

Community and Social Services Property Fund

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 KM Property Funds Ltd'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 Community and Social Services Property 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 viewed online at, or downloaded from, kmpropertyfunds.com/communityfund. A paper copy of the PDS is available free of charge to any person in Australia by calling on 1300 132 099.

Target market summary

This product is likely to be appropriate for an investor seeking regular and stable income with the potential for capital growth through an investment in a diverse portfolio of community and social services property where the investor has: a medium investment timeframe; a medium risk/return profile; and needs limited access to capital.

1. Fund and issuer identifiers

Issuer	KM Property Funds Ltd
Issuer ABN	69 164 635 885
Issuer AFSL	442806
Fund	Community and Social Services Property Fund
ARSN	655 386 860
APIR Code	PLL4517AU
Date TMD approved	4 February 2022
TMD Version	1.0
TMD Status	Current

2. Description of target market

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

2.1 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

2.2 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.

2.3 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).

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Consumer Attributes	TMD Indicator	Product description including key attributes
Consumer's investment objective		
Capital Growth	●	The Fund aims to deliver regular and stable income derived from property rents to investors across a range of asset types with a potential for capital growth. The Fund offers exposure to a growing and diverse property portfolio tenanted by operators providing community and social services.
Capital Preservation	●	
Capital Guaranteed	●	
Income Distribution	●	
Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (75-100%)	●	The Fund offers exposure to the property asset class in Australia and seeks to maintain a diversified portfolio in this asset class via direct investments in real property, indirect investments in property funds and other investments. Therefore, the Funds' portfolio diversification is Medium to High and is likely to be appropriate as a Satellite/Small allocation or Core Component to reduce investment risk through diversification.
Core Component (25-75%)	●	
Satellite/small allocation (<25%)	●	
Consumer's investment timeframe		
Short (≤ 2 years)	●	The Fund is open ended and has no pre-determined investment term.
Medium (> 2 years)	●	It is recommended Investors have minimum 5-year investment horizon as property should be seen as a medium-to-long term investment.
Long (> 8 years)	●	It is intended to offer regular capped withdrawal opportunities commencing on the third anniversary of the Fund.
Consumer's Risk (ability to bear loss) and Return profile		
Low	●	The Fund offers exposure to the property asset class in Australia and seeks to maintain a diversified portfolio in this asset class via direct investments in real property, indirect investments in property funds and other investments. However, there are risks involved in the Fund, which may include the following: <ul style="list-style-type: none"> · General investment risks · General property investment risks · Specific property and tenancy risks · Fund risks The Fund is likely to be appropriate for investors who have a medium or high risk and return profile.
Medium	●	
High	●	
Very High	●	
	●	
Consumer's need to withdraw money		
Daily	●	The Fund intends to offer limited capped withdrawal opportunities commencing on the third-year anniversary of the Fund.
Weekly	●	
Monthly	●	
Quarterly	●	
Annually or longer	●	

2.4 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.

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2.5 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"> Wholesale or sophisticated investors are asked to complete an online or paper application form. Retail investors are to review this document, in addition to the PDS, when completing an online or paper application form. Non-advised retail investors are to complete the issuer's 'filtering questions' in Part 5.
Platform/Wrap	<ul style="list-style-type: none"> For advised clients, no additional steps. For non-advised clients, platform/wrap provider to have in place process to provide this document through 'filtering questions' determined by the platform/wrap provider.
Adviser	<ul style="list-style-type: none"> Advisers to provide express acknowledgment when completing an online or paper application form that they have given personal advice.

Appropriateness

The Issuer has considered that the distribution conditions will make it more likely that the investors who acquire the product are in the target market because:

- the Issuer considers that an investor who acquires the product on the basis of personal financial product advice is more likely to be in the target market;
- the Issuer considers that requiring non-advised investors to review and acknowledge the content of the TMD and respond to the targeted 'filtering questions' is more likely to limit non-advised investors who proceed to apply for the product to those who are in the target market; and
- of its knowledge of the past performance of the distributors of the product and their target clients.

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	By 30 June 2022
Subsequent review	At least once every year from 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 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

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to KM Property Funds Ltd using the method specified kmpropertyfunds.com/Contact.

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3. 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 (2-5 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 <i>Standard Risk Measure Guidance Paper For Trustees</i>. 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.</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>

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Term	Definition
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	
Half-yearly after Initial Term. Refer to PDS Section 4.3 for more details.	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>.

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Section 1

Applicants without a Financial Adviser

Applicants who do not have an Adviser are required to provide additional information.

If you are a non-advised, direct investor, you must answer all the questions to determine whether you are within the target market for this investment. Please, indicate your response by placing an X in the relevant box for each question.

- Are you seeking the opportunity to have stable income derived from commercial property rents? Yes No
- Are you prepared to invest in the Fund for at least three to five years? Yes No
- Are you comfortable with the limited opportunity to withdraw your money from the Fund as described in the PDS? Yes No
- Are you comfortable with the Fund's exposure to real estate investments in community and social services properties? Yes No
- Are you comfortable that there are risks associated with real estate investments, that income from the Fund is not guaranteed, and the value of your investment may vary over the period of your investment? Yes No

If you have answered **NO** to more than one question, you are probably outside of the target market for this investment. You should speak with an Adviser or call KM Property Funds on 1300 132 099 for clarification.

If you have answered **YES** to more than one question and you believe you are within the target market for this investment, and you want to proceed with your investment in the Fund, please sign the form as indicated below, and attach it to your application.

Section 2

Acknowledgement

I/We acknowledge that:

1. I/We have read the Target Market Determination and consider that I/we am/are in the target market as described in the Target Market Determination.
2. A representative from KM Property Funds may contact me/us for the purposes of obtaining further information from me/us to determine whether I/we are in the target market as described in the Target Market Determination.

SIGNATURE A

Date / /

Name

SIGNATURE B

Date / /

Name