timeframe</b>                           |               |  |
| Short (≤ 2 years)  | Red           | The minimum suggested timeframe for holding the product is 5-7 years.  |
| Medium (> 2 years)   | Green         |  |
| Long (> 8 years)   | Green         |  |
| <b>Consumer's risk (ability to bear loss) and return profile</b> |               |  |
| Very high  | Green         | The Fund's risk band is 6 (high). The Fund's benchmark is the S&P/ASX Small Ordinaries Accumulation Index.   |
| High   | Green         |  |
| Medium   | Yellow        |  |
| Low  | Red           |  |
| <b>Minimum timeframe to request withdrawals</b>                  |               |  |
| Daily  | Green         | Withdrawal requests can be made daily, and must be received, verified and accepted by the Fund's unit registry prior to 12pm (Sydney time) on a Business Day.  |
| Weekly   | Green         |  |
| Monthly  | Green         |  |
| Quarterly  | Green         |  |
| Annually or longer   | Green         |  |

### APPROPRIATENESS

PFSL 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.

Note: This section is required under RG 274.64–66

### DISTRIBUTION CONDITIONS

#### Distribution channel

There are no distribution conditions.

#### Review triggers

Material change to the product description including key attributes

Material deviation from benchmark / objective over sustained period

Product has not performed as disclosed by a material degree and for a material period

Determination by the issuer of an ASIC reportable 'significant dealing'

Material 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 materially affects the product

### MANDATORY REVIEW PERIODS

| Review period     | Maximum period for review |
|-------------------|---------------------------|
| Initial review    | 1 year, 3 months          |
| Subsequent review | 3 years, 3 months         |

### DISTRIBUTOR REPORTING REQUIREMENTS

| Reporting requirement   | Reporting period   | Which distributors this 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 10 business days following end of calendar quarter  | All distributors                   |
| Significant dealings outside of the target market, under s994F(6) of the Act. Report to issuer using FSC data standard for significant dealings.  | 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 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 PFSL using the method specified at: <https://pinnacleinvestment.com/wp-content/uploads/Distributor-Reporting-Instructions.pdf>

| TERM  | DEFINITION  |
|---|---|
| <b>Consumer's investment objective</b>  |   |
| <b>Capital Growth</b>   | The consumer seeks to invest in a product designed to generate capital return. The consumer prefers exposure to growth assets (such as shares or property) or otherwise seeks and investment return above the current inflation rate.   |
| <b>Capital Preservation</b>   | The consumer seeks to invest in a product to reduce volatility and minimise 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.  |
| <b>Capital Guaranteed</b>   | 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.  |
| <b>Regular Income</b>   | The consumer seeks to invest in a product designed to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments).   |
| <b>Consumer's intended product use</b>  |   |
| <b>Solution / Standalone (75-100%)</b>  | 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). The consumer typically prefers exposure to a product with at least High portfolio diversification (see definitions below).   |
| <b>Core Component (25-75%)</b>  | 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).  |
| <b>Satellite (&lt;25%)</b>  | 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 investable assets (see definition below). The consumer is likely to be comfortable with exposure to a product with Low portfolio diversification (see definitions below)   |
| <b>Investible Assets</b>  | 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>  |   |
| <b>Low</b>  | Single asset class, single country, low or moderate holdings of securities - e.g. high conviction Aussie equities.  |
| <b>Medium</b>   | 1-2 asset classes, single country, broad exposure within asset class, e.g. Aussie equities "All Ords".  |
| <b>High</b>   | Highly diversified across either asset classes, countries or investment managers, e.g. Australian multi-manager balanced fund or global multi-asset product (or global equities).   |
| <b>Consumer's intended investment timeframe</b>   |   |
| <b>Short (≤ 2 years)</b>  | The consumer has a short investment timeframe and may wish to redeem within two years.  |
| <b>Medium (&gt; 2 years)</b>  | The consumer has a medium investment timeframe and is unlikely to redeem within two years.  |
| <b>Long (&gt; 8 years)</b>  | The consumer has a long investment timeframe and is unlikely to redeem within eight years.  |
| <b>Consumer's Risk (ability to bear loss) and Return profile</b>  |   |
| <b>Very High</b>  | 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).<br>Consumer typically prefers growth assets such as shares, property and alternative assets.   |
| <b>High</b>   | 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. 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. |
| <b>Medium</b>   | 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.<br>Consumer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.                  |
| <b>Low</b>  | 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. Consumer typically prefers defensive assets such as cash and fixed income.  |
| <b>Consumer's need to withdraw money</b>  |   |
| 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><b>Daily/Weekly/Monthly/Quarterly/Annually or longer</b></p> | <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>  |
| <p><b>Distributor Reporting</b></p>                             |  |
| <p><b>Significant dealings</b></p>                              | <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. 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"> <li>• they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or</li> <li>• 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).</li> </ul> <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> <li>• the nature and risk profile of the product (which may be indicated by the product’s risk rating or withdrawal timeframes),</li> <li>• 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</li> <li>• 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).</li> </ul> <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"> <li>• it constitutes more than half of the distributor’s total retail product distribution conduct in relation to the product over the reporting period,</li> <li>• the consumer’s intended product use is Solution / Standalone, or</li> <li>• the consumer’s intended product use is Core component and the consumer’s risk (ability to bear loss) and return profile is Low.</li> </ul> |