

# Target Market Determination

## *SGH Australian Small Companies Fund*



### 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 [www.sghiscock.com.au](http://www.sghiscock.com.au)

### Target Market Summary

**This product is intended for use as a core component or a satellite allocation within a portfolio for a consumer who is seeking capital growth and has a very high 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 5 years or more investment timeframe and who is unlikely to need to access their capital on less than one days 's notice.**

## Fund and Issuer identifiers

<b>Issuer</b>	Melbourne Securities Corporation Limited
<b>Issuer ACN</b>	160 326 545
<b>Issuer AFSL</b>	428289
<b>Fund manager</b>	SG Hiscock & Company Limited
<b>TMD contact details</b>	Enquiries@sghiscock.com.au
<b>Fund name</b>	<b>SGH Australian Small Companies Fund</b>
<b>ARSN</b>	095 866 872
<b>APIR Code</b>	CSA0131AU
<b>ISIN Code</b>	AU60CSA01318
<b>TMD issue date</b>	11 October 2023
<b>TMD Version</b>	6.0
<b>Distribution status of Fund</b>	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 and green rating methodology:

**In target market** **Not in target market**

### 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 below are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2.

### 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).



<b>Consumer Attributes</b> <i>[A description of the likely objectives, financial situation and needs of the class of consumers in the target market]</i>	<b>TMD indicator</b>	<b>Product description including key attributes</b>
<b>Consumer's investment objective</b>		
Capital Growth	<b>In target market</b>	<p>The Fund utilises SGH's proven investment philosophy and approach to invest primarily in a concentrated portfolio of mainly Australian (primarily outside of the S&amp;P/ASX 100 Accumulation Index) and New Zealand listed companies that have the potential for capital growth and increased earning potential.</p> <p>The Fund has a strong focus on capital preservation, although it is important to note that the investment process focuses on stock selection and there will be high company specific risk. SGH takes an active approach to integrating and embedding environmental, social and governance ('ESG') considerations into its investment decision making. The Fund generally pays distributions half yearly at 30 June and 31 December.</p>
Capital Preservation	<b>Not in target market</b>	
Income Distribution	<b>Not in target market</b>	
<b>Consumer's intended product use (% of Investable Assets)</b>		
Solution/Standalone (up to 100%)	<b>Not in target market</b>	Mainly direct and indirect investors seeking long term capital growth with some income through investment in Australian and New Zealand equity securities
Major allocation (up to 75%)	<b>Not in target market</b>	
Core component (up to 50%)	<b>Not in target market</b>	<p>The Fund is generally fully invested in Australian and New Zealand equity securities, with the asset allocation of the Fund being:</p> <p>75-100% Australian equity securities            0-15% New Zealand equity securities            0-10% Cash</p> <p>Please note that these are indicative asset allocation ranges for the Fund.</p> <p>As the Fund provides exposure to Small cap Australian equities, its portfolio diversification has been assessed as 'Low'.</p>
Minor allocation (up to 25%)	<b>In target market</b>	
Satellite allocation (up to 10%)	<b>In target market</b>	
<b>Consumer's investment timeframe</b>		
Minimum investment timeframe	5 years	The Fund has a minimum suggested timeframe of over 5 years.

<b>Consumer Attributes</b> <i>[A description of the likely objectives, financial situation and needs of the class of consumers in the target market]</i>	<b>TMD indicator</b>	<b>Product description including key attributes</b>
<b>Consumer's Risk (ability to bear loss) and Return profile</b>		
Low	<b>Not in target market</b>	The risk level of the Fund is 7 - Very High
Medium	<b>Not in target market</b>	The risk level represents the Standard Risk Measure (SRM) for the Fund which estimates the likely number of negative returns for this product over a 20 year period.
High	<b>Not in target market</b>	
Very high	<b>In target market</b>	As the Fund is estimated to experience 6 or greater negative annual returns
Extremely high	<b>Not in target market</b>	over any given 20-year period, it has been assigned an SRM of 7 or very high.  The Fund is designed for consumers who: <ul style="list-style-type: none"> <li>• have a more aggressive or very high-risk appetite</li> <li>• are seeking to maximise returns, and</li> <li>• can accept higher potential losses.</li> </ul>
<b>Consumer's need to access capital</b>		
Within one week of request	<b>In target market</b>	Under normal circumstances, withdrawal requests may be made on any Business Day and requests received after 2pm on any Business Day will generally be processed on the following Business Day.  Withdrawal proceeds are normally electronically deposited into a consumers nominated bank account within 7 business days.
At issuer discretion	<b>In target market</b>	

## Distribution conditions/restrictions

Distribution conditions	Distribution condition rationale
<i>Platform providers</i>	<i>Only available for distribution through a platform if the platform provider has an arrangement with the issuer governing their relationship with the issuer</i>
<i>Advisers</i>	<i>Only available for distribution under personal advice, with the assistance of a dealer group and/or an adviser if the dealer group and/or adviser is an authorised financial advice provider and has satisfied themselves that the Fund, or a portfolio that the Fund would form part of, is suitable for the consumer.</i>
<i>Direct</i>	<i>Retail and wholesale investors may obtain the PDS and TMD via the SG Hiscock and Company Limited website and apply to invest directly. Direct investors must read the PDS and complete screening questions during the application. These questions may be used to restrict access to certain products if the issuer cannot determine that the consumer is likely to be within the target market.</i>

The issuer has assessed the distribution conditions, in the context of the distribution channels, and formed the view that the conditions are likely to guide the distribution of interests in the Fund towards the class of consumers for whom the Fund has been designed and that it is therefore likely that consumers who acquire interests in the Fund will be within the target market

Where the issuer, the Fund manager or distributor are aware that there is a reasonable risk that a consumer does not meet the target market requirements, appropriate enquiries are made, noting applications can be refused at the issuer's direction.

## Review triggers

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 TMD review periods

Review period	Maximum period for review
Initial review	N/A
Subsequent review	2 years 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. 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 Melbourne Securities Corporation Limited using the method specified by the issuer and should send reports to the Issuer by email to [trustee@msc.group](mailto:trustee@msc.group) with the subject line "DDO Reporting - SGH Australian Small Companies Fund". Melbourne Securities Corporation Limited can also be contacted in relation to this TMD on 1300 798 790 via the following email: [enquiries@sghiscock.com.au](mailto:enquiries@sghiscock.com.au)

## Disclaimer

Issued by Melbourne Securities Corporation Limited ACN 160 326 545 AFSL No. 428289. This document has been prepared with care, is based on sources believed to be reliable and opinions expressed are honestly held at the applicable date. However, it is of a general nature only and we accept no liability for any errors or omissions. This is not an offer of securities. A Product Disclosure Statement (PDS) and application form is available for the Fund by calling Apex Fund Services on 1300 133 451 or +61 2 8259 8888 or visiting SGH's website on [www.sghiscock.com.au](http://www.sghiscock.com.au) or from your financial adviser. This document has been prepared without taking into account the particular objectives, financial situation or needs of any investor. Investments are subject to investment risk, including possible delays in payment and loss of income and principal invested. It is important that before deciding whether to acquire, hold or redeem an investment in a Fund that investors consider the Fund's PDS, the Fund's appropriateness to their own circumstances, objectives and financial situation and consult financial and tax advisers.

# Definitions

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

Term	Definition
<b>Consumer's investment objective</b>	
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 Preservation	The consumer seeks to invest in a product designed or expected to have low volatility and minimise capital loss. The consumer prefers exposure to defensive assets that are generally lower in risk and less volatile than growth investments (this may include cash or fixed income securities).
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).
<b>Consumer's intended product use (% of Investable Assets)</b>	
Solution/Standalone (up to 100%)	The consumer may hold the investment as up to 100% of their total <i>investable assets</i> . The consumer is likely to seek a product with <i>very high</i> portfolio diversification.
Major allocation (up to 75%)	The consumer may hold the investment as up to 75% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>high</i> portfolio diversification.
Core Component (up to 50%)	The consumer may hold the investment as up to 50% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>medium</i> portfolio diversification.
Minor allocation (up to 25%)	The consumer may hold the investment as up to 25% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>low</i> portfolio diversification.
Satellite allocation (up to 10%)	The consumer may hold the investment as up to 10% of the total <i>investable assets</i> . The consumer may seek a product with <i>very low</i> portfolio diversification. Products classified as <i>extremely high</i> risk are likely to meet this category only
<i>Investable Assets</i>	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)**

Note: exposures to cash and cash-like instruments may sit outside the diversification framework below.

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, 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 <u>and</u> 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.
---------	---

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

*Instructions to issuers: Issuers should undertake a comprehensive risk assessment for each product. If the SRM does not adequately estimate the risk of this product, issuers should consider alternatives, for example the risk measure used under UCITS (Synthetic Risk and Reward Indicator), and amend the text below.*

This TMD uses 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 SRM methodology may be supplemented by other risk factors. For example, some products may use leverage, derivatives or short selling; may have liquidity or withdrawal limitations; may have underlying investments with valuation risks or risks of capital loss; 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.

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



Term	Definition
Low	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> <li>• has a conservative or low risk appetite,</li> <li>• 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</li> <li>• is comfortable with a low target return profile.</li> </ul> <p>The consumer typically prefers stable, defensive assets (such as cash).</p>
Medium	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> <li>• has a moderate or medium risk appetite,</li> <li>• 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</li> <li>• is comfortable with a moderate target return profile.</li> </ul> <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"> <li>• has a high risk appetite,</li> <li>• 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</li> <li>• seeks high returns (typically over a medium or long timeframe).</li> </ul> <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"> <li>• has a very high risk appetite,</li> <li>• 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</li> <li>• seeks to maximise returns (typically over a medium or long timeframe).</li> </ul> <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"> <li>• has an extremely high risk appetite,</li> <li>• can accept significant volatility and losses, and</li> <li>• seeks to obtain accelerated returns (potentially in a short timeframe).</li> </ul> <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
<b>Consumer's need to access capital</b>	<p>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.</p>

Term	Definition
<b>Distributor Reporting</b>	
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"> <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 access to capital 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 and/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 quarter,</li> <li>• the consumer's intended product use is <i>solution/standalone</i>,</li> <li>• the consumer's intended product use is <i>core component</i> or higher and the consumer's risk/return profile is <i>low</i>, or</li> </ul> <p>the relevant product has a green rating for consumers seeking <i>extremely high</i> risk/return.</p>