

# Smallco Investment Fund Target Market Determination

## Introduction

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 that comprises the target market for the Smallco Investment Fund (**SIF**) and matters relevant to SIF'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 the distribution of SIF 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 SIF. This document does not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring units in SIF should carefully read the PDS for SIF before making a decision whether to buy units in SIF.

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 calling Smallco directly on 02 8256 1000 or on the Smallco website at <https://www.smallco.com.au/How-To-Invest>.

## Target Market Summary

**This product is intended for use as a satellite/ minor allocation for a consumer who is seeking capital growth and has at least a high/risk 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 at least a 5 year investment timeframe and who is unlikely to need to withdraw their money on less than one week's notice, in normal market conditions.**

## Fund and Issuer identifiers

<b>Issuer and Fund Manager</b>	Smallco Investment Manager Limited ( <b>Smallco</b> )
<b>Issuer ABN and Fund Manager</b>	89 092 626 090
<b>Issuer and Fund Manager AFSL</b>	224108
<b>TMD Contact Details</b>	Available at: administration@smallco.com.au
<b>Fund</b>	Smallco Investment Fund ( <b>SIF</b> )
<b>ARSN</b>	103 148 107
<b>APIR Code</b>	ASC0001AU
<b>TMD issue date</b>	29 February 2024
<b>TMD Version</b>	4
<b><i>Distribution Status of Fund</i></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 with appropriate colour coding:

In target market	Not in target market
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### Instructions

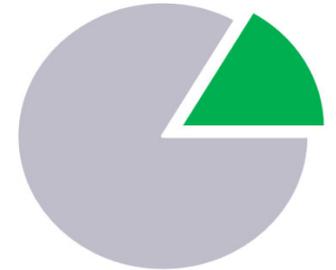
In the tables below, Column 1, Consumer Attributes, indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering this product. Column 2, TMD indicator, indicates whether a consumer meeting the attribute in column 1 is likely to be in the target market for this product.

## Appropriateness

The Issuer has assessed the product and formed the view that SIF, 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 balance 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).



Consumer Attributes	TMD Indicator	Product description including key attributes
<b>Consumer's investment objective</b>		
Capital Growth	In target market	SIF aims to provide capital appreciation through actively looking for high quality, smaller Australian listed companies whose share price is significantly less than what Smallco considers to be the true underlying value of the shares.  The Fund is not suitable for consumers seeking capital preservation or regular income payments. While SIF will pay its distributable income each year, there is no guarantee any net income will be generated and it is likely that distributions will vary considerably from year to year.
Capital Preservation	Not in target market	
Income Distribution	Not in target market	
<b>Consumer's intended product use (% of Investable Assets)</b>		
Solution/Standalone (up to 100%)	Not in target market	SIF invests mostly in smaller Australian listed companies but may invest up to 20% of the Fund in larger Australian listed companies and some cash. The manager classifies a smaller Australian listed company as a company outside the S&P/ASX 100 Index at the time the fund makes its initial investment. SIF's target number of holdings is 20-35.  The portfolio diversification of SIF is Low.
Major Allocation (up to 75%)	Not in target market	
Core Component (up to 50%)	Not in target market	
Minor Allocation (up to 25%)	In target market	
Satellite/small allocation (up to 10%)	In target market	
<b>Consumer's investment timeframe</b>		
Minimum Investment Timeframe	At least 5 years	The recommended minimum investment of SIF is at least 5 years.
<b>Consumer's Risk (ability to bear loss) and Return profile</b>		
Low	Not in target market	SIF has a standard risk measure of 6 (High to Very High). This means it is suited for a consumer who is high risk in nature and can accept high 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.
Medium	Not in target market	
High	In target market	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.
Very High	In target market	
Extremely High	In target market	

Consumer Attributes	TMD Indicator	Product description including key attributes
<b>Consumer's need to access capital</b>		
Within one week of request	In target market	<p>Under ordinary circumstances, withdrawals can be requested before 4pm on each Sydney business day and proceeds from your withdrawal will typically be available within 5 business days (although SIF's constitution allows Smallco to take 60 days).</p> <p>Smallco can delay access in some circumstances, although this has not happened in the 20 years of SIF's existence, such as:</p> <ul style="list-style-type: none"> <li>- when SIF is illiquid;</li> <li>- when something impacts on the ability to calculate NAV (for example, if markets are closed or disrupted or if market conditions are such that the realisation of assets would not reflect a value which could be obtained in an orderly market). Smallco can delay payment for so long as this goes on; or</li> <li>- without limiting the above, when a quantity of withdrawal requests representing more than 10% of SIF's value is received.</li> </ul>
Within one month of request	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	
10 years or more	In target market	
At issuer discretion	Not in target market	

## Distribution conditions/restrictions

Distribution Condition	Distribution Condition Rationale	Distributors this applies to
<p>Direct (and advised) consumers</p> <ul style="list-style-type: none"> <li>Investor to confirm in the online or paper application form that they are financially advised.</li> <li>Financial advisers to provide details of their AFS licence and confirm that they have reviewed and considered the TMD in providing personal advice to the investor.</li> </ul>	<p>Helps ensure personal advice has been provided.</p>	<p>All</p>
<p>Direct (and non-advised) consumers</p> <ul style="list-style-type: none"> <li>Direct investors who are wholesale and sophisticated investors can invest in the Fund.</li> <li>Retail (and non-advised) investors are asked to complete an online or paper application form available only from Smallco's website, and must read and accept the PDS, as well as respond to filtering questions relating to the TMD.</li> </ul>	<p>Helps ensure direct and non-advised consumers access the SBF via narrow distribution channels controlled by Smallco.</p>	<p>All</p>
<p>Platform/Wrap consumers</p> <ul style="list-style-type: none"> <li>Additional steps are not required for advised clients investing via a platform/wrap beyond consideration of Smallco's TMD by the adviser.</li> <li>Unadvised clients investing via a platform/wrap may not be able to access the Fund unless the platform has a process where the client is asked to complete basic filtering questions relating to Smallco's TMD.</li> </ul>	<p>Helps prevent investment by investors outside target market.</p>	<p>Platform/wrap distributors</p>
<p>All promotional material to be issued by Smallco.</p>	<p>Helps ensure consistency with TMD and PDS.</p>	<p>Smallco</p>

<b>Review triggers</b>
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.

<b>Mandatory review periods</b>	
<b>Review period</b>	<b>Maximum period for review</b>
Initial review	N/A (initial review has occurred)
Subsequent review	1 year and 3 months from date of the TMD

<b>Distributor reporting requirements</b>		
<b>Reporting requirement</b>	<b>Reporting period</b>	<b>Which distributors this requirement applies to</b>
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 s.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
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 end of calendar quarter	All distributors

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to Smallco Investment Manager Limited via email: [complaints@smallco.com.au](mailto:complaints@smallco.com.au).

### **Smallco Investment Manager Limited – Disclaimer**

This information has been prepared by Smallco Investment Manager Limited ABN 89 092 626 090, AFSL 224108 (**Smallco**). Smallco is the responsible entity of the Smallco Investment Fund ARSN 103 148 107.

This information may include general advice which does not take into account your individual objectives, financial situation or needs. The Target Market Determinations (TMDs) for our financial products include a description of who our funds are appropriate for. You should read both the relevant Product Disclosure Statement (PDS) and TMD carefully, assess whether the information is appropriate for you, and consider talking to a financial adviser before making an investment decision. The PDS and TMD can each be obtained from <https://www.smallco.com.au/How-To-Invest> or by calling us on 02 8256 1000. To the extent permitted by law, Smallco, its employees, consultants, advisers, officers and representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this TMD. This TMD is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. This TMD is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

# 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 <i>investable assets</i> . The consumer is likely to seek a product with at least <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 (up to 10%)	The consumer may hold the investment as up to 10% of their 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 collectables).
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 (eg. 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 and geographic markets with limited correlation to each other.
<b>Consumer's intended investment timeframe</b>	
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.
<b>Consumer's Risk (ability to bear loss) and Return profile</b>	
<p>This TMD uses the Standard Risk Measure (<b>SRM</b>) 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 <b><u>Standard Risk Measure Guidance Paper For Trustees</u></b> (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.</p> <p>A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.</p>	
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> </ul>

	<ul style="list-style-type: none"> <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>

### **Consumer's need to access capital**

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.

## 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*,
- the consumer's intended product use is *Core component or higher* and the consumer's risk/return profile is *Low*, or
- the relevant product has a green rating for consumers seeking extremely high risk/return.