

Instructions and Key Definitions

Instructions:

The tables in this TMD provide an indication of the consumer (client) attributes that describe of the likely objectives, financial situation and needs of the class of clients that are considering this product. The TMD indicator provides guidance as to whether a client meeting the attribute is likely to be in the target market for this product.

Generally, a client is unlikely to be in the target market for the product if:

- one or more of their Client Attributes correspond to a red rating, or
- three or more of their Client Attributes correspond to an amber rating.

Investment products and diversification

A client (or class of client) 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 client's attributes for the relevant portion of the portfolio, rather than the client's portfolio as a whole. For example, a client 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 client's objectives for that allocation notwithstanding that the risk/return profile of the client as a whole is Low or Medium. In making this assessment, distributors should consider all features of a product (including its key attributes).

Key Definitions:

Term	Definition
Investment objective	
Capital Growth	For those seeking to invest in a product designed to generate capital return. May prefer exposure to growth assets (such as shares or property) or otherwise seek an investment return above the current inflation rate.
Capital Preservation	For those seeking to invest in a product to reduce volatility and minimise loss in a market downturn. May prefer 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	For those seeking a guarantee or protection against capital loss whilst still seeking the potential for capital growth (typically gained through a derivative arrangement). They would likely understand the complexities, conditions and risks that are associated with such products.
Income Distribution	For those seeking to invest in a product designed to distribute regular and/or tax-effective income. May prefer exposure to income-generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments).
Product use	
Solution/Standalone (75-100%)	For those intending to hold the investment as a majority component (up to 100%) of their total <i>investable assets</i> . In addition, typically prefer exposure to a product with High <i>portfolio diversification</i> (refer to the definitions below).
Core Component (25-75%)	For those intending to hold the investment as a major component (up to 75%) of their total <i>investable assets</i> . In addition, typically prefers exposure to a product with Medium <i>portfolio diversification</i> (refer to the definitions below).
Satellite (<25%)	For those intending to hold the investment as a smaller component (up to 25%) of their total <i>investable assets</i> . In addition, typically prefers exposure to a product with Low <i>portfolio diversification</i> (refer to the definitions below).
Investable assets	Those assets that the client has available for investment, excluding the residential home.
Portfolio diversification	
Low	Single asset class, single country, low or moderate holdings of securities. For example: High conviction Aust equities.
Medium	1-2 asset classes, single country, broad exposure within asset class. For example: Aust equities 'All Ords'.
High	Highly diversified across either asset classes, countries or investment managers. For example: Australian multi-manager balanced fund or global multi-asset product (or global equities).

Investment timeframe

Short (≤ 2 years)	The client has a short investment timeframe and may wish to redeem within two years.
Medium (> 2 years)	The client has a medium investment timeframe and is unlikely to redeem within two years
Long (> 8 years)	The client has a long investment timeframe and is unlikely to redeem within eight years

Client's Risk (ability to bear loss) and Return Profile

Low	The client is conservative or low risk in nature, seeks to minimise potential losses (eg has the ability to bear up to 1 negative return over a 20 year period) and is comfortable with a low target return profile. Client typically prefers defensive assets such as cash and fixed income.
Medium	The client is moderate or medium risk in nature, seeking to minimise potential losses (eg has the ability to bear up to 4 negative returns over a 20 year period) and comfortable with a moderate target return profile. Client typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.
High	The client is higher risk in nature and can accept higher potential losses (eg has the ability to bear up to 6 negative returns over a 20 year period) in order to target a higher target return profile. Client 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	The client has a more aggressive or very high risk appetite, seeks to maximise returns and can accept higher potential losses (eg has the ability to bear 6 or more negative returns over a 20 year period and possibly other risk factors, such as leverage). Client typically prefers growth assets such as shares, property and alternative assets.