

Target Market Determination

Hybrid Income Fund (the “Product”)

Legal disclaimer

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 our website at www.seedpartnerships.com/hybrid-income-fund.

Target Market Summary

This product is intended for use as a minor allocation or satellite for a consumer who is seeking income distribution, capital preservation and has a medium risk and return profile for that portion of their investment portfolio. It is likely to be consistent with the financial situation and needs of a consumer with a 5 year or more investment timeframe and who is unlikely to need to withdraw their money on less than 10 business day’s notice.

Fund and Issuer identifiers

Issuer	Evolution Trustees Limited	ISIN Code	AU60EVO31845
Issuer ABN	26 611 839 519	Market Identifier Code	N/A
Issuer AFSL	486217	Product Exchange code	N/A
Fund	Hybrid Income Fund	Date TMD approved	30/07/2024
ARSN	678 888 821	TMD Version	1
APIR Code	EVO3184AU	TMD Status	Current



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 and green rating methodology with appropriate colour coding:

In target market	Not 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 is likely to be in the target market for this product.

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.



Consumer Attributes	TMD Indicator	Product description including key attributes
Consumer's investment objective		
Capital Growth		The Fund aims to pay monthly income distributions and provide returns that exceed the hybrid benchmark (Solactive Australian Hybrid Securities Index) on a net basis over the Fund's suggested investment timeframe (five+ years).
Capital Preservation		The Fund provides investors with exposure to an actively managed and diversified portfolio with a core focus on capital instruments issued by Australian APRA-regulated capital issuers, including hybrid securities and subordinated bonds. Notwithstanding this core focus, the portfolio may also include AUD denominated capital instruments issued by RBNZ-regulated issuers, senior bonds as well as cash. The Fund will likely be suitable for investors seeking regular monthly income distributions. The Fund may also be suitable for investors seeking capital preservation as:
Income Distribution		(a) the types of capital instruments in which the Fund invests have historically shown substantially lower percentage decreases from peak to trough relative to Australian equities during market declines; and (b) the Manager intends to actively manage the portfolio to mitigate the risk of capital loss.
Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (up to 100%)		The Fund's primary emphasis is to provide exposure to instruments issued by Australian APRA-regulated issuers. These capital instruments including hybrid securities and senior and subordinated bonds.
Major Allocation (up to 75%)		The Fund's portfolio may also include AUD denominated capital instruments issued by RBNZ-regulated issuers and cash.
Core Component (up to 50%)		Diversification is medium to high (see diversification definitions below).
Minor Allocation (up to 25%)		The product is suited to investors intending to use the product as a minor or satellite allocation as part of a broader portfolio.
Satellite allocation (up to 10%)		
Consumer's investment timeframe		
Minimum Investment Timeframe	5 years or more	While investors may generally request to redeem from the Fund on any business day, the Fund is managed with the intention of generating returns over the medium to long term. Accordingly, a minimum investment timeframe of five years or more is suggested.



Consumer Attributes	TMD Indicator	Product description including key attributes
Consumer's Risk (ability to bear loss) and Return profile		
Low	Red	The Fund aims to pay monthly income distributions and provide returns that exceed the hybrid benchmark (Solactive Australian Hybrid Securities Index) on a net basis over the Fund's suggested investment timeframe (five+ years). However, returns from the Fund are not guaranteed.
Medium	Green	The Fund provides exposure primarily to capital instruments issued by Australian APRA-regulated issuers, including Australian hybrid securities and Australian subordinated and senior bonds. These instruments generally have expected risk and return characteristics above those of traditional fixed-income securities but below those of ordinary shares.
High	Red	An investment in the Fund is medium risk in nature (SRM 4).
Very High	Red	Reminder: This section looks at an investor's objectives for the relevant portion of their portfolio only, rather than the investor's portfolio as a whole. For example, a product with a high or very high risk/return profile may be consistent with the investor's objectives for a growth allocation as part of a broader portfolio, notwithstanding that the risk/return profile of the investor as a whole may be low or medium.
Extremely High	Red	
Consumer's need to access capital		
Within 5 business days of request	Red	Under ordinary circumstances it is expected the Fund will be 'liquid' and investors can request to withdraw all or part of their investment by submitting a withdrawal request.
Within 10 business days of request	Green	Generally, withdrawal requests are accepted and processed daily.
Within one month of request	Green	Provided the Fund is liquid, requests will usually be accepted and processed within 10 business days of receipt of the withdrawal request. Exceptions to this may see additional time required, and the Fund's constitution allows up to 40 days after a valid withdrawal request is accepted.
Within one year of request	Green	In certain circumstances, such as a suspension of withdrawals or where the Fund is illiquid (as defined in the Corporations Act), investors will have no ability to withdraw from the Fund unless the Responsible Entity makes a withdrawal offer in accordance with the Corporations Act. This is considered unlikely having regard to the Fund's investment universe.
One year or more of request	Green	



Distribution conditions/restrictions

Distribution Condition	Distribution Condition Rationale	Distributors this condition applies to
<p>Only for distribution through dealing if distributor is reasonably satisfied that distribution is necessary to implement personal advice given to the consumer.</p> <p>Retail investors indicating that they have received personal advice on a completed online or paper application form have no distribution conditions</p>	<p>A retail investor receiving personal financial product advice will have received advice that an investment in the Fund is appropriate having regard to their individual objectives, financial situation or needs and are therefore excluded from the core obligation under the Design and Distribution Obligation regime.</p> <ul style="list-style-type: none">• Investor to confirm through online or paper application, they are financially advised.• Financial advisers to provide details of their AFS licence, including their adviser number from the Moneysmart website, and confirm they have reviewed and considered the TMD in providing personal advice to the investor.	<p><i>Personally advised investors (both wholesale and retail)</i></p>
<p>Only suitable for distribution through dealing through investment Platforms</p>	<p>The platform provider has an arrangement with the issuer governing their relationship with the issuer noting that platform providers, as distributors, are required to take reasonable steps that will, or are likely to, result in distribution of the Fund being consistent with the TMD for the product. In addition, the issuer of each platform product has its own obligations as a distributor to take reasonable steps that will or are reasonably likely to result in retail product distribution conduct being consistent with this TMD.</p>	<p><i>Platform</i></p>
<p>Wholesale investors (being those that provide relevant evidence in their application form that they are within the definition of wholesale client under section 761 of Corporation Act) may invest by completing an on-line application form or paper application form with no distribution conditions.</p>	<p>The Design and Distribution Obligations and this Target Market Determination does not apply to financial products acquired by wholesale investor.</p>	<p>Direct - wholesale</p>



Review triggers
<ul style="list-style-type: none">• Material change to key attributes, fund investment objective and/or fees.
<ul style="list-style-type: none">• Material deviation from benchmark / objective over sustained period.
<ul style="list-style-type: none">• Key attributes have not performed as disclosed by a material degree and for a material period.
<ul style="list-style-type: none">• Determination by the issuer of an ASIC reportable Significant Dealing.
<ul style="list-style-type: none">• Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the product or distribution of the product.
<ul style="list-style-type: none">• The use of Product Intervention Powers, regulator orders or directions that affects the product.

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

Distributor reporting requirements		
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.	As soon as practicable but no later than 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

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to Evolution Trustees Limited by emailing compliance@evolutiontrustees.com.au or alternatively via another agreed method.

The material contained within this TMD has been prepared by Seed Funds Management Pty Ltd (ACN 675 247 506), corporate authorised representative (No.001308397) of its related body corporate, Seed Partnerships Pty Ltd (ACN 606 230 639, AFSL No. 492973)) (Seed) and Evolution Trustees Limited (ABN 26 611 839 519, AFSL 486217) (Evolution) as Issuer and Responsible Entity of the Fund.

The Report is not intended to provide advice to investors or take into account an individual's financial circumstances or investment objectives. This is general investment advice only and does not constitute advice to any person. Neither Evolution nor Seed guarantee repayment of capital or any particular rate of return from the Fund. Neither Evolution nor Seed gives any representation or warranty as to the reliability, completeness or accuracy of the information contained in this TMD. Investors should consult their financial adviser in relation to any material within this document. Past performance is not a reliable indicator of future performance. Investors should consider the PDS and any other material published by Evolution or Seed in deciding whether to acquire units in the Fund. This information is available at <https://www.seedpartnerships.com/hybrid-income-fund.html>



Definitions

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).
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 investable assets.
Major Allocation (up to 75%)	The consumer may hold the investment as up to 75% of their total investable assets.
Core Component (up to 50%)	The consumer may hold the investment as up to 50% of their total investable assets.
Minor allocation (up to 25%)	The consumer may hold the investment as up to 25% of their total investable assets.
Satellite allocation (up to 10%)	The consumer may hold the investment as up to 10% of their total investable assets. Products classified as extremely high risk are likely to meet this category only.
Investable Assets	Those assets that the investor has available for investment, excluding the residential home.



Term	Definition
Portfolio diversification (for completing the key product attribute section of consumer's intended product use) Note: exposures to cash and cash-like instruments may sit outside the diversification framework below.	
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 and geographic markets with limited correlation to each other.
Consumer's intended investment timeframe	
Minimum	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.
Consumer's Risk (ability to bear loss) and Return profile	
A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.	
Low	For the relevant part of the consumer's portfolio, the consumer: <ul style="list-style-type: none"> • has a conservative or low risk appetite, • seeks to minimise volatility and potential losses, and • is comfortable with a low target return profile. The consumer typically prefers stable, defensive assets (such as cash).
Medium	For the relevant part of the consumer's portfolio, the consumer: <ul style="list-style-type: none"> • has a moderate or medium risk appetite, • seeks low volatility and potential losses, and • is comfortable with a moderate target return profile. The consumer typically prefers defensive assets (for example, fixed income).
High	For the relevant part of the consumer's portfolio, the consumer: <ul style="list-style-type: none"> • has a high risk appetite, • can accept high volatility and potential losses, and • seeks high returns (typically over a medium or long timeframe). The consumer typically prefers growth assets (for example, shares and property).



Term	Definition
Very high	For the relevant part of the consumer's portfolio, the consumer: <ul style="list-style-type: none">• has a very high risk appetite,• can accept very high volatility and potential losses, and• seeks to maximise returns (typically over a medium or long timeframe). The consumer typically prefers high growth assets (such as high conviction portfolios, hedge funds, and alternative investments).
Extremely High	For the relevant part of the consumer's portfolio, the consumer: <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). 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).
Consumer's need to access capital	
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.	



Term	Definition
Distributor Reporting	
Significant dealings	<p>Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning.</p> <p>The issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.</p> <p>Dealings outside this TMD may be significant because:</p> <ul style="list-style-type: none">• they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or• they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer). <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none">• the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes),• the actual or potential harm to a consumer (which may be indicated by the value of the consumer's investment, their intended product use or their ability to bear loss), and• the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red 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 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