

## Target Market Determination Guidance – Investment Bond

### Legal disclaimer

A Target Market Determination (TMD) is required under section 994B of the *Corporations Act 2001* (Cth). It sets out the target market for the product, triggers to review the target market and certain other information. It forms part of Centuria Life Limited’s design and distribution framework 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 consider any person’s individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the Product Disclosure Document for Centuria LifeGoals before deciding whether to invest in this product.

### Target Market Determination

Name of product	<i>Centuria LifeGoals</i>
APIR	OVS0760AU
TMD date	<i>5 October 2021</i>
TMD Version	<i>1</i>
Product description	This product is suitable for a broad range of investors seeking to achieve one or more of the objectives noted below. The product enables investment both up front and by additional investment to accumulate an investment balance in a tax paid structure and provides investors with a range of underlying investment options with different risk and return profiles.
Key product attributes	<p>This product is a tax paid (capped at the life insurance rate of 30% less allowable deductions) investment that:</p> <ul style="list-style-type: none"> <li>• has a range of investment choices for a customer across different asset classes and active managers including low cost index funds; and</li> <li>• If the investor withdraws within 10 years they will declare the earnings less 1/3 in year 9 and 2/3s in year 10 in their personal tax and receive a 30% tax rebate;</li> <li>• has no personal tax to declare after 10 years;</li> <li>• no contribution caps in the initial year of investment;</li> <li>• allows for additional annual contributions (subject to the 125% rule);</li> <li>• allows the policy owner to nominate a life insured;</li> <li>• allows the policy owner to nominate beneficiaries;</li> <li>• allows beneficiaries to be paid directly by Centuria Life outside an investor’s estate in the event of the death of the life insured to provide certainty for estate planning;</li> <li>• allows investors to establish a long-term regular investment plan, helping them reach a savings goal for a key life event;</li> </ul>

	<ul style="list-style-type: none"><li>• can be assigned to new owner at any time.</li></ul>
Issuer name	<i>Centuria Life Limited</i>
Issuer AFSL	230 867
Issuer ABN	79 087 649 054

## Target Market

**The Target Market is the class of persons who are the type of customer set out below, who have the needs and objectives set out below and are in the financial situation set out below.**

## Needs and Objectives of Customer

Note: this section relates to the requirements of s994B(5)(b) of the Act

## Approach to target market

### 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, Consumer Attributes, indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering this product. 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.

### Type of Customer

The customer can be an individual, joint owner, company or trust.

The customer is seeking to benefit from any of the above-mentioned product attributes.

This product is not considered in the target market for superannuation funds as both superannuation and investment bonds are tax paid, with superannuation at a lower rate of 15%.

### Customer objectives

This product is suitable for customers seeking any one or more of the following objectives to invest in a tax paid (capped at the life insurance rate of 30% less allowable deductions) investment that:

- has no additional tax after 10 years (with investors benefiting from a 30% rebate where earnings are withdrawn within 10 years);
- no contribution caps in the initial year of investment;
- enables the achievement of investment returns without increasing your assessable income or impacting your entitlement to social securities benefits;
- allows for additional contributions (subject to the 125% rule);
- allows beneficiaries to be nominated outside an investor's estate to provide certainty for estate planning;
- allows investors to establish a long-term regular savings plan, helping them reach a long-term savings goal for a key event or as supplement to superannuation with the benefit of accessibility pre-retirement;

Investors in this product will get certain tax benefits if the product is held for the long term(10years) and investors should have a medium to long term investment horizon unless the bond is taken out for the following objectives:

- Tax deferral – holding their investments in the tax effective structure whilst they are on a higher tax bracket and redeeming (with the 30% tax offset) when in a lower tax bracket;
- Investing for a specific life event, the timing of which may be shorter;
- Estate planning;
- Social security planning;
- To establish savings discipline;
- Comfortable with utilising the tax neutrality established by the way of the 30% tax offset on investment earnings if the Bond withdrawn early.

This product is not suitable for:

- Superannuation contributions
- Investors seeking regular income distributions calculated and paid by the product issuer <sup>1</sup>;
- Investors who are investing for retirement and who have not reached their superannuation contribution cap for a particular year or lifetime contribution cap and do not need access to their money pre-retirement;
- Investors who are on a zero tax rate or the lowest marginal tax bracket and cannot benefit from the rebate should not invest unless it's for a specific non tax related outcome such as an estate planning strategy.

## Level of decision making

Customer's desired level of decision making	Product consistency with target market	Product description including key attributes
Investments chosen by customer from extensive investment menu, with administration provided by the fund	<i>In target market</i>	This product is for investors who are comfortable with choosing their own investment option(s) and matching this to their investment objectives, appetite and tolerance for risk. Investors can construct a portfolio of one or more investment options
Investments chosen by customer from limited investment menu, with administration provided by the fund	<i>In target market</i>	
Default investment strategy applied where no investments selection is made. Administration is provided by the fund.	<i>Not considered in target market</i>	

<sup>1</sup> Investor could set up their own distributions but that would require them to be comfortable with calculating and making those withdrawal requests

		<p>from the 31 options available and is therefore suitable for any investor who is not seeking a default strategy.</p> <p>The product has 31 investment options, each investing with underlying specialist investment manager and with different investment strategies, objectives and risk profiles.</p>
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## Product investment menu

Customer's desired type of products on investment menu	Product consistency with target market
Sector specific options	<i>In target market</i>
Sub-sector specific options	<i>In target market</i>
Alternative investment options	<i>In target market</i>
Active investment options - No manager choice	<i>In target market</i>
Active investment options - Some manager choice	<i>In target market</i>
Active investment options - Wide manager choice	<i>In target market</i>
Passive investment options, such as passive Exchange traded fund	<i>In target market</i>
Ready-made diversified portfolio options	<i>In target market</i>
Capital guaranteed options	<i>Not considered in target market</i>
Direct share ownership	<i>Not considered in target market</i>
Annuity funds	<i>Not considered in target market</i>
Superannuation funds	<i>Not considered in target market</i>
ESG investment options	<i>In target market</i>

## Desired number of investment holdings

Customer's desired holding of multiple investment options/ strategies	Product consistency
Low – customer wishes to hold no more than 5 investment options	<i>In target market</i>
Medium – customer wishes to hold between 5 and 15 investment options	<i>In target market</i>
High – customer wishes to hold more than 15 investment options	<i>In target market</i>

## Financial situation of customer

### Life stage of customer

Life stage of customer	Product consistency with target market	Product description including key attributes
Child (0-16)	<i>Not considered in target market</i>	Children cannot take out an investment bond in their own right and it is not suitable for children investing in their own right. However, an investment bond can be taken out by an adult as a guardian on behalf of a child. Or the child can be nominated as a beneficiary.
Early Adulthood (16-40)	<i>In target market</i>	
Middle Adulthood (40-70)	<i>In target market</i>	
Early Retirement (71-80)	<i>In target market</i>	
Later Retirement (80+)	<i>Possibly in target market</i>	
Student	<i>In target market</i>	

### Intended size of investment

Customer's intended investment amount	Product consistency with target market	Product description including key attributes
\$0 to \$499	<i>Not considered in target market</i>	Minimum investment is \$500
\$500 to \$249,999	<i>In target market</i>	

Customer's intended investment amount	Product consistency with target market	Product description including key attributes
\$250,000.01 to \$499,999	<i>In target market</i>	
Over \$500,000	<i>In target market</i>	

## Investment Timeframe

Customer's Intended Investment Timeframe	Product consistency with target market	Product description including key attributes:
Less than 1 year	<i>Not considered in target market</i>	An investment bond is suitable for a consumer with a medium to long term investment timeframe.
1 to 3 year	<i>In target market</i>	Investors seeking the benefit of the 10-year taxation treatment of the bond, upon which the bond balance can be withdrawn with no further personal tax implication should have a minimum of a 10-year investment timeframe.
3 to 8 years	<i>In target market</i>	
8 to 10 years	<i>In target market</i>	Whilst the taxation benefits may be maximised for some investors if the bond is held for 10 years, the investment can be accessed at any time with taxation offset able to be applied to the investors tax return and therefore the product is suitable for any investment time frame. Refer to the Customer selected investment options below for the minimum recommended investment period of the underlying investment option.
Greater than 10 years	<i>In target market</i>	

## Access to Capital

Investors may redeem their investment at any time (subject to a minimum withdrawal of \$500).

Under normal market conditions withdrawals are processed within 14 days of receiving a withdrawal request.

For withdrawals made within the first 10 years, the investment earnings of the bond will be taxed at the investors marginal rate, however, a tax offset of 30% can be claimed against this income (effectively neutralising the tax position).

## Customer selected investment options

This section of the TMD is relevant to customers who chose one or more investment options when entering the product (that is, customers that do not rely on the default investment option).

This product is consistent with a target market of investors that wish to choose their own tolerance for risk.

The risk levels of each investment option are disclosed in the PDS and on the investment bond platform. They are also available as an Appendix to this TMD These risk levels correspond to the Standard Risk Measure (SRM) jointly developed by the Financial Services Council (FSC) Association of Superannuation Funds of Australia (ASFA). The available investment options cover all SRM risk levels.

## Investment diversification

Investors have 31 investment options to select from many of which provide investors with access to a diversified portfolio of assets that they would not be able to access in their own right. Where the investor has selected a diversified investment option(s) further diversification might not be required.

Where an investor invests in a sector specific fund, investor should consider diversifying their investment across multiple investment choices within the LifeGoals menu or otherwise across their investable assets outside of superannuation.

For all funds with that have a High or Very High Risk and Return profile, investors also should consider diversifying across multiple investment options within the Product investment menu or otherwise across their investable assets outside of superannuation.

The underlying investment options are suitable for a range of risk and return profile for the investment bond allocation of funds. 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.

<b>Consumer's Risk (ability to bear loss) and</b>	<i>Cash and Fixed Interest Funds</i>	<i>Diversified Balanced Funds</i>	<i>Diversified Growth Funds</i>	<i>Australian Share Funds</i>	<i>International Share Funds</i>	<i>Property and Infrastructure Funds</i>
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Return profile						
Low	In target market	Not considered in target market	Not considered in target market	Not considered in target market	Not considered in target market	Not considered in target market
Medium	In target market	In target market	Potentially in target market	Not considered in target market	Not considered in target market	Not considered in target market
High	In target market	In target market	In target market	In target market	In target market	In target market
Very High	In target market	In target market	In target market	In target market	In target market	In target market

## Other elements of TMD

### Appropriateness requirements

Note: this section relates to RG 274.64–66

Explanation of consistency of key attributes with TMD
<p>This product is suitable for a broad range of investors seeking to achieve one or more of the objectives noted in the investment section. The product enables investment both up front and by additional investment to accumulate an investment balance in a tax paid structure and provides investors with a range of underlying investment options with different risk and return profiles.</p> <p>Tax is paid within the bond structure, capped at the life insurance rate of 30% less allowable deductions. There is not additional tax in the hands of the investor if withdrawn after 10 years, however there is a 30% tax offset that is applicable should the investor wish to withdraw within the 10 year period effectively neutralizing the tax position should the investor require early access.</p> <p>There is no restriction on access to the investment. Investors may make additional contributions of up to 125%, however there is no obligation to do so it is suitable for investors who wish to make a single contribution or multiple contributions over time.</p>

### Distribution Conditions/Restrictions

Note: this section relates to the requirements of s994B(5)(c) of the Act

Distribution Condition	Distribution Condition Rationale
Financial advised customers	Financial Advisers are to have reviewed and considered this TMD as part of their processes for providing advice to their clients

Distribution Condition	Distribution Condition Rationale
Platforms	Not currently offered on platforms
Robo advised	Not currently offered through robo advice
Direct investors	<ul style="list-style-type: none"> <li>• TMD related questions have been added to the application forms.</li> <li>• Investors completing an online and paper-based application forms must complete the TMD related questions.</li> <li>• Investors completing an online application will receive additional information gateways at the point of their investment choice selection.</li> <li>• Investors completing a paper-based application will be required to confirm that they have read and understood the risks, strategy and features of each investment option and that they are comfortable with selecting their own portfolio.</li> </ul>

## Review Triggers

Note: this section relates to the requirements of s994B(5)(d) of the Act

Where the issuer of the TMD has determined that any of the following has occurred:

- a) ASIC reportable significant dealing outside of TMD.
- b) Significant or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) regarding product design, product availability or any distribution condition where the product issuer considers this reasonably suggests that this TMD is no longer appropriate.
- c) Material change to key product attributes, terms and/or conditions where the product issuer considers this reasonably suggests that this TMD is no longer appropriate.
- d) The use of Product Intervention Powers, regulator orders or directions in relation to the distribution of this product where the product issuer considers this reasonably suggests that this TMD is no longer appropriate.
- e) A significant breach event relating to the design or distribution of this product where the product issuer considers this would reasonably suggest that (i) this product is unsuitable for a particular cohort of customers and (ii) the TMD may no longer be appropriate.
- f) A significant or unexpectedly high number of clients do not receive discounted tax treatment upon withdrawal (e.g. withdrawal prior to the 8<sup>th</sup> year of the investment being initiated.)

## Maximum period for reviews

Note: this section relates to the requirements of s994B(5)(e) and (f) of the Act.

*Note: The issuer of a new product should consider whether shorter review periods are appropriate.*

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

The review period allows for the collection of data for 1 year/3 years, plus three months for the completion of the review.

## Distributor Information Reporting Requirements

Note: this section relates to the requirements of s994B(5)(g) and (h) of the Act

Regulated person(s)	Requirement	Reporting deadline
All distributors	To the extent a distributor is aware of dealings outside the target market these should be reported to the issuer, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	Quarterly *
All distributors	Complaints (as defined in section 994A(1) of the Act) where the nature of the complaints relate to product design, product availability and distribution conditions. The distributor should provide all the content of the complaint, having regard to privacy.	Quarterly *
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.

\* Quarterly reporting is due 10 business days after the end of the March, June, September and December quarters.

If practicable, distributors should adopt the FSC data standards for reporting to the Issuer. The reporting templates are available on the DDO resource page of our secure Adviser site <https://centuria.com.au/adviser-login/> (registration required).

## Definitions

Term	Definition
<b>Consumer's intended product use (% of Investable Assets)</b>	
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.
<b>Portfolio diversification (for completing the key product attribute section of consumer's intended product use)</b>	
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).
<b>Consumer's intended investment timeframe</b>	
Short ( $\leq 2$ 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.
<b>Consumer's Risk (ability to bear loss) and Return profile</b>	
<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 <b><i>Standard Risk Measure Guidance Paper For Trustees</i></b>. 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</p>	

Term	Definition
	<p>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	<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>
<b>Consumer's need to withdraw money</b>	
<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>
<b>Distributor Reporting</b>	
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>

Term	Definition
	<p>Dealings outside this TMD may be significant because:</p> <ul style="list-style-type: none"> <li>• they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or</li> <li>• 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).</li> </ul> <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> <li>• the nature and risk profile of the product (which may be indicated by the product’s risk rating or withdrawal timeframes),</li> <li>• 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</li> <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 a third of the distributor’s total retail product distribution conduct in relation to the product over the reporting period,</li> <li>• the consumer has 3 or more criteria that are Not In Target Market (Red)</li> </ul>