

TARGET MARKET DETERMINATION

ARCULUS PREFERRED INCOME FUND

Effective Date: 15 November 2024

TMD Status: Current. Version 5

This Target Market Determination is issued by DDH Graham Limited (ABN 28 010 639 219, AFSL 226319) as the responsible entity of the Arculus Preferred Income Fund (ABN 24 855 773 708, ARSN 108 161 575, APIR DDH0001AU).

1. ABOUT THIS DOCUMENT

This Target Market Determination ('TMD') is required under section 994B of the *Corporations Act 2001* (Cth). 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 DDH Graham Limited's ('DDH') design and distribution arrangements for the product.

This document is not a Product Disclosure Statement ('PDS') and is not a summary of the product features or terms of the product. This document is not intended to provide financial advice and 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, the Additional Information Guide and any supplementary document(s) which outlines the relevant terms and conditions of the product when making a decision about this product.

2. ABOUT THE PRODUCT

The Arculus Preferred Income Fund ('Fund') was established to invest in a portfolio of fixed income securities, selected on a credit basis, diversified by asset type, industry exposure and style of interest rate distributions.

Management fees: 0.82% p.a.

AT A GLANCE

This product is **likely** suitable for consumers intending to use the product as a minor allocation of their overall investment portfolio, or those with a medium-risk profile seeking regular income and a low potential for loss of capital over the medium term.

Intended product use	Investment objective	Risk/return profile	Investment timeframe	Access to withdraw
				
Minor allocation	Capital preservation and regular income	Medium	Medium-term (3-5 years)	Daily (payment up to 7 business days)

This product is **unlikely** to be suitable for consumers intending to use as a standalone or major allocation of their overall investment portfolio, or those with a high-risk profile and a long-term investment timeframe seeking higher capital growth.

3. DESCRIPTION OF TARGET MARKET

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).

Detailed information regarding these attributes and the class of consumers that are likely to fall within the target market for the Fund, including the likely objectives, financial situation and needs that this product has been designed to meet can be found below.

Consumer attributes	TMD indicator	Product description including key attributes
Consumer's intended product use (% of investable assets)		
Solution/standalone (up to 100%)	<div></div> Not considered in target market	The Fund has a low portfolio diversification and is intended for use as a minor allocation of a consumer's investment portfolio.
Major allocation (up to 75%)	<div></div> Not considered in target market	
Core component (up to 50%)	<div></div> Potentially in target market	
Minor allocation (up to 25%)	<div></div> In target market	
Satellite allocation (up to 10%)	<div></div> Not considered in target market	
Investment objective		
Capital growth	<div></div> Not considered in target market	The Fund aims to provide a higher yield than traditional fixed income and cash with a high degree of liquidity in all market conditions, investing in a portfolio of fixed income securities.
Capital preservation	<div></div> In target market	
Capital guaranteed	<div></div> Not considered in target market	
Income distribution	<div></div> In target market	
Risk (ability to bear loss) & return profile		
Extremely high	<div></div> Not considered in target market	A medium-risk Fund with relatively stable returns and the potential for higher returns than low-risk investments over the medium term. The Fund aims to produce an investment return (before fees) of 3.5% in excess of the 90-day Bank Bill Swap Rate.
Very high	<div></div> Not considered in target market	
High	<div></div> Not considered in target market	
Medium	<div></div> In target market	
Low	<div></div> Not considered in target market	
Intended investment timeframe		
Short-term	<div></div> Not considered in target market	The Fund typically suits consumers with a medium-term investment horizon (3-5 years).
Medium-term	<div></div> In target market	
Long-term	<div></div> Potentially in target market	
Liquidity (need to withdraw money)		
Daily	<div></div> In target market	Redemptions from the Fund can be made on a business day. If received by 12pm (AEST), DDH will process your withdrawal on the same day, providing funds within seven business days.
Weekly	<div></div> In target market	
Monthly	<div></div> In target market	
Quarterly	<div></div> In target market	
Annually or longer	<div></div> In target market	

DDH has assessed the product and formed the view that the product, including key attributes is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market as described above. The features of this product are likely to be suitable for consumers who have a predominately green TMD Indicator for their consumer attributes.

4. HOW THIS PRODUCT IS DISTRIBUTED

DISTRIBUTION CHANNEL

This product has been designed to be distributed through the following means:

- Financial advisers and investors via platforms.

5. REPORTING BY A DISTRIBUTOR

We will collect and require our distributors to report on the following information in relation to this TMD:

- Complaints, total dealings and significant dealings outside of the TMD.

DDH TMD template: <https://ddhgraham.com.au/offer-documents-and-forms/>

Reports to be sent to DDO@ddhgraham.com.au

COMPLAINTS

We will receive reports on complaints in relation to this TMD on a quarterly basis, within 10 business days following the end of the calendar quarter. The distributor should provide all the content of the complaint, having regard to privacy constraints.

TOTAL DEALINGS OUTSIDE OF THE TMD

To the extent that the distributor is aware of dealings outside of the target market, these should be reported to DDH within 10 business days following the end of the calendar quarter, including the reason the acquisition is outside of the target market, and whether the acquisition occurred under personal advice.

SIGNIFICANT DEALINGS OUTSIDE OF THE TMD

We will receive reports if distributors become aware of significant dealing in relation to this TMD that is inconsistent with the TMD as soon as practical but no later than 10 business days after the distributor becomes aware of the significant dealing.

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to DDH using the method specified at <https://ddhgraham.com.au/offer-documents-and-forms/>.

6. REVIEWING THIS TARGET MARKET DETERMINATION

Initial review

3 months after the initial determination made.

Periodic review

12 months from effective date.

Review of this TMD

Should one of the following review triggers occur, this TMD will be reviewed within 10 business days. The results of the review will determine the outcome.

- Material change to key attributes, fund investment objective and/or fees.
- There are a large number of withdrawals from the Fund.
- There are significant losses to consumers who withdraw from the Fund.
- A liquidity event that negatively impacts the Fund and its ability to offer and meet regular withdrawals.
- If the Fund is removed from a number of Authorised Product Lists or other menus for distributors.
- Material or unexpectedly high number of complaints about the product or distribution of the product.
- A change in rating of the Fund by a Fund Rating Provider.
- Determination by DDH of an ASIC reportable Significant Dealing.

GLOSSARY

Term	Definition
Intended product use	
Solution/standalone (up to 100%)	The consumer may hold the investment as up to 100% of their total <i>investable assets</i> . The consumer is likely to seek a product with <i>very high</i> portfolio diversification.
Major allocation (up to 75%)	The consumer may hold the investment as up to 75% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>high</i> portfolio diversification.
Core component (up to 50%)	The consumer may hold the investment as up to 50% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>medium</i> portfolio diversification.
Minor allocation (up to 25%)	The consumer may hold the investment as up to 25% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>low</i> portfolio diversification.
Satellite allocation (up to 10%)	The consumer may hold the investment as up to 10% of their total <i>investable assets</i> . The consumer is likely to seek a product with <i>very low</i> portfolio diversification. Products classified as <i>extremely high risk</i> are likely to meet this category only.
Primary investment objective	
Capital growth	The consumer seeks to invest in a product designed to generate capital return. The consumer prefers exposure to growth assets 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 downturn. The consumer prefers exposure to defensive assets.
Capital guaranteed	The consumer seeks a guarantee or protection against capital loss whilst still seeking the potential for capital growth.
Income distribution	The consumer seeks to invest in a product designed to generate regular investment income. The consumer prefers income-generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments).
Risk (ability to bear loss) & return profile	
Extremely high	<p>The consumer has an extremely high-risk appetite, can accept significant volatility and losses, and seeks to obtain accelerated returns (potentially in a short timeframe).</p> <p>Consumer typically prefers 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 (e.g. crypto-assets or collectibles).</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 and possibly other risk factors, such as leverage).</p> <p>Consumer typically prefers growth assets such as high conviction portfolios or hedge funds.</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) 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>
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) 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 fixed income.</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) and is comfortable with a low target return profile.</p> <p>Consumer typically prefers defensive assets such as cash.</p>

Investment timeframe

Short-term	Less than 2 years
Medium-term	2 - 5 years
Long-term	Greater than 5 years

Liquidity (need to withdraw money)

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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TMD indicator

The Consumer Attributes for which the product is likely to be appropriate have been assessed using a green/amber/red rating methodology with appropriate colour coding:

■ In target market ■ Potentially in target market ■ Not considered in target market

In the table 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.

MORE INFORMATION

For more information please refer to the DDH Managed Funds Additional Information Guide available from <https://ddhgraham.com.au>.

Alternatively please phone Investor Services on 1800 226 174 between 9:00am and 5:00pm (AEST), Monday to Friday, or email investorservices@ddhgraham.com.au.