

Centuria

Centuria Industrial Income Fund No. 2

Target Market Determination

December 2023 | centuria.com.au



1. Target market summary

This product is likely to be appropriate for an investor seeking capital growth and income distributions to be used as a satellite/small allocation with less or equal to 10% allocation, or up to 25% where broader diversification of the investor's portfolio is expected to be built/rebalanced over time. The consumer has a long investment timeframe, medium risk/return profile and does not need access to capital for 5-7 years.

This target market determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). This TMD describes the class of consumers that comprises the target market for the financial product and matters relevant to the product's distribution and review (specifically, distribution conditions, review triggers and periods, and reporting requirements). Distributors must take reasonable steps that will, or are reasonably likely to, result in distribution of the product being consistent with the most recent TMD (unless the distribution is excluded conduct).

This document is **not** a product disclosure statement (**PDS**) and is **not** a complete 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 PDS for the product 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 from centuria.com.au/unlisted-property-funds/industrial-income-fund-no-2/ or by contacting Investor Services Team on 1300 22 44 24 or at contactus@centuria.com.au.

2. Fund and Issuer identifiers

Issuer	Centuria Property Funds Limited
Issuer ABN	11 086 553 639
Issuer AFSL	231 149
TMD contact details	Investor Services Team on 1300 22 44 24 or at contactus@centuria.com.au
Fund name	Centuria Industrial Income Fund No. 2
ARSN	663 453 487
APIR code	CNT8216AU
TMD issue date	7 December 2023
TMD version	3.0
Distribution status of fund	Available

3. Description of 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
- See Issuers instructions
- 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.

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 the features of this product in Column 3 of the table below are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2.

Investment products and diversification

A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio (for example, with an intended product use of minor allocation). In such circumstances, the product should be assessed against the consumer's attributes for the relevant portion of the portfolio, rather than the consumer's portfolio as a whole. For example, a consumer may seek to construct a balanced or moderate diversified portfolio with a minor allocation to growth assets. In this case, a product with a high risk/return profile may be consistent with the consumer's objectives for that minor allocation notwithstanding that the risk/return profile of the consumer as a whole is medium. In making this assessment, distributors should consider all features of a product (including its key attributes).

The FSC has provided more detailed guidance on how to take this portfolio view for diversification, available on the FSC website: [fsc.org.au/web-page-resources/2514-fsc-ddo-guidance-for-distribution-of-managed-funds](https://www.fsc.org.au/web-page-resources/2514-fsc-ddo-guidance-for-distribution-of-managed-funds)



CONSUMER ATTRIBUTES
TMD INDICATOR
PRODUCT DESCRIPTION INCLUDING KEY ATTRIBUTES
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. The Fund is a geared investment, which increases the potential for larger capital losses (and gains). Investors should therefore have a higher risk tolerance than if the Fund were not geared. Capital growth, capital preservation and income distributions are not guaranteed and may be impacted by the risked disclosed in the pds a summary of which are included at 'consumer's risk' (ability to bear loss) and return profile' below.
Capital preservation	● Possibly in target market*	
Income distribution	● In target market	

* 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.

Consumer's intended product use (% of investable assets)

Solution/standalone (up to 100%)	● Not 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 single industrial property. Investors seeking to hold units in the Fund as part of a broader portfolio. The Fund has exposure to a single asset of industrial property. Therefore, the Fund's portfolio diversification is very low (see 'Diversification' definitions in Section 8 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 and are unable to withdraw until at least December 2027**. Investors should seek to further spread this risk across an appropriate portfolio of investments. It may also be suitable for investors who are building diversification into their portfolio over time.
Major allocation (up to 75%)	● Not in target market	
Core component (up to 50%)	● Not in target market	
Minor allocation (up to 25%)	● Possibly in target market*	
Satellite allocation (up to 10%)	● In target market	

*The Fund invests in a single asset and is generally considered as a satellite/small allocation in a portfolio. However, it is potentially in the target market for investors with a high conviction to that particular asset and a higher tolerance for risk, and their broader portfolio has been constructed to be aligned with their risk appetite.

** Liquidity events may be cancelled, deferred or suspended in exceptional circumstance including for so long as it is impracticable to offer liquidity, or if it would not be in the interests of investors for liquidity to be offered.

Consumer's investment timeframe

Minimum investment timeframe	5 years	Investment timeframe is at least 5 years.
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Consumer's risk (ability to bear loss) and return profile

Low	● Not in target market	<ul style="list-style-type: none"> Investors who are comfortable tolerating medium risk* where the holding is a satellite allocation up to 10%. Higher allocations (up to 25%) will be a high to very high risk tolerance due to the greater exposure to single property asset.
Medium	● In target market	<ul style="list-style-type: none"> 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.
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 the Fund's single industrial property asset falls. The initial Fund LVR is expected to be 47.5% and the proposed debt facility's LVR covenant of 60%. The Fund's level of gearing will magnify any losses (or gains). The Fund may not make monthly distributions, or regular distributions 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).
Very high	● In target market	
Extremely high	● In target market	<ul style="list-style-type: none"> It is expected the Fund may experience an estimated 2 to 3 negative returns over a 20 year period (SRM 3).

* See 'Consumer's risk' definitions in Section 8 below.

Consumer's need to withdraw money

Within one week of request	● Not in target market	The Fund is a long-term illiquid investment. It is only suitable for investors who are comfortable with their investment in the Fund having no liquidity during the five-year initial investment term (plus any 2-year extension by majority vote). Investors must not need access to their capital until at least December 2027.
Within one month of request	● Not in target market	
Within three months of request	● Not in target market	
Within one year of request	● Not in target market	
Before the next periodic liquidity event expected in or around December 2027	● Not in target market	
At the next periodic liquidity event expected in or around December 2027	● In target market	

4. Distribution conditions/restrictions

DISTRIBUTION CONDITIONS DISTRIBUTION CONDITIONS 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 designed to assist the Issuer in determining whether it is likely the Investor is within the target market prior to applying.
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.

5. Review triggers

Review triggers	<p>Where Centuria considers that there has been a material change to the investment strategy, Fund description (including its key attributes), risk profile of liquidity profile or taxation consequences of investors in the Fund.</p> <hr/> <p>Where Centuria considers that the Fund has underperformed relative to its benchmark or investment objective to a material degree for two consecutive financial years.</p> <hr/> <p>A significant number, or an unexpectedly high number, of complaints about the Fund or its distribution.</p> <hr/> <p>A significant dealing in this Fund in relation to retail clients that is inconsistent with this TMD.</p> <hr/> <p>Material changes to the fees or other costs of the Fund that may affect the return of the Fund.</p> <hr/> <p>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.</p>
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6. Mandatory TMD review periods

REVIEW PERIOD MAXIMUM PERIOD FOR REVIEW

Initial review	-
Subsequent review	At least once every year since the date of the last review of the TMD (for whatever reason).

7. Distributor reporting requirements

REPORTING REQUIREMENT	REPORTING PERIOD	WHICH DISTRIBUTIONS THIS REQUIREMENT APPLIES TO
Complaints (as defined in section 994A(1) of the Act) relating to the product. 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 section 994F(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

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

For all distributor reporting send to DDO@centuria.com.au.

Important Information

Centuria Property Funds Limited (ABN 11 086 553 639) (AFSL 231 149) is the responsible entity of the Centuria Industrial Income Fund No. 2 (ARSN 663 453 487). You should read the PDS and the Application Form together in full before applying to invest as it provides important information about investing in the Fund. This TMD 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. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

8. Definitions

In some instances, examples have been provided below. These examples are indicative only and not exhaustive.

TERM	DEFINITION
Consumer's investment objective	
Capital growth	The consumer seeks to invest in a product designed or expected to generate capital return over the investment timeframe. 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 designed or expected to have low volatility and minimise capital loss. The consumer prefers exposure to defensive assets that are generally lower in risk and less volatile than growth investments (this may include cash or fixed income securities).
Income distribution	The consumer seeks to invest in a product designed or expected to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (this may include high dividend-yielding equities, fixed income securities and money market instruments).

TERM	DEFINITION
Consumer's intended product use (% of investable assets)	
Solution/ standalone (up to 100%)	The consumer may hold the investment as up to 100% of their total <i>investable assets</i> . The consumer is likely to seek a product with <i>very high</i> portfolio diversification.
Major allocation (up to 75%)	The consumer may hold the investment as up to 75% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>high</i> portfolio diversification.
Core component (up to 50%)	The consumer may hold the investment as up to 50% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>medium</i> portfolio diversification.
Minor allocation (up to 25%)	The consumer may hold the investment as up to 25% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>low</i> portfolio diversification.
Satellite allocation (up to 10%)	The consumer may hold the investment as up to 10% of the total <i>investable assets</i> . The consumer may seek a product with <i>very low</i> portfolio diversification. Products classified as <i>extremely high risk</i> are likely to meet this category only.
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)	
<i>Note: exposures to cash and cash-like instruments may sit outside the diversification framework below.</i>	
Very low	The product provides exposure to a single asset (for example, a commercial property) or a niche asset class (for example, minor commodities, crypto-assets or collectibles).
Low	The product provides exposure to a small number of holdings (for example, fewer than 25 securities) or a narrow asset class, sector or geographic market (for example, a single major commodity (e.g. gold) or equities from a single emerging market economy).
Medium	The product provides exposure to a moderate number of holdings (for example, up to 50 securities) in at least one broad asset class, sector or geographic market (for example, Australian fixed income securities or global natural resources).
High	The product provides exposure to a large number of holdings (for example, over 50 securities) in multiple broad asset classes, sectors or geographic markets (for example, global equities).
Very high	The product provides exposure to a large number of holdings across a broad range of asset classes, sectors <u>and</u> geographic markets with limited correlation to each other.
Consumer's intended investment timeframe	
Minimum timeframe	The minimum suggested timeframe for holding the product. Typically, this is the rolling period over which the investment objective of the product is likely to be achieved.

TERM

DEFINITION

Consumer’s risk (ability to bear loss) and return profile

This TMD uses the standard risk measure (**SRM**) to estimate the likely number of negative annual returns for this product over a 20 year period, using the guidance and methodology outlined in the *standard risk measure Guidance Paper For Trustees* (note the bands in the SRM guidance differ from the bands used in this TMD). However, 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 (including under conditions of market stress) or that a positive return could still be less than a consumer requires to meet their investment objectives/needs. The SRM methodology may be supplemented by other risk factors. For example, some products may use leverage, derivatives or short selling; may have liquidity or withdrawal limitations; may have underlying investments with valuation risks or risks of capital loss; 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.

A consumer’s desired product return profile would generally take into account the impact of fees, costs and taxes.

Low	<p>For the relevant part of the consumer’s portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a conservative or low risk appetite, • seeks to minimise volatility and 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>The consumer typically prefers stable, defensive assets (such as cash).</p>
Medium	<p>For the relevant part of the consumer’s portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a moderate or medium risk appetite, • seeks low volatility and potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5)), and • is comfortable with a moderate target return profile. <p>The consumer typically prefers defensive assets (for example, fixed income).</p>
High	<p>For the relevant part of the consumer’s portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a high risk appetite, • can accept high volatility and potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 5 or 6)), and • seeks high returns (typically over a medium or long timeframe). <p>The consumer typically prefers growth assets (for example, shares and property).</p>
Very high	<p>For the relevant part of the consumer’s portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a very high risk appetite, • can accept very high volatility and potential losses (e.g. has the ability to bear 6 to 7 negative returns over a 20 year period (SRM 6 or 7)), and • seeks to maximise returns (typically over a medium or long timeframe). <p>The consumer typically prefers high growth assets (such as high conviction portfolios, hedge funds, and alternative investments).</p>
Extremely high	<p>For the relevant part of the consumer’s portfolio, the consumer:</p> <ul style="list-style-type: none"> • has an extremely high risk appetite, • can accept significant volatility and losses, and • seeks to obtain accelerated returns (potentially in a short timeframe). <p>The consumer seeks extremely high risk, speculative or complex products which may have features such as significant use of derivatives, leverage or short positions or may be in emerging or niche asset classes (for example, crypto-assets or collectibles).</p>

TERM**DEFINITION****Consumer's need to withdraw money**

This consumer attribute addresses the likely period of time between the making of a request for redemption/withdrawal (or access to investment proceeds more generally) and the receipt of proceeds from this request under ordinary circumstances. Issuers should consider both the frequency for accepting the request and the length of time to accept, process and distribute the proceeds of such a request. 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 aligning the product to the consumer's need to access capital. Where a product is held on investment platforms, distributors also need to factor in the length of time platforms take to process requests for redemption for underlying investments. Where access to investment proceeds from the product is likely to occur through a secondary market, the liquidity of the market for the product should be considered.

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 and/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 quarter,
- the consumer's intended product use is *solution/standalone*,
- the consumer's intended product use is core component or higher and the consumer's risk/return profile is low, or
- the relevant product has a green rating for consumers seeking *extremely high* risk/return.