

Schroders RF Select Credit Fund Residual Stock Loan

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 Schroder's RF Limited 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 participating in the Schroders RF Select Credit Fund (**Fund**) should carefully read the Product Disclosure Statement (**PDS**) before making a decision whether to apply to become a Member of the Fund.

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 at our website www.schrodersrf.com or by contacting Investor Relations on 02 9954 2211 or investor@schrodersrf.com

Target Market Summary

This product is **likely** to be suitable for a consumer with the following investment profile, attributes and/or capabilities:

- are able to invest their money for the short to medium term, in particular:
 - 0 to 2 years for those investors invested in the **Cash Holdings** (with the ability to redeem at any time with no minimum specified investment period); and
 - 6 months to 2 years for those investors who choose to invest in a **Residual Stock Loan** (with no redemption rights whatsoever during the term of the loan);
- have a Low to Medium risk appetite (when invested in both **Cash Holdings** and a **Residual Stock Loan**), and otherwise:
 - Low to Medium risk appetite for those investors invested in **Cash Holdings**; and
 - Low to Medium risk appetite for those investors invested in a **Residual Stock Loan**;
- are seeking monthly distributions with returns equivalent or in excess of the current Reserve Bank of Australia (RBA) cash rate;
- who wish to add a Low to Medium risk mortgage backed investment product with monthly distributions as a small to core component of their investment portfolio.

Fund and Issuer Identifiers

Issuer	Schroders RF Limited
Issuer ABN	54 289 265 270
Issuer AFSL	238 546
Fund	Schroders RF Select Credit Fund
ARSN	090 994 326
Loan / Syndicate Type	Residual Stock Loan
Date TMD Approved	10 March 2023
TMD Version	2.0
TMD Status	Current

Product Description

The Fund is a contributory mortgage scheme that aims to provide investors with regular income and capital stability from Mortgage Investments secured by a registered mortgage over legal interests in real property in Australia. The Fund offers Mortgage Investments for several loan types and each loan type has its own TMD.

After becoming a Member of the Fund, investment monies are held in the Cash Management Account (**Cash Holdings**). Members may then apply to become a Syndicate Member in a Mortgage Investment and use some or all of their Cash Holdings to invest in that specific Syndicate.

Description of Target Market

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).

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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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 the terms used here are in the Definitions section at the end of this document.

Consumer Attributes	TMD Indicator			
Consumer's Investment Objective				
	Capital Growth	Capital Preservation	Capital Guaranteed	Income Distribution
Cash Holdings				
Residual Stock Loan				
Product description including key attributes				
<p>Cash Holdings are likely to be suitable for an investor seeking to achieve capital preservation as well as provide regular monthly distributions that are equivalent or above the RBA cash rate.</p> <p>After becoming a Member of the Fund, an investor may apply to use some or all of their Cash Holdings to become a Syndicate Member in a Mortgage Investment in a Residual Stock Loan where the Mortgage Investment is secured by the remaining unsold stock from a previous development. The objective of the Residual Stock Loan is to achieve capital preservation as well as provide regular monthly distributions.</p>				
Consumer's intended product use (% of Investable Assets)				
	Solution/Standalone (75-100%)	Core Component (25-75%)	Satellite/Small Allocation (<25%)	
Cash Holdings				
Residual Stock Loan				
Product description including key attributes				
<p>An investor should hold their Cash Holdings in the Fund as a small to core part of their total investment. An investor in a Residual Stock Loan should hold the investment in the respective Syndicate as a smaller part of their investment portfolio.</p>				

Consumer's Investment Timeframe					
	Short (< 2 years)	Medium (2-5 years)	Long (> 5 years)		
Cash Holdings					
Residual Stock Loan					
<u>Product description including key attributes</u>					
<p>Cash Holdings are likely to be suitable for an investor seeking a capital stable investment with monthly distributions that yield returns that are equivalent or above the RBA cash rate over a one month to periods up to 2 years.</p> <p>The term a Residual Stock Loan is generally between 9 and 12 months with a maximum suggested timeframe of up to 18 months. A Residual Stock Loan is likely to be suitable for an investor seeking a capital stable investment with monthly distributions for periods up to 18 months.</p>					
Consumer's Risk (ability to bear loss) and Return profile					
	Low	Medium	High	Very High	
Cash Holdings					
Residual Stock Loan					
<u>Product description including key attributes</u>					
<p>Cash Holdings are held in an Australian domiciled bank account pending investment in a Mortgage Investment. The Cash Holdings are likely to be suitable for an investor with a low ability to bear a loss of investment capital.</p> <p>A Residual Stock Loan is considered to be low to medium risk. A Residual Stock Loan is suitable for an investor who seeks to minimise potential losses with a low to medium ability to bear a loss of investment capital.</p>					
Consumer's need to withdraw money					
	Daily	Weekly	Monthly	Quarterly	Annually or longer
Cash Holdings					
Residual Stock Loan					
<u>Product description including key attributes</u>					
<p>Cash Holdings may be redeemed upon 5 business days' notice. The Cash Holdings are likely to be suitable for investors who may need to redeem part or all of their Cash Holdings on relatively short notice.</p> <p>Once a Residual Stock Loan syndicate is formed and the Mortgage Investment is made, a Syndicate Member has no right to withdrawn from the Syndicate until the Mortgage Investment is repaid. A Residual Stock Loan is likely to be suitable for an investor that does not require regular or frequent access to capital.</p>					

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 the table above are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in the columns above.

The Issuer considers that the distribution conditions will make it more likely that the investors who invest in the Fund and in a **Residual Stock Loan** are in the target market on the basis of:

- The online and paper application form for the Fund include filtering questions and alerts relevant to the distribution conditions.
- The Issuer's Distributors DDO Guide provides information to distributors about the Issuer's expectations and requirements in relation to the distribution of the Fund.
- The Fund's advertisements and website content is directed towards consumers in the Fund's target market.

Distribution conditions/restrictions

Distribution Channel	Distribution condition and rationale
Direct	<ul style="list-style-type: none"> Direct investors who are wholesale or sophisticated investors can invest in the product Retail investors are asked to complete an online or paper application form, including filtering questions, relating to the TMD.
Adviser	<ul style="list-style-type: none"> Investor to confirm through the online or paper application form that they are financially advised Financial advisers to provide details of their AFS licence and confirm that they have reviewed and considered the TMD in providing personal advice to the investor.

Review triggers

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 directly affects the product.

Mandatory review periods

Review period	Maximum period for review
Initial review	1 year and 3 months
Subsequent review	At least once every year since the date of the last review of the TMD (for whatever reason)

Distributor reporting requirements

Reporting requirement	Reporting period	Which distributors this requirement applies to
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 Schroders RF by forwarding an email to DDO@schrodersrf.com.

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 (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 downturn. 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).
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 <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least High <i>portfolio diversification</i> (see definitions 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). The consumer typically prefers exposure to a product with at least Medium <i>portfolio diversification</i> (see definitions 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). 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 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 intended investment timeframe	
Short (< 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 to five years.
Long (> 5 years)	The consumer has a long investment timeframe and is unlikely to redeem within two 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 <i>Standard Risk Measure Guidance Paper For Trustees</i>. 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>	
A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.	

Consumer's Risk (ability to bear loss) and Return profile	
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	
<p>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.</p>	
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>
Distributor Reporting	
Significant dealings	<p>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.</p> <p>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.</p> <p>Dealings outside this TMD may be significant because:</p> <ul style="list-style-type: none"> • 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). <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> • 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). <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"> • 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 <i>Solution / Standalone</i>, or • 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>.

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