



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 ETFS Management (AUS) Limited's (**ETFS**) 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 ETFS S&P Biotech ETF (**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 www.etfsecurities.com.au [or by phoning +61 2 8311 3488].

Target Market Summary

This Fund is likely to be appropriate for a consumer seeking capital growth to be used as a core or satellite component of a portfolio, where the consumer has a medium or long-term investment timeframe, high to very high risk/return profile and needs daily access to capital.

The Fund is an exchange traded fund (ETF) and is generally only available to consumers through the ASX via a broker.

Fund and Issuer identifiers

Issuer	ETFS Management (AUS) Limited
Issuer ABN	13 150 433 828
Issuer AFSL	466778
Fund	ETFS S&P Biotech ETF
ARSN	628 037 105
ISIN Code	AU0000028110
Market Identifier Code	XASX
Product Exchange code	CURE

Date TMD approved	23 September 2021
TMD Version	Version 1.0
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 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, 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	The Fund aims to provide consumers with a return that tracks the performance of the S&P Biotechnology Select Industry Index (the “Index”) before fees and expenses.
Capital Preservation	Potentially in target market	
Capital Guaranteed	Not considered in target market	The Fund consists of a broad portfolio of the stocks of US-listed companies comprising the biotechnology industry. The companies are engaged in research, development, manufacturing and/or the marketing of products based on genetic analysis and genetic engineering. By virtue of the nature of these securities they are generally considered to be growth assets.
Income Distribution	Not considered in target market	<p>Growth assets typically offer higher return potential over the medium to long term but are higher risk and tend to exhibit higher levels of price volatility.</p> <p>Therefore, the Fund will likely be suitable for consumers who are seeking capital growth.</p> <p>The Fund may potentially also be suitable for consumers who are seeking capital preservation as a small / satellite allocation within a broader diversified portfolio.</p> <p>The Fund does not offer any form of capital guarantee and consumers may lose up to 100% of their investment in the Fund. Consumers seeking a guaranteed return of capital are not considered to be within the target market.</p> <p>Typically, the stocks of growth companies tend to pay low or no dividends, therefore the Fund is not considered to be a consistent or reliable source of income distribution and is not designed to provide tax effective income for a particular class of consumer. Therefore, the Fund is not likely to meet the objectives of consumers who have an objective of regular or tax effective income distribution. The Fund, may, however be suitable for consumers who are seeking income distribution as a small / satellite allocation within a broader diversified portfolio of income generating assets.</p>

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 intended product use (% of Investable Assets)		
Solution/Standalone (75-100%)	Not considered in target market	<p>The Fund holds a broad portfolio of shares in U.S.-listed companies operating in the biotechnology industry. The portfolio diversification of the Fund is low on the basis that the Fund offers exposure to a single asset class, a single country of listing (although companies with non-U.S. domiciles are also eligible) and a single industry, despite offering exposure across a broad number of securities. The Fund is therefore not considered to be suitable as a standalone portfolio solution.</p> <p>For consumers with an objective of capital growth and a high to very high risk / return profile, the Fund may be suitable for the target market for use as a core portfolio component.</p> <p>For consumers with an objective of capital growth or capital preservation and with a medium to very high risk / return profile, the Fund may be suitable for the target market for use as a satellite / small portfolio component.</p>
Core Component (25-75%)	Potentially in target market	
Satellite/small allocation (<25%)	In target market	
Consumer's investment timeframe		
Short (≤ 2 years)	Potentially in target market	<p>There is no minimum suggested investment timeframe specified for this product. As noted above, growth assets typically offer higher return potential over the medium to long term but are higher risk and tend to exhibit higher levels of price volatility. Consumers with a medium to long terms investment timeframe are therefore likely to fall within the target market. Consumers with a short-term investment timeframe with a high to very high risk / return profile also potentially fall within the target market.</p>
Medium (> 2 years)	In target market	
Long (> 8 years)	In target market	
Consumer's Risk (ability to bear loss) and Return profile		
Low	Not considered in target market	<p>The Fund has a risk band of SRM 7. Because the Fund primarily holds growth assets, which offer higher return potential but are typically higher risk, consumers with a low ability to bear losses are not considered to be in the target market.</p>
Medium	Potentially in target market	
High	In target market	

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]
Very High	In target market	<p>Consumers with a medium ability to bear losses, where the Fund is held as a small / satellite portfolio allocation, are potentially within the target market.</p> <p>Consumers with a high or very high-risk profile and ability to bear losses are likely to fall within the target market for the Fund.</p>
Consumer's need to withdraw money		
Daily	In target market	The investments held by the Fund are highly liquid. Under normal circumstances, unit holders are able to buy and sell units in the Fund on the ASX on any trading day.
Weekly	In target market	
Monthly	In target market	
Quarterly	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.

Distribution conditions/restrictions

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

Distribution Condition	Distribution Condition Rationale	<i>applicable</i>
There are no distribution conditions.	Not applicable.	<input checked="" type="checkbox"/>

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.
Determination by the issuer of an ASIC reportable Significant Dealing
Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the product or distribution of the product.
The use of Product Intervention Powers, regulator orders or directions that affects the product.

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, 3 months
Subsequent review	3 years, 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. 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
To the extent a distributor is aware, dealings outside the target market, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	Within 10 business days following end of calendar quarter	All distributors excluding execution-only brokers

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

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 (such as cash or fixed income securities) that are generally lower in risk and less volatile than growth investments.
Capital Guaranteed	The consumer seeks a guarantee or protection against capital loss whilst still seeking the potential for capital growth (typically gained through a derivative arrangement). The consumer would likely understand the complexities, conditions and risks that are associated with such products.
Income Distribution	The consumer seeks to invest in a product designed to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments).
Consumer's intended product use (% of Investable Assets)	
Solution/Standalone (75-100%)	The consumer intends to hold the investment as either a part or the majority (up to 100%) of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least High <i>portfolio diversification</i> (see definitions below).
Core Component (25-75%)	The consumer intends to hold the investment as a major component, up to 75%, of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least Medium <i>portfolio diversification</i> (see definitions below).
Satellite (<25%)	The consumer intends to hold the investment as a smaller part of their total portfolio, as an indication it would be suitable for up to 25% of the total <i>investable assets</i> (see definition below). The consumer is likely to be comfortable with exposure to a product with Low <i>portfolio diversification</i> (see definitions below).
Investable Assets	Those assets that the investor has available for investment, excluding the residential home.
Portfolio diversification (for completing the key product attribute section of consumer's intended product use)	
Low	Single asset class, single country, low or moderate holdings of securities - e.g. high conviction Aussie equities.
Medium	1-2 asset classes, single country, broad exposure within asset class, e.g. Aussie equities "All Ords".

High	Highly diversified across either asset classes, countries or investment managers, e.g. Australian multi-manager balanced fund or global multi-asset product (or global equities).
Consumer's intended investment timeframe	
Short (≤ 2 years)	The consumer has a short investment timeframe and may wish to redeem within two years.
Medium (> 2 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	
<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> <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. Consumer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.</p>
High	<p>The consumer is higher risk in nature and can accept higher potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 6)) in order to target a higher target return profile.</p> <p>Consumer typically prefers predominantly growth assets such as shares, property and alternative assets with only a smaller or moderate holding in defensive assets such as cash and fixed income.</p>
Very high	<p>The consumer has a more aggressive or very high risk appetite, seeks to maximise returns and can accept higher potential losses (e.g. has the ability to bear 6 or more negative returns over a 20 year period (SRM 7) and possibly other risk factors, such as leverage).</p> <p>Consumer typically prefers growth assets such as shares, property and alternative assets.</p>
Consumer's need to withdraw money	
<p>Issuers should consider in the first instance the redemption request frequency under ordinary circumstances. However, the redemption request frequency is not the only consideration when determining the ability to meet the investor's requirement to access capital. To the extent that the</p>	

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.	
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	<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>.