

## Target Market Determination - MezFi Fund 1

### 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 the Responsible Entity'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 MezFi Fund 1 (**Fund**) 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 via the website of the Investment Manager for the product at: [www.mezfi.com](http://www.mezfi.com).

### Target Market Summary

The Fund is likely to be appropriate for a consumer seeking returns through investments in underlying mezzanine finance funds (**underlying funds**). It is likely to be appropriate for a consumer that has a medium investment timeframe and a high risk/return profile. This product is not suitable for investors requiring capital preservation or access to capital during the investment term.

## Fund and Issuer identifiers

<b>Issuer</b>	Responsible Entity Services Limited	<b>APIR Code</b>	N/A
<b>Issuer ABN</b>	70 116 489 420	<b>ISIN Code</b>	N/A
<b>Issuer AFSL</b>	299024	<b>Date TMD approved</b>	10 November 2023
<b>Fund</b>	MezFi Fund 1	<b>TMD Version</b>	1
<b>ARSN</b>	127 384 767	<b>TMD Status</b>	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 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.

### 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	Not considered in target market	The Fund is an unlisted registered managed investment scheme. The Fund aims to provide investors with returns generated through investments in underlying mezzanine finance funds.
Capital Preservation	Not considered in target market	The performance of the Fund is dependent on various external factors such as the performance of the property market, the cash rate and the manager's ability to find suitable investments for the Fund, as well as the ability of the underlying funds to find suitable investments.
Capital Guaranteed	Not considered in target market	Investors will generally be able to elect whether they wish to receive income from funds as distributions or whether they wish for income to be reinvested into new investment opportunities (new mezzanine loans). If an investor elects to receive income to be distributed, such distributions will always be subject to the discretion of the Responsible Entity and may consist of either income from loans or investment capital at the discretion of the Responsible Entity. The Responsible Entity also maintains the ability to distribute income and/or investment capital at any time during the investment term of the Fund, in its discretion.
Income Distribution	Potentially in target market	This product may be suitable for consumers seeking income distributions on an irregular basis as it is expected that the Fund will only receive distributions from the underlying funds upon maturity of each mezzanine loan and subject to the discretion of the Responsible Entity. The

Consumer Attributes	TMD Indicator	Product description including key attributes
		Responsible Entity's ability to pay distributions from the Fund is contingent on the income the Fund receives from the underlying funds, after paying all expenses, therefore there is a risk of volatility of income distributions to investors. This income distribution attribute therefore aligns with an investor with a <i>High to Very High Risk</i> (ability to bear loss) and Return profile.
<b>Consumer's intended product use (% of Investable Assets)</b>		
Whole portfolio (up to 100%)	Not considered in target market	The Fund is intended for investors that already have other investments. As the Fund intends to invest only in mezzanine finance funds ( <i>Low portfolio diversification</i> ), it is not suitable for investors that do not already have a diversified portfolio. The Fund is suitable for investors intending to use the Fund as a satellite/small allocation of 10% of investable assets or less, not including their residence available for investment after deduction of a liquidity buffer of \$5,000.
Major allocation (up to 75%)	Not considered in target market	
Core component (up to 50%)	Not considered in target market	
Minor allocation (up to 25%)	Not considered in target market	
Satellite/small allocation (up to 10%)	In target market	
<b>Consumer's investment timeframe</b>		
Short ( $\leq 2$ years)	Not considered in target market	The optimal investment timeframe for this product is in the medium range. The Fund invests in underlying funds which are illiquid. Responsible Entity does not intend to make any withdrawal offers during the investment term, so the Fund is suited to investors who are willing to hold their investment for the entire investment term (expected to be approximately 18 months to 3 years).
Medium (2-5 years)	In target market	
Long ( $> 5$ years)	Not considered in target market	
<b>Consumer's Risk (ability to bear loss) and Return profile</b>		

Consumer Attributes	TMD Indicator	Product description including key attributes
Low	Not considered in target market	The Fund is considered High to Very High risk due to the inherent risks associated with its portfolio consisting of investments in mezzanine finance funds, which is highly susceptible to uncontrollable economic factors such as the overall performance of the underlying funds, the property market, development costs and the cash rate.
Medium	Not considered in target market	
High	Potentially in target market	The Fund is more suitable for investors who are looking for a higher return while noting the possibility of losses where the Fund's portfolio does not perform as expected.
Very High	In target market	
Consumer's need to withdraw money		
Daily	Not considered in target market	The Fund should be considered illiquid and the Responsible Entity is not intending to make any withdrawal offers during the investment term. The Fund is suitable for investors that do not require access to capital until the end of the investment term (expected to be approximately 18 months to 3 years).
Weekly	Not considered in target market	
Monthly	Not considered in target market	
Quarterly	Not considered in target market	
Bi-Annually	Not considered in target market	
Annually or longer	In target market	

## Appropriateness

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 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 product can only be offered and/or issued in accordance with the relevant product terms and conditions outlined in the PDS (as amended from time to time)

Distribution Condition	Distribution Condition Rationale
Direct	<p>Direct investors who are wholesale or sophisticated investors can invest in the Fund.</p> <p>Direct investors who are retail investors are asked to complete a series of questions in the application form in order for the Issuer to understand whether the consumer is likely to be within the target market. The Issuer will review the information provided in response to the questions, assess those answers against the Fund's key attributes (set out above), and assess whether it is likely the investor is in the target market and an investment in the Fund would likely be consistent with the likely objectives, financial situation and needs of the investor. Where the Issuer concludes the investor is not likely to be within the target market, the Issuer may reject the application or seek further information from the investor.</p>
All distributors	<p>This product may only be offered and/or issued in accordance with the product's terms and conditions detailed in the PDS (as amended from time to time). The application form attached to the PDS includes filtering questions directed towards consumers in the target market.</p>

Distribution Condition	Distribution Condition Rationale
Advisers	<p>Advisers must:</p> <ul style="list-style-type: none"> <li>▪ be authorised to provide personal financial product advice in respect of, and deal in, interests in a managed investment scheme;</li> <li>▪ provide to the Responsible Entity the details of their AGS licence, including their adviser number from the Moneysmart website;</li> <li>▪ confirm to the Responsible Entity that the acquisition of the product is consistent with the personal financial product advice provided by the adviser.</li> </ul> <p>These restrictions will make it more likely that consumers within the target market as the investors must obtain personal advice that the product is suitable for them, and the Responsible Entity has the discretion to accept or refuse the application for investment based on the information provided by the adviser.</p>

Review triggers
Material change to key attributes, fund investment objective and/or fees or expenses.
Material deviation from benchmark / objective to a material degree or over a sustained period (eg two consecutive financial years).
Key attributes have not performed as disclosed by a material degree and for a material period.
Any significant increase in fund outflow or losses suffered by unit holders which reasonably suggests the product is not going to achieve its investment objective over a certain time.
The liquidity of the product has changed, reasonably suggesting that this TMD is no longer appropriate.
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	12 months from the date of this TMD
Subsequent reviews	12 months after the last review

<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 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 end of calendar quarter.	All distributors

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to Responsible Service Entity Limited using the email address specified: [projects@reservice.com](mailto:projects@reservice.com).



## 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>	
Whole portfolio (up to 100%)	The consumer intends to hold the investment as up to 100% of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least a High <i>portfolio diversification</i> (see definitions below).
Major allocation (up to 75%)	The consumer intends to hold the investment as up to 75% of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least a Medium to High <i>portfolio diversification</i> (see definitions below).
Core component (up to 50%)	The consumer intends to hold the investment as up to 50% of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least a Medium <i>portfolio diversification</i> (see definitions below).

Term	Definition
Minor allocation (up to 25%)	The consumer intends to hold the investment as up to 25% of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least a Low to Medium <i>portfolio diversification</i> (see definitions below).
Satellite / small allocation (up to 10%)	The consumer intends to hold the investment as up to 10% of their 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.

#### Portfolio diversification (for completing the key product attribute section of consumer's intended product use)

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).

#### 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 - 5 years)	The consumer has a medium investment timeframe and is unlikely to redeem within two years.
Long ( $> 5$ years)	The consumer has a long investment timeframe and is unlikely to redeem within five years.

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

Term	Definition
	<p>Issuers should undertake a comprehensive risk assessment for each product. The FSC recommends adoption of the Standard Risk Measure (<b>SRM</b>) 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 consider the impact of fees, costs and taxes.</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>
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>
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>
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>

**Consumer's need to withdraw money**

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**Term****Definition**

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/Bi-annually/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.

**Review triggers and 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. Section 994G of the Act requires the Issuer to notify ASIC if it becomes aware of a significant dealing in the Fund that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors and the Issuer have discretion to apply its ordinary meaning. Whether or not a dealing is significant is a matter to be determined in the circumstances of each case and must be determined having regard to ASIC's policy in RG 274.

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

Term	Definition
	<ul style="list-style-type: none"> <li>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).</li> </ul> <p>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:</p> <ul style="list-style-type: none"> <li>it constitutes more than half of the distributor's total retail product distribution conduct in relation to the product over the reporting period,</li> <li>the consumer's intended product use is <i>Whole portfolio</i>, or</li> <li>the consumer's intended product use is <i>Core component</i> and the consumer's risk (ability to bear loss) and return profile is <i>Low</i>.</li> </ul>

### **Disclaimer**

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