



Target Market Determination

H&G High Conviction Limited

Date of issue: 5 September 2022

About this document

This Target Market Determination (**TMD**) is required under section 994B(5)(b) 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.

This TMD is not a prospectus or product disclosure statement and is not a summary of the product features or terms of the product. This TMD does not take into account any person's individual objectives, financial situation or needs. This TMD should be read in conjunction with the prospectus for H&G High Conviction Limited dated 26 August 2022 (**Prospectus**).

Target Market Summary – H&G High Conviction Limited

H&G High Conviction Limited (**Company**) is likely to be appropriate for a consumer seeking capital growth, to be used as a satellite/small allocation of their portfolio where the consumer has a long investment timeframe and a very high risk/return profile.

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). 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
Consumer's investment objective		
Capital Growth		The Company aims to grow the value of your investment over the medium to long term, primarily through capital growth, by investing in a concentrated portfolio of Australian micro capitalisation shares (being companies with a market capitalisation of less than \$300 million at the time of initial investment), and to provide a total return (after fees) that exceeds the S&P/ASX 300 Accumulation Index
Capital Preservation		
Capital Guaranteed		
Income Distribution		<p>The Company intends to pay dividends to shareholders, where and when available, from the dividends received from underlying investment portfolio companies, and a portion of realised profits from the sale of securities in investment portfolio companies, provided that the Company has sufficient profit reserves and franking credits, and it is within prudent business practices to do so.</p> <p>The Company's current investment portfolio is based on assets acquired from an investment trust which from 1 December 2007 to 23 June 2022 generated surpluses which were distributed to the trust's unitholders</p> <p>As the investment strategy of the Company includes long term capital growth through investments in ASX-listed companies with a market capitalisation of up to \$300 million, it is possible that dividends may be low (or nil) in any given period. In particular, there is a risk that dividends received from underlying Portfolio Companies may be low (or nil) during initial investment years due to the nature of the Portfolio Companies and their stage of commercialisation, which may impact on the Company's ability to pay dividends to Shareholders and the size and level of franking on any such dividend.</p>

Consumer attributes	TMD Indicator	Product Description including key attributes
		It is the current policy of the Company that all dividends paid to shareholders will be franked to 100% (or to the maximum extent possible without incurring liability to franking deficit tax). However, no assurances can be given by the Company about the payment of any dividend and the level of franking on any such dividend.
Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (75-100%)		<p>The Company is likely to be appropriate for a consumer to include as a satellite/ small allocation of their portfolio.</p> <p>Where the consumer has a very high risk/return profile, the Company is potentially appropriate to include as a moderate allocation of their portfolio.</p>
Core Component (25-75%)		<p>The Company invests in a concentrated portfolio of approximately 20 to 25 ASX-listed companies.</p> <p>The Company has set the following investment portfolio weighting guidelines for its investment manager to follow:</p> <ul style="list-style-type: none"> • no more than 20% of net assets invested in a single position (by cost value); • between 50% and 95% of the investment portfolio invested in publicly listed companies; • specific focus on ASX-listed companies with a market capitalisation of up to \$300m at the time of initial investment; • cash weighting between 5% and 50% of net assets; and • no more than 10% of capital allocated (at cost) to hedging activities. This capital is inclusive of any hedge deposits required.
Moderate allocation (6-25%)		
Satellite/small allocation (<6%)		<p>However, these should be viewed as guidelines only, not as absolute limits. Where the investment portfolio weighting guidelines are not complied with for any reason, the Company's investment manager will seek to adjust to bring the portfolio back within the limits.</p>
Consumer's investment timeframe		
Short (≤ 2 years)		The suggested timeframe for holding investments in the Company is 5 years
Medium (> 2 years but < 5 years)		
Long (> 5 years)		

Consumer attributes	TMD Indicator	Product Description including key attributes
Consumer's Risk (ability to bear loss) and Return profile		
Low		The Company is likely to be appropriate for a consumer with a very high risk/return profile.
Medium		An investment in the Company should be considered speculative. There is a high risk of short-term loss of some, or all, of the capital invested compared to other investment types, but with the
High		potential to deliver higher investment returns over the minimum suggested timeframe.
Very High		
Consumer's need to withdraw money		
Daily		Investors will not be able to redeem their investment in the Company because of its corporate structure – ie as a company listed on the Australian Securities Exchange (ASX).
Weekly		
Monthly		
Quarterly		
Annually or longer		

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

Distribution Condition	Distribution Condition Rationale
<p>The product will only be issued to a consumer under the Prospectus if the following conditions are satisfied:</p> <ul style="list-style-type: none"> an offer to arrange for the issue of the product under the Prospectus has been made to such consumer by a Licensed Dealer (ie the holder of an Australian Financial Services Licence under the Corporations Act 2001), and the consumer has accepted such offer; the Licensed Dealer has confirmed to the Company that: <ul style="list-style-type: none"> (product and risks) they have considered the Prospectus and this TMD before agreeing to arrange for the issue of the product under the Prospectus including the risks associated with an investment in the Company and how these risks may affect who is in the target market; (marketing) the Licenced Dealer has not marketed the offer to potential consumers to whom it is aware do not have the characteristics set out in the TMD; and (investment fairly represented) the Licenced Dealer has fairly represented the Company and a potential investment in the Company and has not used gross 'non-actual' past performance based on other funds managed by the Manager. 	<p>The Company does not hold an Australian Financial Services Licence under the Corporations Act 2001 and is therefore not permitted to make an offer to arrange for the issue of the product to retail investors. Accordingly, the Company will engage Licensed Dealers to act as authorised intermediaries to facilitate the offer.</p> <p>The Licensed Dealer confirmations have been included to ensure that the Company's intended distribution channels and methods is likely to result in distribution being consistent with this TMD.</p>

Review of this TMD

This part is required under section 994B(5)(d) – (f) of the Act.

Review Triggers
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	
Review period	Maximum period for review
Initial review	1 year and 3 months
Subsequent review	3 years and 3 months

Distributor reporting requirements		
This part is required under section 994B(5)(g) and (h) of the Act.		
Reporting requirement		
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.	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

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 (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 assets 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 which may distribute and/or tax-effective income. The consumer prefers exposure to assets which may generate income through dividend yields.
Consumer's intended product use (% of Investable Assets)	
Solution/Standalone (75-100%)	The consumer intends to hold the investment as either a part or the majority (up to 100%) of their total investable assets (see definition below). The consumer typically prefers exposure to a product with at least High portfolio diversification (see definitions below).
Core Component (25-75%)	The consumer intends to hold the investment as a major component, up to 75%, of their total investable assets (see definition below). The consumer typically prefers exposure to a product with at least Medium portfolio diversification (see definitions below).
Moderate allocation (6-25%)	The consumer intends to hold the investment as a moderate part of their total portfolio (ie between 6% and 25%). The consumer is likely to be comfortable with exposure to a product with Low to Medium portfolio diversification (see definitions below).
Satellite/small allocation (<6%)	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 6% of the total investable assets (see definition below). The consumer is likely to be comfortable with exposure to a product with Low portfolio diversification (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 Aussie equities.
Medium	1-2 asset classes, single country, broad exposure within asset class, e.g. Aussie 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 investment timeframe	
Short (≤ 2 years)	The consumer has a short investment timeframe and may wish to exit their investment within two years.
Medium (> 2 years but < 5 years)	The consumer has a medium investment timeframe and is unlikely to exit their investment within two years but is likely to exit their investment before five years.
Long (> 5 years)	The consumer has a long investment timeframe and is unlikely to exit their investment within five years.
Consumer's risk (ability to bear loss) and return profile	
<p>Issuers should undertake a comprehensive risk assessment for each product. The FSC 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.</p> <p>A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.</p>	
Low	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. Consumer typically prefers defensive assets such as cash and fixed income.
Medium	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. Consumer 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 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. 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	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). Consumer typically prefers growth assets such as shares, property and alternative assets.

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

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.

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.