

Target Market Determination

**Australasian Property Investments Limited (ACN 097 936 760) as trustee for
APIL Essential Retail Income Fund**

Effective from **19th** July 2022

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Background

A The Company has prepared this TMD in accordance with Regulatory Guide 274 and the Treasury Laws Amendment Act.

1 Definitions and interpretation

Definitions

1.1 For the purposes of the TMD, the following words have the following meanings.

ASIC	means the Australian Securities and Investments Commission.
ASIC Act	means the <i>Australian Securities and Investments Commission Act 2001</i> (Cth), as amended from time to time.
Business Day	means a day (other than a Saturday, Sunday or public holiday) when banks in Western Australia are open.
Company	means Australasian Property Investments Limited (ACN 097 936 760) as trustee for APIL Essential Retail Income Fund.
Distribution Conditions	has the meaning given to that term in clause 3.5 of this TMD.
Investor	means a person who has accepted the Offer and has invested in the product in accordance with the PDS.
Offer	means the offer of the Product under the PDS.
PDS	means the Product Disclosure Statement to be distributed by the Company in or around August 2022.
Portfolio	has the meaning given to that term in clause 3.2.3 of this TMD.
Product	means the investment opportunity offered under the PDS and briefly described in clause 3.3 of this TMD.
Regulatory Guide 274	means ASIC Regulatory Guide 274 (Product Design and Distribution Obligations) 2020 (Cth).
Review Trigger	means an event described in clause 3.9 of this TMD.
Target Market	means the group of people who: <ul style="list-style-type: none">(a) meet the criteria set out in clause 3.1 of this TMD; and(b) are intended to be the recipient of the Offer.
TMD	means this target market determination document.
Treasury Laws Amendment Act	means the <i>Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019</i> (Cth) as amended from time to time.

Interpretation

- 1.2 In this TMD unless the context otherwise requires:
- 1.2.1 headings are for convenience only and do not affect the interpretation of this TMD;
 - 1.2.2 the singular includes the plural and vice versa;
 - 1.2.3 any words denoting one gender include the other gender;
 - 1.2.4 where any word or phrase is given a definite meaning in this TMD, any part of speech or other grammatical form of that word or phrase has a corresponding meaning;
 - 1.2.5 a reference to:
 - (a) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate;
 - (b) a document includes all amendments or supplements to that document;
 - (c) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity and is a reference to that law as amended, consolidated or replaced;
 - (d) an agreement other than this TMD includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing;
 - (e) a monetary amount is in Australian dollars; and
 - (f) when the day on which something must be done is not a Business Day, that thing must be done on the following Business Day.

2 Purpose

- 2.1 This TMD is provided to the general public in order to inform them of the practices the Company has put in place to ensure that the design and distribution of its Product is effective and will help consumers obtain appropriate financial products.
- 2.2 This TMD is not intended to provide financial advice. The PDS to which this TMD relates should be read carefully by potential investors and will provide investors with a detailed disclosure of the product's terms and conditions, which are not comprehensively set out in this TMD.
- 2.3 This TMD should provide the general public with a general understanding of the objectives, financial situation and needs of the Target Market for which the Product has been designed.

3 Target Market Determination

Target Market and Product Description

- 3.1 Table A below sets out the likely objectives, financial situation and needs of consumers who will make up the Target Market for this Offer.

TABLE A – Target Market		
Objectives	Financial Situation	Needs
<ul style="list-style-type: none"> To invest in commercial properties with the prospect of capital growth and a secure income stream for a period of approximately 6.6 years. To invest in managed funds whereby assets are managed professionally by an accountable entity. To invest in a product which should not require investors to make further contributions of capital. To invest in a pooled investment structure (such as a unit trust scheme) that facilitates investment in commercial properties which investors would otherwise not have the financial capacity to invest personally. 	<ul style="list-style-type: none"> An investor with access to funds designated for investment. A cash rich entity or a retiree who is looking for a long-term capital investment along with a monthly return. An investor with a buy and hold strategy. An investor that does not require immediate access to their investment capital. 	<ul style="list-style-type: none"> Preservation of capital that accrues capital gains/losses over the lifespan of the investment. An income stream with an estimated superior return relative to term deposits. To have access to capital after an approximate 6.6 year period. Protection of their investment by a responsible entity which is regulated and bound to act in the best interests of its investors.

- 3.2 The Company intends to issue the Product to consumers in the Target Market. The structure of the Product is as follows:

- 3.2.1 The Product is an interest in a managed investment scheme.
- 3.2.2 Investors will invest in a master trust which will wholly own a number of separate sub-trusts.
- 3.2.3 Each property acquired by the Company in respect of the Product, will be held by a separate sub-trust (**Portfolio**).
- 3.2.4 Each sub-trust will have a corporate trustee and Australasian Property Investments Limited in its own right, will hold 100% of the shares in each of those corporate trustees.
- 3.2.5 Each sub-trust will make periodic cash distributions to the master trust and will distribute its taxable income to the master trust. The master trust will then

consolidate all taxable income. If the result of such consolidation is a return of taxable income, the income will be distributed entirely to the Investors.

3.3 The key attributes of the Product are set out in Table B below:

TABLE B – Key Attributes of the Product	
Product Term	<ul style="list-style-type: none"> • The Company intends to hold onto the Portfolio for a period of 8 years from April 2021 (Term), being the commencement date of the APIL Essential Retail Income Fund. • Subject to Investor approval, at the end of the Term, the Portfolio will either be sold, or the Term will be extended. • If strong market circumstances prevail during the Term, the Company may recommend the sale of a Portfolio asset prior to the end of the Term. <ul style="list-style-type: none"> ○ Such a decision would require Investor approval of the holders of at least 65% of the units in the master trust.
Minimum Investment	<ul style="list-style-type: none"> • The Company will generally only accept a minimum investment of \$50,000 and investments in multiples of \$5,000 thereafter. However, the Company has the discretion to accept applications for lesser amounts on a case-by-case basis.
Liability for Borrowings	<ul style="list-style-type: none"> • The master trust may require debt funding from reputable financial institutions to assist in the purchase of the Portfolio assets. These borrowings will be taken on a limited recourse basis, meaning that the lenders recourse on default is limited only to the Portfolio assets such that Investors will have no direct liability to a lender in respect of such borrowings. • The target gearing ratio is between 45% and 60% (gearing ratio = total interest-bearing liabilities divided by total assets). • The target maximum loan to valuation ratio is 55.0% (loan to value ratio = total loan facility divided by the value of the Portfolio).
Liquidity of Investment	<ul style="list-style-type: none"> • The Product is an illiquid investment and there are no withdrawal rights.

	<ul style="list-style-type: none"> ○ Where an Investor wishes to sell units before the end of the Term, the Company will use its best endeavours to find a replacement Investor, but the Company is under no obligation to secure a replacement Investor.
Income Distributions	<ul style="list-style-type: none"> • The Company intends to pay cash distributions monthly in arrears. • Distributions are to be sourced from the cash from operations only (excluding borrowings). <ul style="list-style-type: none"> ○ However, the Company will establish a working capital account for the Portfolio which may be used to smooth distributions to Investors as required from time to time. • The forecast cash distributions as a percentage return on equity invested for financial years one and two are forecast to be: <ul style="list-style-type: none"> ○ 6.0% per annum in year 1; and ○ 6.0% per annum in year 2. • Please refer to the PDS for further information regarding income distributions and the risks associated with the Product.
Tax Consequences	<ul style="list-style-type: none"> • Distributions paid throughout the year may include a tax-deferred portion and a tax-free portion.

3.4 Table C below assesses the compatibility of the Product with the likely objectives, financial situation and needs of the Target Market.

TABLE C – Appropriateness of the Product for the Target Market	
Purpose	<ul style="list-style-type: none"> • The purpose of the Product is to provide Investors with long-term consistent cash distributions followed by a capital return (Purpose). The structure of the Product should allow for this Purpose to be achieved in reasonable market conditions. • Consumers in the Target Market who are seeking consistent long-term returns would be comforted by the monthly cash distributions from the Product. • The Product aims to provide Investors with returns which are greater than those available from term deposits with large banks. This is in line with the needs of the Target Market. The fees to be paid in accordance with the Product as set out in the PDS may limit the final return to Investors. These

	<p>costs will need to be assessed by potential investors before committing to the Product.</p> <ul style="list-style-type: none"> The restrictive features of the Product, such as the minimum investment amount and the illiquidity of the investment are not inconsistent with the objectives or financial position of the Target Market.
Past outcomes	<ul style="list-style-type: none"> Details of the past and current products issued by the Company are set out on the Company's website at the following web addresses: www.apilgroup.com/performance/ www.apilgroup.com/current-performance/ www.apilgroup.com/past-performance/
Likely future outcomes	<ul style="list-style-type: none"> Given the nature of the market and macro-economic conditions, it is hard to determine with certainty whether the Product will deliver what it aims to. However, if market conditions are of a similar nature to those periods of time referenced in the links above, it is likely the Product will satisfy the needs of the Target Market.

Distribution Conditions

- 3.5 The Company will apply the following conditions and restrictions on distribution of the PDS (**Distribution Conditions**):
- 3.5.1 The Product will only be distributed by the Company and will only be offered to consumers who have subscribed to receive the relevant Offer from the Company on its website.
- 3.5.2 When subscribing to receive such offers, subscribers are required to confirm that they have read and understood the entirety of this TMD and confirm that they reasonably believe themselves to be a member of the Target Market. In order to make this assessment, a subscriber should pay particular attention to Table A and their own personal objectives, financial situation and needs.
- 3.6 The Distribution Conditions set out in paragraph 3.5 will make it more likely that the consumers who acquire the product are in the Target Market.
- 3.7 If the Company becomes aware that significant distribution is occurring outside the Target Market, the Company will:
- 3.7.1 amend the TMD to set out additional Distribution Conditions to ensure that such distribution does not occur; or
- 3.7.2 cease distribution.

Review Triggers

- 3.8 The Review Triggers set out in this TMD will be monitored by the Company and will be used to determine whether the TMD is still appropriate and whether distribution of the Product should be halted.
- 3.9 The Company will acknowledge the following events as a Review Trigger, where:

- 3.9.1 the Company has chosen to amend the structure of the Product in such a way that may change the key attributes of the Product;
- 3.9.2 several consumers who are not part of the Target Market have attempted to apply to invest in the Product in respect of a particular Offer;
- 3.9.3 there is negative feedback received from potential investors in respect of the distribution process;
- 3.9.4 the Distribution Conditions are found to be inadequate;
- 3.9.5 external events, such as adverse media coverage or regulatory attention brings the efficacy of this TMD into question; or
- 3.9.6 any other event or circumstance occurs, which if it had occurred prior to the issue of this TMD, would have resulted in a material difference in its content.

Review Period

- 3.10 In addition to conducting reviews in response to Review Triggers, the Company will carry out periodic reviews of this TMD.
- 3.11 The nature in which the Product is distributed is unique in the sense that the Offer of the Product will likely only remain open for a short period of time. Therefore, given the limited length of the offer period, it is unlikely a periodic review will be required.
- 3.12 Nonetheless, the Company will conduct a periodic review of the TMD at the earlier of the following:
 - 3.12.1 one month from the date the Offer is made; and
 - 3.12.2 the Business Day immediately prior to the Offer closing.
- 3.13 If the Offer remains open for more than one month, a periodic review will occur at the end of every month following for which the Offer remains open.

Information Requirements and Reporting Period

- 3.14 The Company will be the only party which distributes the Offer. Therefore, the Company, being the issuer and the distributor, will be taken to be aware of any information the distributor is informed of.
- 3.15 There is no need for the Company to specify what type of information needs to be provided by the distributor as all information the distributor is informed of from customers such as complaints, product feedback and significant dealing information, will be inferred knowledge of the issuer.