

# Target Market Determination

**Product/Fund:** Perpetual Pure Credit Alpha Fund - Class S

**Effective Date:** 1 May 2024

**TMD Version:** 1

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## About this document

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 is available upon request.

## Target market statement

The Perpetual Pure Credit Alpha Fund - Class S (**Fund**) is designed for consumers who:

- are seeking income distribution and capital preservation,
- are intending to use the Fund as a core, minor or satellite allocation within a portfolio,
- have a minimum investment timeframe of 3 years or longer,
- have a medium to high risk and return profile
- are unlikely to need to access their capital within one month of request, and
- are a 'wholesale client' under the Corporations Act.

## 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:



## 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.

## 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).

The FSC has provided more detailed guidance on how to take this portfolio view for diversification, available on the FSC website. <https://www.fsc.org.au/>. This guidance only applies where a product is held as part of an appropriately diversified portfolio.



# Description of target market

| Consumer attributes             |                      | Key product attributes  |
|---------------------------------|----------------------|---|
| Consumer's investment objective | TMD indicator        | Investment objective and key attributes   |
| Capital growth                  | Not in target market | <p><b>Investment Objective</b></p> <p>Aims to provide investors with a positive return above the cash rate over rolling three-year periods (before fees and taxes) by primarily investing in and actively trading fixed income securities and related derivatives.</p>  |
| Capital preservation            | In target market     | <p><b>Key attributes</b></p> <p>The Fund has the following key attributes:</p> <ul style="list-style-type: none"> <li>• Designed to enhance returns by opportunistically investing in different levels of the capital structure, taking advantage of liquidity premiums, use of derivatives and gearing.</li> <li>• Designed to pay income on a quarterly basis by investing in a diversified portfolio of fixed income and credit securities. However, the level of any income may vary from one distribution period to next.</li> </ul> |
| Income distribution             | In target market     |   |

| Consumer attributes                                      |                      | Key product attributes  |
|--|----------------------|---|
| Consumer's intended product use (% of Investable Assets) | TMD indicator        | Portfolio diversification   |
| Solution/Standalone (up to 100%)                         | Not in target market | <p>The Fund is comprised of:</p> <ul style="list-style-type: none"> <li>• 50-100% in investment grade debt, and</li> <li>• 0-50% in sub-investment grade and non-rated debt</li> <li>• Assets denominated in foreign currencies 0-35%</li> <li>• Illiquid assets 0-18%</li> <li>• Gearing level 0-15%</li> </ul> <p>Investment grade is a term given to debt securities that have a high probability of payment of interest and repayment of principal.</p> <p>Sub-investment grade is a term given to debt securities where there is a higher risk that the issuer may not be able to meet interest payments or the repayment of principal if difficult conditions arise.</p> <p>Sub-investment grade debt securities may include, but are not limited to, private debt, asset backed securities, hybrids and equity arising from debt instruments.</p> <p>The Fund provides a broad exposure across fixed income and credit securities and is diversified across the capital structure, issuers and sectors.</p> <p>As such, its portfolio diversification has been assessed as 'Medium'.</p> |
| Major Allocation (up to 75%)                             | Not in target market |   |
| Core Component (up to 50%)                               | In target market     |   |
| Minor allocation (up to 25%)                             | In target market     |   |
| Satellite component (up to 10%)                          | In target market     |   |

| Consumer's investment timeframe | TMD indicator    | Suggested length of investment  |
|---------------------------------|------------------|---|
| 3 years or longer               | In target market | The Fund may be suitable for consumers who seek to invest their capital for a minimum timeframe of three years. |

| Consumer attributes   |                      | Key product attributes  |
|---|----------------------|---|
| Consumer's Risk (ability to bear loss) and Return profile for the relevant portion of the consumer's portfolio* | TMD indicator        | Risk level  |
| Low   | Not in target market | <p>The Fund's standard risk measure (SRM) is 4 (Medium), which is reflected in the PDS. The SRM is based on industry guidance and is not a complete assessment of all forms of investment risk.</p> <p>The Fund may:</p> <ul style="list-style-type: none"> <li>• use derivatives in the management of the Fund including creating short positions on credit securities using derivatives.</li> <li>• use gearing as a part of its investment strategy</li> <li>• hold a maximum of 18% in illiquid assets</li> </ul> |
| Medium  | In target market     | <p>For more information on risks and other features of the Fund please refer to the PDS.</p> <p>The Fund is most suitable for consumers who have a medium to high risk and return profile and:</p> <ul style="list-style-type: none"> <li>• are seeking a Fund that invests in fixed income and credit assets with a broad exposure across the capital structure and sectors,</li> <li>• are comfortable with the significant risks associated with the Fund as disclosed in the PDS.</li> </ul>                      |
| High  | In target market     |   |
| Very high   | Not in target market |   |
| Extremely high  | Not in target market |   |

\*Refer to Investment products and diversification section of the TMD above.

| Consumer attributes               |                      | Key product attributes   |
|-----------------------------------|----------------------|--|
| Consumer's need to access capital | TMD indicator        | Withdrawal request and acceptance frequency  |
| Within one week of request        | Not in target market | <p>Withdrawal requests are only processed Monthly, and must be received, and accepted by the Fund's unit registry prior to 3pm (Sydney time) on the last Business Day of a month (the 'Prescribed Withdrawal Time'), it will be processed effective as at the first business day following one month after the Prescribed Withdrawal Time, using the exit price of that day. For example, a withdrawal request received by 3pm on 31 July will be processed as at 1 September, and using the exit price as at 1 September.</p> <p>Proceeds from your withdrawal will usually be available within 14 business days from when we have effectively processed the request, given normal operating conditions, but no later than 70 days from the date on which the withdrawal was effectively processed.</p> <p>We can also delay processing withdrawal requests or stagger the payment of large amounts from a Fund according to the Fund's constitution if we believe that's in the best interests of consumers. If the Fund becomes non-liquid (as defined in the Corporations Act) withdrawals may only be made subject to an offer made according to the Corporations Act (see 'Suspension of applications and withdrawals' in the 'Additional information' section in the PDS for more information).</p> |
| Within one month of request       | Not in target market |  |
| Within three months of request    | In target market     |  |
| Within one year of request        | In target market     |  |
| Within 5 years of request         | In target market     |  |
| Within 10 years of request        | In target market     |  |

## Distribution information

### Distribution conditions / restrictions

| Channel  | Distribution Condition   | Rationale   |
|--|--|---|
| <b>Directly (and non advised)</b>  | Directly (and non-advised) – via the Issuer’s physical application form. For a consumer to access the product directly, we must be satisfied that the consumer is a “wholesale client” under the Corporations Act and has read and accepted the PDS.   | It has been determined that the distribution conditions and restrictions will make it likely that customers who purchase the product are in the class of customers for which it has been designed. We consider that the distribution conditions are appropriate and will assist distribution in being directed towards the target market for whom the product has been designed.  |
| <b>Directly (and advised)</b>  | Distributors may only engage in retail product distribution conduct if:-<br>They are providing personal advice in relation to the product;<br>Via financial advisers where consumers have received personal advice For a consumer to access the product directly, they must read and accept the PDS.<br><br>Distributors should only engage in retail product distribution conduct if they are reasonably satisfied that distribution is necessary to implement personal advice given to the consumer. | The Issuer considers that the distribution condition will make it likely that consumers who acquire the product will be in the target market for the product, or the product will otherwise be appropriate for them, because:<br>Persons providing personal advice must consider the consumer’s individual circumstances and comply with the best interests’ duty and related obligations under Pt 7.7A of the Corporations Act |
| <b>Distribution channels such as investment or super platforms or wrap products (platforms), Investor directed portfolio service (IDPS), IDPS-like scheme, nominee or custody service or any other trading platform.</b> | This Product is available to persons investing through investment or super platforms, or wrap products (platform), an investor directed portfolio service (IDPS), IDPS-like scheme, nominee or custody service or any other trading platform.  | The issuer of each platform has its own obligations as an issuer and distributor to take reasonable steps that will or are reasonably likely to result in retail product distribution being consistent with this TMD.   |

### Distributor reporting requirements

| Distributors required to report | Reporting requirement   | Reporting period   | Method of reporting (using FSC data standards where practicable)                                 |
|---------------------------------|---|--|--|
| All distributors                | 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 the end of a calendar quarter.   | Information to be sent to <a href="mailto:DDOmail@perpetual.com.au">DDOmail@perpetual.com.au</a> |
| All distributors                | Significant dealings outside the target market determination.   | As soon as practicable but no later than 10 business days after becoming aware of a significant dealing. | Information to be sent to <a href="mailto:DDOmail@perpetual.com.au">DDOmail@perpetual.com.au</a> |

## Review period and triggers

We will review this target market determination as outlined below.

| Mandatory review periods      |                                 |
|-------------------------------|---------------------------------|
| Review period                 | Maximum period for review       |
| Initial review                | 1 year and 3 months (Aug 2025)  |
| Subsequent / periodic reviews | 2 years and 3 months (Aug 2026) |

| Review triggers  |
|--|
| The issuer has determined that a significant dealing outside the target market determination has occurred.   |
| Material deviation in actual performance of the product (compared to investment objective / benchmark) over a sustained period, which may cause consumer harm. |
| Material change to fund liquidity which may cause consumer harm.   |
| Material change to investment objective, key product features or fees.   |
| Material or unexpectedly high number of complaints about the product (or distribution of the product) which indicate a systemic issue has occurred.            |
| Significant regulatory action which indicates that the target market determination is no longer appropriate.   |

Where a review trigger has occurred, this target market determination will be reviewed within 10 business days.



## Definitions

| 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 investable assets.<br>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.<br>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.<br>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.<br>The consumer is likely to seek a product with at least low portfolio diversification.  |
| Satellite component (up to 10%)                                 | The consumer may hold the investment as up to 10% of the total investable assets.<br>The consumer may seek a product with very low portfolio diversification.<br>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  |
|--|---|
| <b>Portfolio diversification (for completing the key product attribute section of consumer's intended product use)</b> |   |
| 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 more than one broad asset class, sector or geographic market (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.   |
| <b>Consumer's intended investment timeframe</b>  |   |
| Minimum  | The minimum suggested time frame for holding the product. Typically, is the rolling period over which the investment objective of the Fund is likely to be achieved.  |

| Term   | Definition   |
|--|--|
| <b>Consumer's Risk (ability to bear loss) and Return profile</b>   |  |
| <p>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, the 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 have other risk factors which result from, for example, the use of leverage, derivatives or short selling, 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.</p> |  |
| <p>A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.</p>  |  |
| <p>Low</p>   | <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>  |
| <p>Medium</p>  | <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>  |
| <p>High</p>  | <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>   |
| <p>Very high</p>   | <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>                                   |
| <p>Extremely high</p>  | <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>  |  |
| This consumer attribute addresses the likely period of time between the making of a request to access capital and the receipt of proceeds from this request under ordinary circumstances. |  |
| <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 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 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 solution/standalone,</li> <li>• the consumer's intended product use is core component or higher and the consumer's risk/return profile is low, or</li> <li>• the relevant product has a green rating for consumers seeking extremely high risk/return.</li> </ul> |

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#### More information

Contact your financial adviser or call:

Adviser Service: Australia 1800 062 725 or New Zealand 0800 441 656

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