

Merchant Biotech Fund

Target Market Determination – Funds Management

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 CIP Licensing Limited'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 consult their financial adviser and carefully read the Product Disclosure Statement, newsletters or other offer document for Merchant Biotech Fund (**Fund**) before making a decision whether to invest through this product.

Target Market Summary

This product is likely to be appropriate for a consumer:

- who has received general advice that is seeking to invest in a product that generates returns commensurate with those of the equities market with lower year to year volatility in income and asset value
- to be used as a specific asset class allocation within a portfolio
- where the consumer has a medium to long term investment timeframe
- with a medium to high risk profile
- that requires limited access to immediate capital.

Fund and Issuer identifiers

Issuer	CIP Licensing Limited
Issuer ABN	63 603 558 658
Issuer AFSL	471728
Fund	Merchant Biotech Fund
ARSN	654 495 468

Date TMD approved	5 November 2021
TMD Version	1
TMD Status	Final

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 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 customer 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.

Definitions of terms are in the attachment or otherwise in the PDS.

Consumer Attributes	TMD Indicator for product	Product description including key attributes
[<p>The Fund aims to deliver a gross return of approximately 7 percent per annum over the long term. Significant benefits that you may derive from investing in the Fund include:</p> <ul style="list-style-type: none"> • opportunity to access life science investment opportunities that are not normally available to retail investors; • Access to a management team with proven success in the life science sector over several years in multiple companies:

		<ul style="list-style-type: none"> • Access to a diversified portfolio of selected assets offering a combination of income and capital growth over the medium to long term; and • An opportunity to be involved in the long-term commercial future of Australian life science companies, with a special focus on domestic capital assets, domestic start-up companies and specialist mandated investments undertaken by external parties. <p>The Merchant Biotech Fund enables investors to get exposure to opportunities within the Life Sciences sector. This includes both established and early-stage ASX-listed Life Science companies, or Life Science companies soon to be listed across all markets of the Life Science sector. The Merchant Biotech Fund provides investment opportunities that investors could not necessarily find themselves, such as investing in companies at the pre-IPO stage.</p>
Consumer's investment objective	TMD Indicator for product	Product description including key attributes
Capital Growth	G	<p>The Merchant Biotech Fund (MOF) aims to materially outperform the ASX All Ordinaries Accumulation Index net of fees over a rolling 5 year period via investing in a portfolio of Australian companies listed - or soon to be listed - on the ASX.</p> <p>A dividend accumulation strategy will be applied where appropriate. Investments that offer high dividend yields will be considered where appropriate to enhance the liquidity of the Fund.</p> <p>The Fund has a bias towards capital gains however, subject to approval by the Responsible Entity, the Fund intends to pay a distribution of income to unitholders at least annually.</p>
Capital Preservation	A	
Capital Guaranteed	R	
Regular Income	A	
Consumer's intended product use	TMD Indicator for product	Product description including key attributes
Solution/Standalone (75-100%)	R	<p>This Fund is designed to be used as a component of a consumer's overall portfolio. The product is not recommended for a standalone investment as it has minimal portfolio diversification given its focus on one specific industry.</p>
Core Component (25-75%)	G	
Satellite/small allocation (<25%)	G	

		<p>The Fund will invest in financial assets in the Life Science sector, which may include private companies, pre-IPO Investments, ASX Listed Shares or other unit trusts that invest in asset classes such as:</p> <ul style="list-style-type: none"> • Australian equities; • Fixed interest or convertible note investments; • Seed or pre-IPO investments; • International equities; and • cash. <p>The Fund has a wide asset class allocation ranging from 0% to 100% for each of the above asset classes.</p>
Consumer's investment timeframe	TMD Indicator for product	Product description including key attributes
Short (≤ 2 years)	R	The recommended investment time frame is at least 5 to 7 years.
Medium (≤ 6 years)	G	
Long (> 6 years)	G	
Consumer's Risk (ability to bear loss) and Return profile	TMD Indicator for product	Product description including key attributes
Very high	G	The Fund is designed to form a component of the portfolio of a consumer which has a medium to high risk and return profile. As the Fund forms an allocation of a consumer's overall investment portfolio it is likely to be appropriate for consumers with varying Risk and Return profiles.
High	G	
Medium	G	
Low	A	
Consumer's need to withdraw money	TMD Indicator for product	Product description including key attributes
Daily	R	The product is likely not appropriate for a consumer that seeks to invest in a product which permits redemption/withdrawal of units in the Fund or a consumer that requires regular withdrawal of cash/access to capital. A unitholder in the Fund does not have a right in the Fund's Constitution to redeem/withdraw units on a daily, weekly or monthly basis. As at the date of this TMD being initially produced and the Fund is not yet operational it is classified as illiquid. If the Fund is illiquid, a unitholder may redeem units
Weekly	R	
Monthly	R	
Quarterly	G	
Annually or longer	G	

		<p>only if the Responsible Entity for the Fund makes a redemption offer to unitholders. It is the intention of the manager to offer a redemption facility each quarter.</p> <p>The product is likely to be appropriate for consumers that do not regularly need to withdraw money from the Fund.</p>
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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 below, as the attributes of this product in Column 3 of the table above are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2.

Distribution conditions/restrictions

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

Distribution Condition	Distribution Condition Rationale
Only suitable for distribution to consumers where the Fund forms a portion of a consumer's diversified portfolio.	The Fund is not recommended to be used as a standalone investment portfolio as it has medium diversification due to its focus on one specific industry
Only suitable for distribution to consumers that can make the minimum initial contribution in the Fund of \$25,000.00.	The Responsible Entity of the Fund will generally not allow a consumer to make an investment in the Fund below the minimum initial contribution.

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, 3 months
Subsequent review	3 years, 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
Report on each acquisition that is outside of target market, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice. Report to issuer using FSC data standard for acquisitions outside target market.	Within 10 business days following end of calendar quarter	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. Report to issuer using FSC data standard for DDO complaints.	No later than 1 business day after receiving a complaint	All distributors
Significant dealing outside of target market, under s994F(6) of the Act. Report to issuer using FSC data standard for significant dealings. See Definitions for definition of significant dealings.	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.	All distributors

Distributors should use the FCS template data standards for reports to the Issuer regarding complaints and significant dealings. Distributors must report to CIP Licensing Limited by email: compliance@investmentcollective.com.au

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 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.
Capital Guaranteed	The consumer seeks a guarantee or protection against capital loss whilst still seeking the potential for capital growth.
Regular Income	The consumer seeks to invest in a product designed to generate regular investor income. The consumer prefers income-generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments).
Consumer's intended product use	
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).
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).
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).
Investable Assets	Those assets that the investor has available for investment, excluding the family home.
Portfolio diversification (for completing the key product attribute section of consumer's intended product use)	
Very low	Single asset class, single country, low holdings of securities - e.g. high conviction Aussie Equities.
Low	Single Asset Class, Single Country, Moderate number of holdings, e.g. Aussie Equities Fund.
Medium	1-2 Asset Classes, Single Country, Broad exposure within asset class, e.g. Aussie Equities All Ords.
Medium High	Greater diversification across either asset classes or countries, e.g. global equities or Australian multi-asset.
High	Highly diversified across either asset classes, countries or investment managers, e.g. Australian multi-manager balanced fund or Global Equities extending beyond benchmark.
Very high	Diversified across asset classes AND across countries e.g. global multi-asset product.

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

Issuers should undertake a comprehensive risk assessment for each product. The FSC strongly 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.

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>
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>
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>
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>

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	<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>
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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*.