

BALMAIN DISCRETE MORTGAGE INCOME TRUSTS

Target Market Determination

1. INTRODUCTION

This TMD assists Balmain staff, our distributors (**Distributors**) and potential and current investors of the Balmain Discrete Mortgage Income Trusts ARSN 155 909 176 (**BDMIT** or **Product**) in understanding the target market for this Product. Distribution, as stated in this TMD, includes the following conduct in relation to investors:

- Dealing in the Product (e.g. issuing or arranging for the Product to be issued to a customer);
- Giving a Product Disclosure Statement (**PDS**) or other regulated disclosure document; and
- Providing financial product advice in relation to the Product.

This TMD is required under section 994B of the Corporations Act 2001 (Cth). It sets out the class of investors for whom the Product, including its key attributes, would likely be appropriate having regard to the likely objectives, financial situation and needs of the target market. In addition, the TMD outlines the triggers to review the TMD and certain other information. It forms part of Balmain Fund Administration Limited's AFSL 333213 (**Balmain, we** or issuer) design and distribution arrangements for the Product as offered under the PDS.

This TMD is not a PDS and is not an extensive summary of the Product features nor is it an extensive summary of the terms and conditions of the product. This TMD does not take into account an individual's 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 the Product and also seek financial advice from a qualified and ASIC registered financial advisor, as well as reading this TMD. Any advice provided in this document is general advice only. It has been prepared without taking into account any person's particular objectives, financial situation or needs. This TMD and Product is issued by Balmain in its capacity as the responsible entity of BDMIT. More information about this Product is contained in the PDS and Key Facts Statement, which contains full details of the investment, the Investment Manager, the BDMIT's assets and terms and conditions. The PDS is available from the Balmain Private website at www.balmainprivate.com.au. You should always consider the PDS and whether the Product is appropriate for you before making any decisions about whether to buy or continue to invest in BDMIT. If you have already purchased this Product, you should review the information we have provided you whenever your circumstances change.

2. PRODUCT DESCRIPTION AND KEY TERMS

Version No:	Target Market Determination V1	
Start Date:	05/10/2021	
First and ongoing review period:	The first review, and each ongoing review, must be completed on an annual basis, with the first scheduled review to be concluded by 31 December 2022.	
Product details:	Product:	Balmain Discrete Mortgage Income Trusts ARSN 155 909 176
	Product Disclosure Statement (PDS):	Balmain Discrete Mortgage Income Trusts – PDS prepared 20 November 2019
	APIR No:	BFA2473AU
	Legal Structure:	ASIC Registered Managed Investment Scheme
	Responsible Entity & Product Issuer:	Balmain Fund Administration Limited ABN 98 134 526 604 Australian financial services licence (AFSL) 333213
	Investment Manager:	Balmain Funds Management Pty Ltd ABN 36 134 652 707
	Scheme Custodian:	Perpetual Corporate Trust Limited ABN 99 000 341 533 AFSL 392673
	Asset Class:	Cash Management Account (CMA) and first registered commercial real estate mortgages (Loans)
	Minimum Investment Amount:	Initial investment of \$50,000 with additional investments of \$5,000
	Distributions:	Paid monthly in arrears
	Investment Options:	The Trust is a pooled mortgage scheme that is structured so that upon initially investing in BDMIT, an investor receives cash units which provides the investor with exposure to a CMA (Cash Units). Investors also have the option to gain exposure to a particular individual Loan advanced to a borrower by investing in a sub trust of BDMIT (Sub-Trust). When an investor chooses to participate in an individual Loan, some or all of their Cash Units are converted into a new class of units which provides exposure to that specific Loan (Sub-Trust Loan Units).

3. INVESTOR TARGET MARKET

The Product is likely to be suitable for self-managed super funds and retail individuals with the following investment profile, attributes and/or capabilities:

- Have a minimum initial investment of \$50,000, with such minimum amount being invested initially in Cash Units. The first investment in any Sub-Trust has a minimum investment amount of \$10,000;
- Are able to invest their money for the short to medium term, in particular:
 - 0 to 2 years for those investors invested in the Cash Units (with redemption rights at any time with no minimum specified investment period); and
 - 6 months to 2 years for those investors who choose to invest in a Sub-Trust (with no redemption rights whatsoever during the term of the Sub-Trust loans);
- Have a Low to High risk appetite (when invested in both Cash Units and Sub-Trusts Loan Units), and otherwise:
 - Low to Medium risk appetite for those investors invested in the Cash Units; and
 - Medium to High risk appetite for those investors invested in Sub-Trust Loan Units;
- Are seeking monthly distributions with returns equivalent or in excess of the current Reserve Bank of Australia **(RBA)** cash rate;
- Who wish to add a low to medium risk mortgage backed investment product with monthly distributions as an alternative asset income source to their investment portfolio.

The Product is not suitable for investors seeking high returns, high capital growth, with some or no income and with a long term investment horizon.

4. INVESTOR SUITABILITY AND PRODUCT ATTRIBUTES

4.1 Key

ASSIGNED COLOUR CODING	INDICATOR	EXPLANATION
	Not suitable or prohibited	The Product, investment strategy or risk factors are either unsuitable with regards to investment time horizon, capital growth, risk factors, income or is prohibited under the terms and conditions as stated in the Product's PDS or constitution.
	Suitable with medium or underweight investment portfolio weighting	The Product, investment strategy and risk attributes may be applicable subject to the terms and conditions of the PDS and the constitution, but an underweight holding in the investor's total portfolio is probably recommended.
	Suitable for investors requiring a high portfolio weighting	The Product, investment strategy, risk factors, and income potential are suitable with regards to the investor's risk appetite, income needs and investment time horizon.

Generally, an investor is unlikely to be in the target market for the Product(s) if:

- One or more of the investor's objectives, financial situation or needs correspond to a red rating, or
- Three or more of the investor's objectives, financial situation or needs correspond to an amber rating.

An investor (or class of investor) may intend to hold the Product as part of a diversified portfolio. In such circumstances, the Product should be assessed against the investor's attributes for the relevant portion of the portfolio, rather than the investor's portfolio as a whole. For example, an investor may seek to construct an aggressive portfolio with a small allocation to conservative assets. In this case, it may be likely that a product with a Low or Medium risk/return profile is consistent with the investor's objectives for that allocation notwithstanding that the risk/return profile of the investor as a whole is High to Very High. In making this assessment, Distributors should consider all features of the Product (including its key attributes).

INVESTOR PROFILE DEFINITIONS

INVESTOR'S INVESTMENT OBJECTIVE	
Capital Growth	The investor seeks to invest in a product designed to generate capital return. The investor prefers exposure to growth assets (such as shares or property) or otherwise seeks an investment return above the current inflation rate.
Capital Guaranteed	The investor seeks a guarantee or protection against capital loss whilst still seeking the potential for capital growth (typically gained through a derivative arrangement). The investor would likely understand the complexities, conditions and risks that are associated with such products.
Capital Preservation	The investor 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.
Income Distribution	The investor seeks to invest in a product designed to distribute regular and/or tax-effective income. The Investor prefers exposure to income-generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments).

4.2 Investor investment objective profile and timeframe - Cash Units

INVESTOR INVESTMENT OBJECTIVE	INCOME DISTRIBUTION	CAPITAL PRESERVATION	CAPITAL GUARANTEED	CAPITAL GROWTH
Minimum Investment Period	0 to 2 years	2 to 5 years	5 to 7 years	7 year plus
Cash Units				

The objective of the Cash Units is to achieve capital preservation as well as provide regular monthly distributions over the short to medium term by investing in a CMA.

The Cash Units are likely suitable for investors seeking a capital stable investment with monthly distributions that yield returns that are equivalent or above the RBA cash rate over a one month to periods over 2 years. Therefore, an investment in Cash Units would be suitable for investors with an investment objective consistent with Income Distribution and Capital Preservation.

The investment is unsuitable for investors seeking medium to long term aggressive capital growth, with some or no income for periods in excess of two years, which is typical for a portfolio with a capital growth or aggressive capital growth investment profile.

4.3 Investor investment objective profile and timeframe - Sub-Trust Loan Units

INVESTOR INVESTMENT OBJECTIVE	INCOME DISTRIBUTION	CAPITAL PRESERVATION	CAPITAL GUARANTEED	CAPITAL GROWTH
Minimum Investment Period	6 months to 2 years	2 to 5 years	5 to 7 years	7 year plus
Sub-Trust Loan Units				

The objective of the Sub-Trust Loan Units is to achieve capital preservation as well as provide regular monthly distributions over the short to medium term by investing in a specific Loan.

The Sub-Trust Loan Units are likely suitable for investors seeking a capital stable investment with monthly distributions that yield returns that are equivalent or above the RBA cash rate over a six-month to two-year period. Therefore, an investment in a Sub-Trust would be suitable for investors with an investment objective consistent with Income Distribution and Capital Preservation.

The investment is unsuitable for investors seeking medium to long term aggressive capital growth, with some or no income for periods in excess of two years, which is typical for a portfolio with a capital growth or aggressive capital growth investment profile.

4.4 Investor Risk/Return Profile

RISK PROFILE	LOW	MEDIUM	HIGH	VERY HIGH
Cash Units				
Sub-Trust Loan Units				

The Fund has a risk / return profile of Low to High (which accounts for when investors are invested in both Cash Units and Sub-Trusts Loan Units).

The Cash Units have a risk / return profile of Low to Medium. The Sub-Trust Loan Units have a risk / return profile of Medium to High. It must be noted that the Sub-Trust Loan Units risk/return profile is taken when profiling all the Sub-Trusts on issue and excludes Cash Units.

The Product is likely suitable for investors seeking an investment with a Low to Medium risk rating when invested in Cash Units or Medium to High risk rating when invested in a Sub-Trust Loan Units. The Product is unsuitable for investors seeking high returns and high capital growth with a medium to long term investment horizon.

SENSIBLE INVESTING

Investors would be aware of the investor maxim, “don't put all your eggs in the one basket”. Balmain recommends that investors should be mindful of this and only consider investing in units in BDMIT as part of a strategy to hold a diversified investment portfolio.

RISK RATING DEFINITIONS	
Low	The investor is very conservative and has a low risk appetite, and seeks to minimise potential losses with little or no capital growth but with regular income. The investor cannot tolerate capital loss and typically prefers assets such as cash, and fixed interest.
Medium	The investor has a moderate to medium risk appetite, seeking to minimise potential losses and is comfortable with a moderate target return profile with all investments producing some income. The investor typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.
High	The investor has a higher risk tolerance and can accept higher potential losses in order to target a higher target return profile. The investor 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 with little income.
Very High	The investor has a more aggressive or very high-risk appetite, seeks to maximise returns and can accept higher potential losses over a long time period, usually in excess of 7 to 10 years. The investor typically prefers growth assets such as shares, property and alternative assets with little or no income.

Note: Balmain has adopted an investment timeframe of between 0 to 7 years or more when defining the risk and return profiles of the investor as well as the Investor's investment objective.

REDEMPTION FREQUENCY

REDEMPTION	0 - 1 WEEK	1 - 4 WEEKS	MONTHLY	> MONTHLY
Cash Units				
Sub-Trust Loan Units				

Cash Units may be redeemed upon 7 business days' notice to the Investment Manager. The Sub-Trust Loan Units cannot be redeemed until the underlying Sub-Trust loan has been repaid in full (which requires investors to be fully invested for periods from six months to two years).

The Cash Units are likely to be suitable for investors who may need to redeem part or all of their investment on relatively short notice (generally within 7 business days), whereas the Sub-Trust Loan Units are likely to be suitable for investors who do not need to redeem their investment on short notice.

APPROPRIATENESS OF TARGET MARKET

This Product is likely to be consistent with the likely objectives, financial situation and needs of the class of investors in the target market. This is based on an analysis of the key terms, features and attributes of the Product and a finding that these are consistent with the identified class of investors.

5. DISTRIBUTION CONDITIONS

Balmain applies the following conditions and restrictions to the distribution of the Product so that it is likely to be provided to investors in the target market.

	CONDITIONS AND RESTRICTIONS	REASON FOR CONDITION
Channel	<p>BDMIT can only be distributed to investors via the following channels:</p> <ul style="list-style-type: none"> • Direct, via the Balmain Private website • Via advisers who hold an appropriate AFSL or are representatives of an AFSL holder and who are appropriately authorised to provide the relevant financial services in respect of BDMIT; • Through platforms <p>For advisers and platforms, such Distributors must also comply with the terms and conditions of any relevant distribution agreement or arrangements with Balmain.</p>	<p>These conditions have been imposed on all Distributors, so that any application to invest in BDMIT is received through channels that are subject to appropriate conditions, controls and monitoring by Balmain as issuer.</p>
Training & Accreditation	<p>BDMIT can only be offered to potential investors either directly via the Balmain Private website or through:</p> <ul style="list-style-type: none"> • Advisers, who are: <ul style="list-style-type: none"> o in respect of Balmain representatives, RG 146 accredited and trained; o in respect of advisers, holders of an AFSL or representatives of AFSL holders (and which hold the appropriate authorisations); and • platform operators that hold the appropriate AFSL. 	<p>These conditions have been imposed so that Distributors understand the distribution process they are required to comply with when distributing BDMIT, as well as the legislative framework relevant to the provision of financial services and activities.</p>
Process	<p>A potential investor must:</p> <ul style="list-style-type: none"> • be given a copy the current Product Disclosure Statement (PDS) for BDMIT prior to any investment in BDMIT being made via any channel as described above; and • provide Balmain with a completed application form, have a minimum investment of \$50,000 and otherwise meet the eligibility criteria for the Product (set out in the application). 	<p>The PDS provides an investor with essential information in order to help them decide to invest in BDMIT. The PDS discloses information about BDMIT's key features, fees, commissions, benefits, risks and the complaints handling procedure. The questions contained in the application will determine whether the investor meets the eligibility criteria for the Product.</p>

APPROPRIATENESS OF TARGET MARKET

It has been determined that the distribution conditions and restrictions will make it likely that investors who purchase the Product are in the class of investors for which it has been designed. We consider that the distribution conditions are appropriate and will assist distribution in being directed towards the target market for whom the Product has been designed.

6. REVIEW TRIGGERS

Balmain and any Distributor of this Product, must cease all retail product distribution conduct (except excluded conduct) in respect of this Product, as soon as practicable but no later than 10 business days of Balmain identifying a review trigger unless:

- Balmain has determined that this TMD continues to be appropriate; or
- A new TMD has been made.

The events and circumstances described below will trigger a review of this TMD if Balmain determines it may relate to the appropriateness of the TMD having regard to Balmain's internal policies.

Balmain will publish a notice of a review that has been or will be undertaken on its website.

Material Complaints	Receipt of investor complaints (in number or significance) within a three-month calendar period regarding understanding of the risks, key terms, conditions or features of this Product.
Feedback from Distributors	Reporting received from Distributors, or consistent feedback from Distributors, which suggests that the target market may no longer be appropriate.
Substantial Product Change	Balmain issues a supplementary PDS or withdraws the current PDS and replaces it with a new PDS and makes substantial changes to the Product terms, conditions or key attributes in the new PDS or supplementary PDS.
Product Performance	<ul style="list-style-type: none"> · Evidence that the Product performance is significantly different from our original expectations (e.g. severe decline in rates of return); · Evidence that the Product is no longer meeting the financial situation, needs and objectives of the target market for whom the Product was designed (e.g. underlying mortgage default rates, foreclosure/ refinance rates, Product related hardship requests etc); · Evidence that Sub-Trust offerings are not being taken up by investors; · Evidence of a substantial increase in the number of Cash Unit redemptions by multiple investors over any given calendar quarter; · Evidence of a substantial increase in numbers of new investors outside of the target market; · Evidence of a substantial increase over any given calendar quarter of Sub-Trusts failing to redeem on their scheduled redemption dates; · Evidence of a substantial deterioration in the unit price of the Sub-Trusts over any given calendar quarter; · Evidence of Sub-Trusts being unable to make monthly scheduled distributions over any given calendar quarter; · Evidence of a substantial increase in the nature, number and outcomes of complaints associated with the Product and/or its distribution over any given calendar quarter; · Evidence of the fees charged by Balmain being substantially different from its peers; · Evidence of the performance of the Product being substantially inferior to its peers.
Significant Change to the External Environment	<ul style="list-style-type: none"> · Regulatory or legislative changes which govern the Product such as tax; · Economic and market condition changes, such as material change in the RBA cash rate; and · Inability of the issuer to source new Loans and therefore being unable to make new Sub-Trust offerings.
Notification from ASIC	Balmain receives a notification from ASIC in writing requiring immediate cessation of the Product distribution of the Product, or cessation of particular conduct in relation to the Product.

Notification from another Regulatory Authority	Balmain receives a notification from another regulatory authority, such as AUSTRAC, that there have been events or conduct that Balmain could determine to be a significant dealing.
Significant Dealings	Evidence that Balmain and/or Distributor conduct is significantly different to this TMD.

The above table is not comprehensive, as events could occur which are not captured by events as listed in the table above.

In any event, a review of this TMD will be completed no later than annually from the start date of this TMD and subsequently at annual calendar intervals.

7. ASSESSING TMDs, REPORTING AND REPORTING PERIODS

The table below sets out the kinds of information we need to gather, identify and collate, as well as information that Distributors who distribute our Product need to provide to us, in order for us to be able us to assess this TMD and ensure that this TMD continues to be appropriate.

Reporting	Balmain, as a Distributor and issuer of this Product, collects information and prepares reports regarding sales activity, performance, complaints, product suitability and any occasions where this Product has been sold contrary to the TMD on an at least a quarterly basis to help improve the product and services as offered.		
Reporting Period	The reporting period for this determination is every 3 calendar months.		
Reporting Information	A Distributor must provide the information in writing to Balmain, as issuer, as soon as practicable, but in any case within 10 business days after the end of the Reporting Period unless otherwise specified or soon as practicable.		
Item	Person or Entity Required to Report to Balmain	Information to be Reported	Reporting Period
Complaints	Distributors	Complaints related to risks, key terms, conditions or features of this Product including: <ul style="list-style-type: none"> the number of complaints; the nature and circumstances of the complaints; and whether or not there has been or is likely to be investor harm or detriment, and if so, the nature of the harm or detriment. 	In writing as soon as practicable, but in any case within 10 business days after the end of the Reporting Period.
Significant Dealings	Distributors	If a Distributor becomes aware a significant dealing, either in the Product or the Distributor conduct, that is not consistent with this TMD, it must report it to Balmain.	In writing as soon as practicable, and in any event within 10 business days after first becoming aware.
Annual Product Review	Distributors	Any information that will assist Balmain, as issuer, performing its Annual Product Review in order to determine if the Product is still applicable to the target market as determined in the current TMD on issue. This includes all information acquired during the reporting period, or confirmation that the Distributor did not acquire any such information during the reporting period.	In writing as soon as practicable, and in any event within 10 business days after receiving at least 30 days' prior notice from Balmain of the Annual Product Review.
Any Other Information Required by Balmain	Distributors	Any other information that Balmain, as issuer, specifies in the TMD to assist Balmain to determine whether an event or circumstance has occurred that would reasonably suggest that the TMD is no longer appropriate in order to enable Balmain to meet its legal and compliance obligations. This includes all information acquired during the reporting period, or confirmation that the Distributor did not acquire any such information during the reporting period.	In writing as soon as practicable, but in any case within 10 business days after the end of the Reporting Period.

AVAILABILITY OF THIS TMD

This TMD is available to be downloaded in PDF format from the Balmain Private website, www.balmainprivate.com.au. Or you can ring the Balmain Private Investments Team directly on 02 9232 8888 during normal office hours, and request a hardcopy of this TMD statement which will be mailed to you free of charge.

HOW TO CONTACT US

For initial enquiries and information, please contact the Balmain Private Investments Team on:

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DISCLAIMER

Please note the rates of return from the Product are not guaranteed and are determined by future revenue of the Product and may be lower than expected. Investors risk losing some or all of their principal investment. Investment in the Product is not a bank deposit and therefore is not covered by the Federal Government's guarantee under the Financial Claims Scheme. Past performance is no guarantee of future performance. Withdrawal rights are subject to liquidity and may be delayed or suspended. None of Balmain or any of its associates, related entities or directors guarantee the performance of the Product or its Sub-Trusts or the repayment of monies invested.

This TMD is only applicable in the states and territories of Australia and cannot and should not be distributed or relied upon outside of Australia as it may be contrary to or in violation of various overseas sovereign laws.