

Target Market Determination

ACORN CAPITAL MICRO OPPORTUNITIES FUND (the “Fund”)

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 Fund, 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 Issuer’s design and distribution arrangements for the Fund.

This document is not a product disclosure statement and is not a summary of the product features or terms of the Fund. This document does not take into account any person’s individual objectives, financial situation or needs. Persons interested in acquiring units in the Fund should carefully read the Product Disclosure Statement (PDS) and the associated Reference Guide (RG) for the Fund before making a decision whether to invest, which can be obtained free of charge by contacting info@acorncapital.com.au

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 Fund’s PDS, unless otherwise defined.

Target Market Summary

The Fund is likely to be appropriate for a consumer seeking **capital growth** to be used as a **satellite** of their portfolio where the consumer has a **long** investment timeframe and **high/very high** risk/return profile.

The Fund is unlikely to be appropriate for a consumer seeking **capital preservation** or **income distribution**.

Fund and Issuer identifiers

| | | | |
|--------------------|--|-------------------------------|------------------|
| Issuer | Evolution Trustees Limited | ISIN Code | AU60ACQ47646 |
| Issuer ABN | 26 611 839 519 | Market Identifier Code | NA |
| Issuer AFSL | No. 486217 | Product Exchange code | NA |
| Fund | Acorn Capital Micro Opportunities Fund | Date TMD approved | 15 December 2023 |
| ARSN | 673 344 833 | TMD Version | 1 |
| APIR Code | ACQ4764AU | TMD Status | 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 Fund 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 |
|------------------|------------------------------|---------------------------------|

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 investing in the Fund. Column 2, TMD indicator, indicates whether a consumer meeting the attribute in column 1 is likely to be in the target market for the Fund.

Generally, a consumer is unlikely to be in the target market for the Fund 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 |
|--|---------------|---|
| Consumer's investment objective | | |
| Capital Growth | Green | The Fund aims to outperform the S&P/ASX Emerging Companies Accumulation Index over the medium to long term (after fees). The Fund seeks to build a select, actively managed portfolio of microcap companies that are listed, or expected to be listed, on the Australian Securities Exchange (ASX). |
| Capital Preservation | Red | |
| Capital Guaranteed | Red | |
| Income Distribution | Red | |
| Consumer's intended product use (% of Investable Assets) | | |
| Solution/Standalone (75-100%) | Red | The Fund has medium diversification and aims to be fully invested. |
| Core Component (25-75%) | Red | The Fund predominantly invests in a portfolio of listed small and micro-cap Australian equities which are primarily chosen from outside the ASX 250. The Fund will generally hold between 50 and 70 listed companies. In addition, it may invest in unlisted companies which are expected to be listed on any recognised exchange. The Fund has <i>Medium</i> portfolio diversification. |
| Satellite/small allocation (<25%) | Green | |
| Consumer's investment timeframe | | |
| Short (≤ 2 years) | Red | The minimum suggested timeframe for holding investments is at least 5 years. |
| Medium (> 2 years) | Yellow | The Fund has a higher risk of short term capital loss but with the potential to deliver higher returns over at least a 5 year period |
| Long (> 8 years) | Green | |
| Consumer's Risk (ability to bear loss) and Return profile | | |
| Low | Red | The Fund has a risk band of 6 (High to Very High). |
| Medium | Red | |
| High | Green | Investors in the Fund will generally have high allocations to other growth assets such as shares and property and smaller allocations to cash or fixed interest. |
| Very High | Green | |
| Consumer's need to withdraw money | | |
| Daily | Green | If we receive your correctly completed withdrawal request, then we generally process these on the business day of receipt provided your request is received before 2pm Melbourne |
| Weekly | Green | |

| | | |
|--------------------|--|---|
| Monthly | | time. Withdrawals will be processed using the unit price effective for that day. If your request is received after this time, it will be processed the following business day using the unit price effective on that day. We can also delay processing withdrawal requests or stagger the payment of large amounts from the Fund according to the Fund's constitution if we believe that's in the best interest of consumers (see "Delays" section in the PDS for more information). |
| Quarterly | | |
| Annually or longer | | |

Appropriateness

Note: This section is required under RG 274.64–66.

The Issuer has assessed the Fund and formed the view that the Fund, 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 the Fund 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 |
|---|---|
| Suitable for distribution to retail consumers who have received personal advice at the time of making their investment in the Fund. | Distribution is permitted if the distribution is implemented in the course of the investor receiving personal advice from the distributor or a licensed financial adviser at the time of the initial investment where the adviser best interest and other duties apply; |
| OR | |
| Suitable for consumers who meet the definition of 'Wholesale Client' under the Corporations Act 2001. | Wholesale Clients are typically better informed and better able to assess the risks involved in financial transactions. Accordingly, they should be better able to assess whether an investment in the Fund is appropriate to their personal circumstances. |

| 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. |

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| 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 Fund or distribution of the Fund. |
| The use of Product Intervention Powers, regulator orders or directions that affects the Fund. |

| 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 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 | 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 other than execution-only brokers |
| 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 the end of the calendar quarter. | All distributors other than execution-only brokers |

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to the Issuer using the method specified on this website: www.fsciml.com.au/reporting. This link also provides contact details relating to this TMD for the Issuer.

This TMD is issued by Evolution Trustees Limited ABN 29 611 839 519, AFSL 486217 (**Issuer**). Issuer is the responsible entity and issuer of units in the Fund. This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction.

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Definitions

| Term | Definition |
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| 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 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". |

| Term | Definition |
|--|--|
| 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 years) | The consumer has a medium investment timeframe and is unlikely to redeem within two years. |
| Long (> 8 years) | The consumer has a long investment timeframe and is unlikely to redeem within eight years. |
| Consumer's Risk (ability to bear loss) and Return profile | |
| The following consumer risk measure, known as the Standard Risk Measure (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. | |
| 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 | |
| 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. |

| Term | Definition |
|------------------------------|--|
| 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>. |