

Target Market Determination – Funds Management

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 Issuer'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 the 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 at <https://centuria.com.au/healthcare-property-fund/request-a-pds/> or by contacting the Issuer on +61 2 8923 8923 or at contactus@centuria.com.au.

Target Market Summary

This product is likely to be appropriate for a consumer seeking Capital Growth and Income Distribution to be used as a Satellite / small allocation or a core component not exceeding 50% allocation within a portfolio where the consumer has a Long investment timeframe, Medium risk/return profile and needs limited access to capital.

Fund and Issuer identifiers

Issuer	Centuria Property Funds No. 2 Limited
Issuer ABN	38 133 363 185
Issuer AFSL	340 304
Fund	Centuria Healthcare Property Fund—Ordinary Units
ARSN	638 821 360

APIR Code	CTR0438AU
Date TMD approved	15 November 2022
TMD Version	1.1
TMD Status	Ceased

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
------------------	------------------------------	---------------------------------

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 [A description of the likely objectives, financial situation and needs of the class of consumers in the target market]	TMD Indicator	Product description including key attributes [A description of the product, including its key attributes, i.e., product terms, features and attributes that affect the TMD]
Consumer's investment objective		
Capital Growth	In target market	<ul style="list-style-type: none"> Investors seeking to achieve one or more of the following investment objectives: <ul style="list-style-type: none"> ➤ Monthly Income Distributions; ➤ Some Tax Deferred Income; and ➤ Some Capital Growth. The Fund aims to provide Investors with stable income returns and the potential for capital growth, by investing in a diversified property portfolio. It is intended that a proportion of income distributions will be tax-deferred for Australian tax residents. While an investment in the Fund could experience capital loss and is higher risk and more volatile than cash or fixed income securities, the Fund is expected to exhibit lower volatility than listed equities or listed REITs in a market downturn. Capital Growth, Capital Preservation and Income Distributions are not guaranteed and may be impacted by the risks disclosed in the PDS a summary of which are included at 'Consumer's Risk (ability to bear loss) and Return profile' below.
Capital Preservation	Potentially in target market	
Capital Guaranteed	Not considered in target market	
Income Distribution	In target market	
Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (75-100%)	Not considered in target market	<ul style="list-style-type: none"> Investors seeking to invest in the Fund as part of a portfolio of investments on the understanding that the Fund provides access to a diversified range of commercial property. Investors seeking to hold units in the Fund as part of a broader portfolio.
Core Component (25-75%*)	Potentially in target market	

Satellite/small allocation (<25%)	In target market	<ul style="list-style-type: none"> The Fund is permitted to gain exposure to the healthcare and aged care property asset class in Australia and seeks to maintain a portfolio in this asset class by direct investment in real property and indirectly via investment in property funds. Therefore, the Fund's portfolio diversification is Low to Medium (see diversification definitions below). Whilst the investment objective of the Fund may align with an investor's overall portfolio objectives, it does not come without capital and income risks. In extreme circumstances this may result in significant capital loss, and suspension of income. Investors also have restricted access to their invested capital. Investors should seek to further spread this risk across an appropriate portfolio of investments. <p>*Where the Fund is to form a core component of a portfolio it should generally not exceed 50% of the investor's Investable Assets.</p>
Consumer's investment timeframe		
Short (≤ 2 years)	Not considered in target market	<ul style="list-style-type: none"> Investors seeking to invest in the Fund for the Long term. The Fund has rolling five-year investment terms, with a full liquidity event at the end of each term.
Medium (> 2 years)	Not considered in target market	
Long (> 5 years)	In target market	
Consumer's Risk (ability to bear loss) and Return profile		
Low	Not considered in target market	<ul style="list-style-type: none"> Investors who are comfortable tolerating Medium Risk*. Whilst the Fund's objective is to provide monthly income distributions (with a proportion being tax deferred) and some capital growth, this does come with some risk.
Medium	In target market	
High	In target market	

Very High	In target market	<ul style="list-style-type: none"> • Specific risks relevant to an investor’s risk and return: <ul style="list-style-type: none"> ➢ The value of an investment may fall if the value of Fund’s assets falls. ➢ The Fund may borrow up to 50% of the gross value of the Fund (on a look-through basis). ➢ The Fund may not make monthly distributions, or at all, as the income available for distribution is dependent on a variety of risks associated with an investment in property (such as risks that the tenants may default on the terms of their leases or not renew their leases). • It is expected the Fund may experience an estimated 2 to less than 3 negative returns over a 20 year period (SRM 3).
-----------	------------------	--

*See Risk Appetite Definitions on Page 10 below.

Consumer’s need to withdraw money		
Daily	Not considered in target market	<ul style="list-style-type: none"> • Investors being comfortable with investments of the Fund having low liquidity. • The Fund offers a limited quarterly withdrawal facility which is expected to be satisfied from the Fund’s cash or cash-like products. • Off-Market Transfer is allowed. • The Fund is invested primarily in direct real property. While there are well established markets it can take time to realise an investment which can impact on the liquidity of an investment in the Fund. The amount available for withdrawal on a quarterly basis will be subject to available liquidity and capped at 10% p.a.(capped at \$10 million) of the Fund’s NAV . However, the Issuer may in its discretion increase the amount available in a given quarter.
Weekly	Not considered in target market	
Monthly	Not considered in target market	
Quarterly	Potentially in target market	
Annually or longer	In target market	

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.

Requirement s 994B(8)	Explanation
--------------------------	-------------

<p>Target market and Product RG 274.68(c)</p>	<p>The Issuer considers that the Fund, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of investors in the target market on the basis of:</p> <ul style="list-style-type: none"> • the relationship between the key attributes of the Fund and the target market as set out in this TMD • the terms of issue of units in the Fund • the investment mandate of the Fund • the investment capability of the manager of the Fund • the Issuer's assessment of the risks and benefits of the Fund
---	---

<p>Requirement s 994B(8)</p>	<p>Explanation</p>
	<ul style="list-style-type: none"> • the Issuer's assessment of the likely investor outcomes of the Fund based on: <ul style="list-style-type: none"> • the historical performance of the Fund in a variety of market conditions • internal modelling of Fund performance based on assets held • analysis of performance data in respect of the Issuer's products that are comparable to the Fund, and • and the assessment of the risk profile of the Fund based on investment structure and strategy
<p>Target market and distribution conditions and restrictions RG 274.100</p>	<p>The Issuer considers that the distribution conditions will make it more likely that the investors who acquire units in the Fund are in the target market on the basis of:</p> <ul style="list-style-type: none"> • The requirement for investors who apply direct (i.e. no adviser and not via IDPS or platform) to be asked filtering questions relevant to the TMD prior to applying. • The Issuer's Distributor's DDO Handbook provides information to distributors about the Issuer's expectations and requirements in relation to the distribution of the Fund. • Where distribution agreements are in place, the restrictions imposed by, and level of supervision required under, the terms of the distribution agreements entered into by the Issuer and the distributors of the Fund. • The distributors' past performance in relation to the distribution of financial products, about which the Issuer is aware. • Any other relevant information about a distributor, about which the Issuer is aware.

Distribution conditions/restrictions

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

Distribution channel	Distribution condition and rationale
Direct	<ul style="list-style-type: none"> Direct investors who are wholesale or sophisticated investors can invest in this product. Retail investors are asked to complete an online application form, including filtering questions relating to the TMD.
Platform/Wrap—Specific	<ul style="list-style-type: none"> Where a distribution agreement is in place relevant distribution conditions will be agreed that best fit the platform's systems and procedures.
Platform/Wrap—General	<ul style="list-style-type: none"> Additional steps are not required for advised clients beyond consideration of the issuer's TMD by the adviser.

Distribution channel	Distribution condition and rationale
	<ul style="list-style-type: none"> Where the client is not advised the platform provider should consider a process where the client completes basic filtering questions relating to the TMD. Centuria has prepared filtering questions which are available by email request from ddo@centuria.com.au. However, if the platform provider can't accommodate a process with custom filtering questions please contact us to consider any specific distribution conditions that may be designed to suit the systems and capabilities of the platform.
Adviser	<ul style="list-style-type: none"> Investor to confirm through online application, 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 advice to the investor.
Other authorised representatives	<ul style="list-style-type: none"> Proper authority verified. All other requirements of wholesale, retail and advised investors applies, with proper authority to action on behalf of the investor.

Review triggers

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

Where the Issuer considers that there has been a material change to the investment strategy, Fund description (including its key attributes), risk profile or liquidity profile of the Fund or taxation consequences for investors in the Fund.

Where the Issuer considers that the Fund has underperformed relative to its benchmark or investment objective to a material degree for two consecutive financial years.

A significant number, or an unexpectedly high number, of complaints about the Fund or its distribution.

Where the Issuer is unable to provide liquidity for all investors wishing to redeem their investment within 12 months of a liquidity event.

A significant dealing in this Fund in relation to retail clients that is inconsistent with this TMD.

Material changes to the fees or other costs of the Fund that may affect the return of the Fund.

Any inquiry, surveillance, direction, notice, investigation or enforceable instrument by or from ASIC about or relating to the Fund's features, target market or distribution strategy.

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	By 5 October 2022.
Subsequent review	At least once every year since the date of the last review of the TMD (for whatever reason).

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

To the extent a distributor is aware, dealings outside the targetmarket, 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 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
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 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 (> 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	
<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 <u>Standard Risk Measure Guidance Paper For Trustees</u>. 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.	
Low	<p>The consumer is conservative or low risk in nature, seeks to minimise potential losses (e.g. has the ability to bear upto 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>
-----------	--

Term	Definition
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	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

Term	Definition
	<ul style="list-style-type: none"><li data-bbox="725 167 2092 226">• 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>.