

# Target Market Determination

This Target Market Determination (TMD) is made by APS Savings Limited ACN 150 630 694 (Company) in accordance with the design and distribution requirements relating to financial products for retail clients contained in Part 7.8A of the *Corporations Act 2001*.

The design and distribution obligations aim to assist consumers to obtain appropriate financial products by requiring product issuers and distributors to have a consumer-centric approach to the design and distribution of financial products.

## Purpose

The purpose of this target market determination (TMD) is to describe the target market of consumers for APS Notes, and to address the design and distribution obligations that apply in relation to TMDs.

You should not base any decision to acquire APS Notes on the contents of this TMD. You should refer to the APS Notes prospectus before deciding whether to acquire or continue to hold the relevant product. You can get a copy of the relevant prospectus from our website.

## Overview of product

APS Notes are debt securities in the form of secured notes (APS Notes). APS Notes are not bank deposits and are not covered by the Financial Claims Scheme that applies to deposit holders with banks and other authorised deposit taking institutions.

The Company issues four different types of APS Notes:

31 days' notice, no fixed term	6 month term	12 month term	24 month term
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This TMD applies to each of the above types of APS Notes.

## 1. Target Market

The class of consumers that comprises the target market for the APS Notes issued by the Company (products) are the following consumers, with the likely objectives, financial situations and needs listed below.

### *Type of consumers*

Commonwealth Public Servants who are members of APS Benefits Group Limited (APSBG, formerly Australian Public Service Benevolent Society Limited) and other consumers who want either:

- (a) a fixed interest, fixed term investment; or
- (b) a non-fixed term investment redeemable on 31 days' notice,

in each case where a trustee approved under the *Corporations Act 2001* has been granted security over the assets of the Company to hold for the benefit of the consumers.

Those consumers who subscribe for APS Notes must be at least 18 years of age.

*Consumer attributes*

The class of consumers for whom the products issued by the Company are likely to be appropriate, having regard to their likely objectives, financial situation and needs, are:

Table 1: Consumer attributes		
	Consumer attribute	Product description
<b>Income distribution:</b>	Consumers seeking regular income distributions.	Interest is paid monthly in arrears or added to the principal.
<b>Investment liquidity</b>	Consumers who are prepared to commit their funds for a fixed term over a short or medium timeframe, with only a very limited opportunity to redeem their funds early in the case of hardship;	APS Notes are fixed term products or have a minimum 31 day notice period for the 31 day product.
<b>Risk profile:</b>	<p>Consumers who have a <b>high to medium ability</b> to bear the loss of the funds invested; and</p> <p>Consumers who are not seeking to invest in a guaranteed product. APS Notes are not a guaranteed product. This means there is no guarantee that investors who invest in APS Notes will be repaid their funds in full or at all.</p>	<p>While the Trustee holds security on behalf of investors, there is no guarantee that the security will ultimately be sufficient to ensure all the monies invested with the Company are repaid.</p> <p>The Company's only asset is the loan to its parent. The Company's ability to pay the interest on its products and to repay investors' funds depends entirely on the performance and financial capacity of its parent. Consumers are also exposed to risk in the event of creditor claims against the Company's parent.</p> <p>APS Notes are not comparable to any form of bank deposits, including term deposits, which are guaranteed by the Financial Claims Scheme, or other fixed income products that benefit from portfolio diversification (where investors benefit from diversified exposure to a portfolio of fixed income assets).</p>

*Consumer objectives, financial situation and needs*

<b>Table 2: APS Notes – Consumer objectives, financial situation and needs</b>				
<b>Type</b>	31 days' notice, no fixed term	6 month term	12 month term	24 month term
<b>Client needs</b>	Our products are likely to be consistent with the likely objectives, financial situation and needs of consumers who: <ul style="list-style-type: none"> <li>- seek regular income distributions because interest is paid monthly;</li> <li>- do not wish to withdraw on less than 31 days' notice because clients need to provide at least 31 days' notice;<sup>1</sup></li> <li>- and are not otherwise seeking a fixed term.</li> </ul>	Our products are likely to be consistent with the likely objectives, financial situation and needs of consumers who: <ul style="list-style-type: none"> <li>- seek regular income distributions because interest is paid monthly;</li> <li>- do not wish to withdraw prior to the expiry of the fixed 6 month term because the term is fixed for 6 months.<sup>1</sup></li> </ul>	Our products are likely to be consistent with the likely objectives, financial situation and needs of consumers who: <ul style="list-style-type: none"> <li>- seek regular income distributions because interest is paid monthly;</li> <li>- do not wish to withdraw prior to the expiry of the fixed 12 month term because the term is fixed for 12 months.<sup>1</sup></li> </ul>	Our products are likely to be consistent with the likely objectives, financial situation and needs of consumers who: <ul style="list-style-type: none"> <li>- seek regular income distributions because interest is paid monthly;</li> <li>- do not wish to withdraw prior to the expiry of the fixed 24 month term because the term is fixed for 24 months.<sup>1</sup></li> </ul>
<b>Ability to bear losses</b>	Consumers who have a high <sup>2</sup> to medium <sup>3</sup> ability to bear the loss of the funds invested.	Consumers who have a high <sup>2</sup> to medium <sup>3</sup> ability to bear the loss of the funds invested.	Consumers who have a high <sup>2</sup> to medium <sup>3</sup> ability to bear the loss of the funds invested.	Consumers who have a high <sup>2</sup> to medium <sup>3</sup> ability to bear the loss of the funds invested.

<sup>1</sup> Early withdrawals may in limited circumstances be permitted under APS's hardship policy.

<sup>2</sup> High ability to bear loss means a client who is prepared to lose up to 20% of the sum invested in APS Notes.

<sup>3</sup> Medium ability to bear loss means a client who is prepared to lose up to 10% of the sum invested in APS Notes.

Please note that the examples set out in footnotes 2 and 3 above are numerical examples only as APS Savings Ltd has never experienced a capital loss. Past performance is not indicative of future performance.

<p><b>Portfolio allocation</b></p>	<p>The consumer intends to hold APS Notes as part of their investment portfolio, with such holdings not exceeding:</p> <p>(a) 25% of their Investable Assets, where they have a medium ability to bear the loss of funds invested; or</p> <p>(b) 33% of their Investable Assets, where they have a high ability to bear the loss of funds invested,</p> <p>because APS Notes are considered Medium Risk Fixed Income products.</p>	<p>The consumer intends to hold APS Notes as part of their investment portfolio, with such holdings not exceeding:</p> <p>(a) 25% of their Investable Assets, where they have a medium ability to bear the loss of funds invested; or</p> <p>(b) 33% of their Investable Assets, where they have a high ability to bear the loss of funds invested,</p> <p>because APS Notes are Medium Risk Fixed Income products.</p>	<p>The consumer intends to hold APS Notes as part of their investment portfolio, with such holdings not exceeding:</p> <p>(a) 25% of their Investable Assets, where they have a medium ability to bear the loss of funds invested; or</p> <p>(b) 33% of their Investable Assets, where they have a high ability to bear the loss of funds invested,</p> <p>because APS Notes are Medium Risk Fixed Income products.</p>	<p>The consumer intends to hold APS Notes as part of their investment portfolio, with such holdings not exceeding:</p> <p>(a) 25% of their Investable Assets, where they have a medium ability to bear the loss of funds invested; or</p> <p>(b) 33% of their Investable Assets, where they have a high ability to bear the loss of funds invested,</p> <p>because APS Notes are Medium Risk Fixed Income products.</p>
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Investable Assets refers to the total value of the client’s assets, which are available for investment, at the time of completing the client questionnaire, excluding their residential home.

Medium Risk Fixed Income products are not capital guaranteed and are riskier by nature than, for example, a term deposit with a bank, that would normally be described as ‘low’ risk. APS Notes are medium risk because a percentage of the underlying loan portfolio is unsecured.

*Consumers for whom APS Notes are not suitable*

The Company's products are not appropriate for consumers who seek:

- A guaranteed return of capital. While the Company is satisfied that the security held by the Trustee on behalf of consumers is reasonably likely to be sufficient to repay consumers, there is no guarantee that the assets will be sufficient to guarantee that investors will be repaid in full or at all;
- Capital growth. Consumers will receive on the maturity of their investments only the amount invested on a dollar for dollar basis (in addition to any interest you may receive during the term);
- Diversification: Customers seeking diversified exposure to a portfolio of fixed income assets;

- Ready access to their funds. Funds are invested for a fixed term, or on the basis of a 31 notice period before withdrawal, and can be redeemed earlier only at the discretion of the Company; Longer term "set and forget" investments require consumers prior to the maturity of their investment to elect whether to have their funds redeemed or to re-invest them with the Company;
- Consumers who require access to the funds, to meet their financial obligations;
- A no-risk, or low risk investment. The Company's products are not comparable to bank deposits, and while the Trustee holds security for the repayment of the funds invested with the Company, there is no guarantee that the security will be sufficient to ensure all investors are repaid in full. The Company's only asset is the loan made to its parent. The Company's ability to repay investors' funds is entirely dependent upon the performance and financial solvency of its parent, which has made a number of unsecured loans, so increasing the potential for losses, which may in turn impact upon the Company's capacity to pay consumers who invest in the company's products.
- Portfolio allocations that are larger than those proposed for the relevant groups of consumers set out in the Table 2 above (see the Portfolio Allocations row). The risk profile of the Company's products means that they are best suited as part of a consumer's diversified asset and investment portfolio,

and such consumers do not form part of the target market.

## 2. Review Triggers

The Company will monitor and review the outcomes produced by the design and distribution of its products and consider whether changes are required to the products, to the way they are distributed and to whom they are being sold (**Review**).

The Company will conduct a Review, where any of the following review triggers occur:

- prior to the issue of a prospectus;
- prior to the issue of a supplementary prospectus;
- within 10 business days of becoming aware of any event that suggests this TMD is no longer appropriate;
- where there is a significant dealing outside the TMD, which is not consistent with the target market. This trigger occurs where significant distribution is occurring outside the target market, and does not refer to any one particular dealing in APS Notes;
- as soon as practicable and in any event within 10 business days if:
  - there is a failure by the Company to comply with the terms on which its products were issued, the provisions of the Trust Deed between the Company and The Trustee Company (Australia) (**Trust Deed**), or Chapter 2L of the Corporations Act 2001;

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- (ii) an event occurs which causes or could cause the monies outstanding on the Company's products or any of them to become immediately payable or the terms of the product to become immediately enforceable, or any other right or remedy under the terms of the products or the Trust Deed to become immediately enforceable;
- (iii) a circumstance occurs that materially prejudices the Company or its holding company, APSBG, or any of its subsidiaries (Group) or any security or charge included in or created by the products or the Trust Deed;
- (iv) there is a substantial change in the nature of the Company's business;
- (v) a member of the Group sustains a material trading or capital loss;
- (vi) the Company elects to employ any third party distribution channel;
- (vii) the Company receives a complaint that concerns the design or distribution of its products; or
- (viii) external events such as adverse media coverage or regulatory changes or attention.

(where each of the above is a **Review Trigger**).

Upon becoming aware of a Review Trigger, or a potential Review Trigger, the Chief Executive Officer must within 2 business days provide to the Board all such information necessary for the Board to determine whether this TMD is no longer appropriate.

### 3. Distribution Conditions

The Company distributes the prospectus for its products electronically through its own website, or in hard copy in response to requests made directly to the Company.

Prospective investors must successfully answer the Company's client questionnaire. The Company's client questionnaire tests that the likely objectives, financial situation and needs of the consumer are consistent with the likely objectives, financial situation and needs of the target market as well as their understanding of the key attributes of APS Notes. A series of knock out questions are used in order to avoid investment in APS Notes if the consumer is unlikely to be within the target market.

Only select representatives of the Company that have undergone internal training and have demonstrated competence in understanding the product features and target market can conduct the above assessment.

The Company does not employ any third party distribution channels.

The Company has determined that the distribution conditions and restrictions will make it likely that consumers who purchase the Company's products are in the class of consumers for whom they have been designed. The Company considers that the distribution conditions are appropriate and will assist distribution in being directed towards the target market.

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#### 4. Periodic Review

In addition to any Review conducted as a result of the occurrence of a Review Trigger, the Company must conduct an annual review, to finish:

- (a) for the first review, on the day which starts 6 months from the date this TMD is made; and
- (b) for each subsequent Review, on the day which starts 6 months from the day the prior Review was finished.

#### 5. Complaints Reporting

The Chief Executive Officer must at each Board meeting or at least quarterly report to the Board in writing:

- (a) whether the Company received complaints in relation to the Company's products during the quarter; and
- (b) the number of complaints received (if any).

Dated: 22 December 2022