

# Target Market Determination

Redcape Hotel Group

MA Asset Management



## Target Market Summary

This product is likely to be appropriate for a consumer seeking **income distributions and some capital growth** to be used as a **small component** within a portfolio where the consumer has a **medium or long** investment timeframe, **high** risk and return profile and needs **annual** access to capital.

## Legal disclaimer

This Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (the Act). It sets out the class of consumers for whom the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs. In addition, the TMD outlines the triggers to review the target market and certain other information. It forms part of Redcape Hotel Group Management Ltd's design and distribution arrangements 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 (**PDS**) for Redcape Hotel Group 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 by <https://mafinancial.com/asset-management/retail-funds/redcape-hotel-group/>.

## Fund and Issuer identifiers

Issuer	Redcape Hotel Group Management Ltd
Issuer ABN	87 610 990 004
Issuer AFSL	505932
Fund	Redcape Hotel Group
ARSN	Redcape Hotel Trust I ARSN 629 354 614  Redcape Hotel Trust II ARSN 629 354 696
APIR Code	MAA8238AU
ISIN Code	AU60MAA82380
Market Identifier Code	N/A
Product Exchange code	N/A (previously ASX:RDC)
Date TMD approved	29 October 2021
TMD Version	1
TMD Status	Current

## Description of Target Market

This part is required under section 994B(5)(b) of the Act.

### 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
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### Instructions

In the tables below, Column one, Consumer Attributes, indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering this product. Column two, TMD indicator, indicates whether a consumer meeting the attribute in column one 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).

CONSUMER ATTRIBUTES	TMD INDICATOR	PRODUCT DESCRIPTION INCLUDING KEY ATTRIBUTES
<b>Consumer's investment objective</b>		
Capital Growth		<p>The Fund's objective will be to provide investors with regular and growing cash distributions and capital growth over the investment term by investing in and actively managing a diversified portfolio of high-quality hotels and alternative use real estate opportunities with the potential for refurbishment or redevelopment to increase land utilisation.</p> <p>A typical investor will invest into this Fund to seek exposure to a portfolio of high-quality hotels and alternative use real-estate assets with a focus on growing, distributions and capital growth. Prospective investors should ensure they have an informed understanding of the strategies and techniques employed by the Manager, the risks of the Fund and that the risk profile of the Fund is compatible with their own risk tolerance. Investors in the Fund should plan to invest their money for at least five years. The Fund is not suitable for investors who cannot tolerate any loss of capital. The Fund may be suitable for prospective investors seeking a longer liquidity period than annual. It is not suited to investors seeking daily, weekly, or monthly liquidity. The Fund may be suitable for investors with high or very-high risk tolerance.</p>
Capital Preservation		
Capital Guaranteed		
Income Distribution		
<b>Consumer's intended product use (% of Investable Assets)</b>		
Solution/Standalone (75–100%)		The Fund has a <i>low</i> portfolio diversification.
Core Component (25–75%)		
Satellite/small allocation (<25%)		
<b>Consumer's investment timeframe</b>		
Short ( $\leq 2$ years)		The minimum suggested timeframe for holding investments in the Fund is five years.
Medium ( $> 2$ years)		
Long ( $> 8$ years)		
<b>Consumer's Risk (ability to bear loss) and Return profile</b>		
Low		The Fund has a risk level of High.
Medium		This product is not suitable for investors who have a limited ability to bear losses.
High		Key risks of an investment in the Fund include: <ul style="list-style-type: none"> <li>the inability of the Fund to meet redemption requests</li> <li>the risk that the Fund does not achieve its investment objective</li> <li>the risk that Unitholders may lose some or all their capital invested in the Fund; and</li> <li>regulatory risks, which includes the risk of potential changes to or interpretations of the legislation and government policies that preside over the hotel sector.</li> </ul>
Very High		There is an extensive regulatory regime that affects many aspects of the Fund's operating business, and any changes may affect profitability.
		The Fund's objective is to provide investors with regular and growing cash distributions and capital growth over the investment term.

CONSUMER ATTRIBUTES	TMD INDICATOR	PRODUCT DESCRIPTION INCLUDING KEY ATTRIBUTES
<b>Consumer's need to withdraw money</b>		
Daily		The Responsible Entity intends to provide liquidity initially on a quarterly basis through a Liquidity Facility on each 'closing date' commencing at the quarter ending 30 June 2022. The Responsible Entity expects that each quarterly liquidity offer will be capped at 2.5% of Unlisted Redcape's Directors NAV as at the end of the relevant quarter. Under the Constitution, the Responsible Entity will have up to 365 days to meet redemption requests, if needed.
Weekly		
Monthly		
Quarterly		Liquidity events may be cancelled, deferred, scaled back or suspended in exceptional circumstances including for so long as it is impracticable to offer liquidity, or if it would not be in the best interests of Unitholders for liquidity to be offered.  If liquidity is available, an investor's application for liquidity may be scaled back pro-rata to the amount of liquidity requested. If a scale back applies, the scaled-back component of an investor's application for liquidity may be carried over to the next withdrawal date (if available) under a carry forward facility.  This product is not suited to investors seeking daily, weekly or monthly liquidity.
Annually or longer		

## Appropriateness

Note: This section is required under RG 274.64–66.

The Issuer has assessed the product and formed the view that the product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market as described above, as the features of this product in Column three of the table above are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column two.

## Distribution conditions/restrictions

This part is required under section 994B(5)(c) of the Act.

DISTRIBUTION CONDITION	DISTRIBUTION CONDITION RATIONALE
<p>The Product is considered suitable for:</p> <ul style="list-style-type: none"> <li>Consumers who have received personal financial advice.</li> <li>Consumers who have not received personal financial advice.</li> </ul>	<ul style="list-style-type: none"> <li>Where a consumer is a client of a distributor and has received personal financial advice the distributor may rely on the excluded conduct provisions set out at section 994E(3) of the Corporations Act 2001.</li> <li>Where a consumer is a client of a distributor and has not received personal financial advice from them, the distributor must ensure the client has been reviewed by the distributor and deemed to be within the TMD.</li> <li>Where a consumer is making an application for the product directly with the issuer, as part of the investment application process they are required to: <ul style="list-style-type: none"> <li>Confirm that the PDS has been read</li> <li>Confirm the product's attributes as set out in the target market determination</li> </ul> </li> <li>A record acknowledging the above is to be retained.</li> </ul>

## REVIEW TRIGGERS

This part is required under section 994B(5)(d) of the Act.

- 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 REVIEW PERIODS

This part is required under section 994B(5)(e) and (f) of the Act.

Review period	Maximum period for review
Initial review	1 year and 3 months
Subsequent review	1 year and 3 months

## DISTRIBUTOR REPORTING REQUIREMENTS

This part is required under section 994B(5)(g) and (h) of the Act.

Reporting requirement	Reporting period	Which distributors this requirement applies to
Complaints (as defined in section 994A(1) of the Act) relating to the product design, product availability and distribution. The distributor should provide all the content of the complaint, having regard to privacy.	Within 10 business days following end of calendar quarter	All distributors
Significant dealing outside of target market, under s994F(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
To the extent a distributor is aware, dealings outside the target market, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	Within 10 business days following the end of the calendar quarter.	All distributors

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to Redcape Hotel Group Management Ltd using the method specified on this website: <https://mafinancial.com/asset-management/retail-funds/redcape-hotel-group/>. This link also provides contact details relating to this TMD for Redcape Hotel Group Management Ltd.

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# Definitions

TERM	DEFINITION
<b>Consumer's investment objective</b>	
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).
<b>Consumer's intended product use (% of Investable Assets)</b>	
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.
<b>Portfolio diversification (for completing the key product attribute section of consumer's intended product use)</b>	
Low	Single asset class, single country, low or moderate holdings of securities – e.g. high conviction Australian equities.
Medium	1–2 asset classes, single country, broad exposure within asset class, e.g. Australian 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).

TERM	DEFINITION
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### Consumer's intended investment timeframe

Short ( $\leq 2$ years)	The consumer has a short investment timeframe and may wish to redeem within two years.
Medium ( $> 2$ 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.

### Consumer's Risk (ability to bear loss) and Return profile

Issuers should undertake a comprehensive risk assessment for each product. The FSC recommends adoption of 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 [Standard Risk Measure Guidance Paper For Trustees](#). 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. Issuers may wish to supplement the SRM methodology by also considering other risk factors. For example, some products may use leverage, derivatives or short selling, may have liquidity or withdrawal limitations, 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.

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 one 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 four 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 six 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 six 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

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.

Daily/Weekly/Monthly/ Quarterly/Annually or longer	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.
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**TERM****DEFINITION****Distributor Reporting**

## Significant dealings

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.

Dealings outside this TMD may be significant because:

- 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).

In each case, the distributor should have regard to:

- 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).

Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:

- 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 *Solution / Standalone*, or
- the consumer's intended product use is *Core component* and the consumer's risk (ability to bear loss) and return profile is *Low*.