
Target Market Determination

Product / Fund: Perpetual Charitable Endowment Fund

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TMD Version: 2.0

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About this document

This Target Market Determination is required under section 994B of the *Corporations Act 2001 (Cth)*. It outlines the class of consumers for which this product has been designed and is intended to assist distributors in understanding who the product is intended to be distributed to. The document forms part of the design and distribution arrangements for the product and outlines distribution conditions and restrictions as well as reporting requirements for distributors.

This document is not a Product Disclosure Statement and does not provide a full 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. People interested in acquiring this product should carefully read the Product Disclosure Statement before making a decision whether to buy this product. The Product Disclosure Statement is available at www.perpetual.com.au.

Target market statement

The Perpetual Charitable Endowment Fund (the Fund) is designed for income tax exempt charitable trusts and non-profit organisations who have a medium to long-term investment horizon that are seeking a consistent income stream and capital growth through an investment in a diversified portfolio with an emphasis on Australian Shares. Investors in this product would generally have an ability to bear some losses over their investment horizon and not require their capital to be guaranteed.

The Fund has been assessed to be consistent with the likely objectives, financial situation and needs of the class of consumers outlined in this document. This is because the product aims to outperform (before fees), over rolling three-year periods, a composite benchmark reflecting the target allocations at any time to the various asset types and provide quarterly distributions. It offers the ability to submit redemption requests daily in normal market conditions subject to minimum balance requirements and processing times mentioned above.

Description of target market

| Consumer attributes | | Key product attributes | |
|-----------------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Investment goals | TMD indicator | Investment objective | |
| Capital Growth | In target market | Aims to provide income tax exempt investors such as charitable trusts with: a consistent income stream and long-term capital growth through an investment in a diversified portfolio with an emphasis on Australian shares; a total return (including income distribution) of CPI + 4.0% per annum before fees and after the effect of franking credits over rolling fifteen-year periods; income distribution of 4.0% per annum before fees and after the effect of franking credits; and outperform (before fees), over rolling 3-year period, a composite benchmark reflecting the target allocations at any time to the various asset types. | |
| Capital Preservation | Potentially in target market | | |
| Capital Guaranteed | Not considered in target market | | |
| Income Distribution | In target market | | |
| Intended product use (% of investable assets) | TMD Indicator | Portfolio diversification | Asset class |
| Solution / Standalone (75-100%) | In target market | High | Multi-Asset / Multi-Manager |
| Core Component (25-75%) | In target Market | | |
| Satellite / small allocation (<25%) | In target Market | | |
| Intended investment timeframe | TMD Indicator | Suggested length of investment | |
| Short (\leq 2 years) | Not considered in target market | Five years or longer | |
| Medium ($>$ 2 years \leq 8 years) | In target market | | |
| Long ($>$ 8 years) | In target market | | |

| Consumer attributes | | Key product attributes |
|-------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk (ability to bear loss) and Return profile | TMD Indicator | Risk level |
| Low | Potentially in target market | High: 4 to less than 6 estimated negative annual returns over any 20-year period. Derivatives may be used in managing the Fund. This is a diversified fund with a mix of growth and defensive assets. This Fund may be suitable for investors with a low risk/return profile where used as part of a diversified portfolio. |
| Medium | In target market | |
| High | In target market | |
| Very high | In target market | |
| Need to withdraw money | TMD Indicator | Withdrawal frequency <i>NOTE: This reflects the general ability to withdraw in normal market conditions. Processing time and minimum balance requirements should also be considered.</i> |
| Daily | In target market | Daily |
| Weekly | In target market | |
| Monthly | In target market | |
| Quarterly | In target market | |
| Annually or longer | In target market | |
| Preferred frequency of income payments | TMD Indicator | Distribution frequency |
| Daily | Not considered in target market | Quarterly |
| Monthly | Not considered in target market | |
| Quarterly | In target market | |
| Half-yearly | Potentially in target market | |
| Yearly | Potentially in target market | |

| Consumer attributes | | Key product attributes |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Preferred level of environmental, social and governance integration | TMD Indicator | ESG approach |
| ESG integration: Explicitly considers ESG-related factors that are material to the risk and return of the investment, alongside traditional financial factors, when making investment decisions. | In target Market | ESG integration: Explicitly considers ESG-related factors that are material to the risk and return of the investment, alongside traditional financial factors, when making investment decisions. |
| Positive or negative ESG screening: Investments are selected based on specific ESG themes or rules that go beyond investment risk and return, for example, promoting positive environmental or social outcomes, or avoiding unethical activities. | Not considered in target market | |

Distribution information

Distribution conditions / restrictions

| Distribution Condition | Distribution Condition Rationale | Applicable |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| There are no distribution conditions | N/A | No |
| Only suitable for distribution to consumers who have received personal advice | N/A | No |
| Only suitable for distribution through specified distributor/s / distribution channel | Investment in the Fund is offered exclusively to clients of Perpetual Private investing through a 'Service'. A 'Service' includes: <ul style="list-style-type: none"> Trusts, estates and agencies for which Perpetual Private is a trustee, executor or attorney Investors who wish to access the Fund through an IDPS, IDPS-like scheme, or a nominee or custody service provided by Perpetual Private DIY superannuation funds for which Perpetual Private is the trustee, custodian or administrator | Yes |
| Other | N/A | No |

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 DDOmail@perpetual.com.au |
| 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 DDOmail@perpetual.com.au |
| All distributors | To the extent a distributor is aware of dealings outside the target market, these should be reported to the issuer, including the reason the acquisition is outside the target market, and whether the acquisition occurred under personal advice. | Within 10 business days following the end of a calendar quarter. | Information to be sent to DDOmail@perpetual.com.au |

Review periods 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 |
| Subsequent / periodic reviews | 2 years and 3 months |

| 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.

Instructions

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 |
|------------------|------------------------------|---------------------------------|

In the tables in this TMD, 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.

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).

Definitions

| Term | Definition |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consumer's investment objective | |
| Capital Growth | 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 an investment return above the current inflation rate. |
| 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 (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 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). |

| Term | Definition |
|------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consumer's intended product use (% of Investable Assets) | |
| Solution/Standalone (75-100%) | The consumer intends to hold the investment as either a part or the majority (up to 100%) of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least High <i>portfolio diversification</i> (see definitions below). |
| Core Component (25-75%) | The consumer intends to hold the investment as a major component, up to 75%, of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least Medium <i>portfolio diversification</i> (see definitions below). |
| Satellite (<25%) | 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 <i>investable assets</i> (see definition below). The consumer is likely to be comfortable with exposure to a product with Low <i>portfolio diversification</i> (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 holdings of securities - e.g. high conviction Aussie equities. |
| Medium | 1-2 asset classes, single country, broad exposure within 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 fund 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 years ≤ 8 years) | The consumer has a medium investment timeframe and is unlikely to redeem within two years. |
| Long (> 8 years) | The consumer has a long investment timeframe and is unlikely to redeem within eight years. |

| Term | Definition |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consumer's Risk (ability to bear loss) and Return profile | |
| <p>Perpetual has adopted the Standard Risk Measure (SRM) to calculate the likely number of negative annual returns over a 20 year period, using the guidance and methodology outlined in the <u>Standard Risk Measure Guidance Paper For Trustees</u>. 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 or that a positive return could still be less than a consumer requires to meet their investment objectives/needs.</p> <p>The Product Description and Key Product Attributes section supplements the SRM methodology by also considering other risk factors. For example, some products may use leverage, derivatives or short selling.</p> | |
| Low | <p>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.</p> <p>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. 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.</p> <p>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 | <p>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.</p> <p>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.</p> |
| Very high | <p>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).</p> <p>Consumer typically prefers growth assets such as shares, property and alternative assets.</p> |
| Consumer's need to withdraw money | |
| Daily / Weekly / Monthly / Quarterly / Annually or longer | <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> |

| Term | Definition |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 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"> • they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or • 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). <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), • 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"> • it constitutes more than half of the distributor's total retail product distribution conduct in relation to the product over the reporting period, • the consumer's intended product use is <i>Solution / Standalone</i>, or • the consumer's intended product use is <i>Core component</i> and the consumer's risk (ability to bear loss) and return profile is <i>Low</i>. |

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The Product Disclosure Statement (PDS) for the relevant fund, issued by Perpetual Investment Management Limited, should be considered before deciding whether to acquire or hold units in that fund. The PDS can be obtained by calling 1800 003 001 or visiting our website www.perpetual.com.au.

More information

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www.perpetual.com.au/pcef-funds-updates

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