

Target Market Determination

Macquarie Separately Managed Account (SMA)

Issued by Macquarie Investment Services Limited (MISL)

ABN 73 071 745 401, AFSL 237495

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This Target Market Determination (**TMD**) describes the type of client for which Macquarie's SMA product has been designed (**Target Market**), conditions on the distribution of Macquarie's SMA product (**Distribution Conditions**) the reporting requirements for distributors of Macquarie's SMA product (**Distributor Reporting Requirements**) and when we will review this TMD (**Review of this Target Market Determination**).

This TMD has been prepared for the purposes of section 994B of the *Corporations Act 2001* (Cth) only and without taking into account any particular person's objectives, financial situation or needs. Please see the Macquarie SMA Product Disclosure Statement (PDS) available online at [macquarie-separately-managed-account-w.pdf](#) for the meaning of terms which are not defined in this TMD.

Note this TMD does not apply to the distribution of this product to a client who is a 'wholesale client' for the purposes of Chapter 7 of the *Corporations Act 2001*.

Target Market

The Macquarie SMA product is designed for clients who, at the point of acquiring the product:

- hold an account with an Eligible Platform,¹
- have an adviser to provide them with personal advice,
- want to invest through their Eligible Platform account in one or more SMA Model Portfolios managed by a range of investment managers who select the underlying holdings that make up the selected SMA Model Portfolio(s),
- want to invest in one or more SMA Model Portfolios containing listed securities and/or units in managed funds as well as cash, and with investment exposure to one or more asset classes such as Australian equities, international equities, property, fixed interest, alternative investments and cash,
- want their Eligible Platform account to hold a beneficial interest in the underlying holdings of their selected SMA Model Portfolio(s),
- have an investment timeframe of at least 2 years, and
- have one or more of the attributes that are indicated by ticks in the table below and do not have any attributes that are indicated by crosses in the table below;

Client attributes	Target Market Indicator	Product attributes
Client's investment objective		
Capital Growth	✓	The SMA offers a selection of SMA Model Portfolios provided by a range of investment managers (Investment Managers) covering a range of investment styles and investment objectives.
Capital Preservation	✓	
Income Distribution	✓	
Client's intended product use (as a percentage of investable assets)		
Solution/Standalone (up to 100% of investible assets)	✓	The SMA provides single and multi-asset class SMA Model Portfolios across different risk levels, providing diversification in style, investment manager and asset class.
Major Allocation (up to 75% of investible assets)	✓	
Core Component (up to 50% of investible assets)	✓	
Minor Allocation (up to 25% of investible assets)	✓	
Satellite Allocation (up to 10% of investible assets)	✓	
Client's investment timeframe		
Short (Less than 2 years)	✗	The SMA offers a range of SMA Model Portfolios across different minimum investment timeframes.
Medium (2 - 6 years)	✓	
Long (6+ years)	✓	

¹ Eligible Platform has the meaning given to this term in the Macquarie SMA PDS.

Client attributes	Target Market Indicator	Product attributes
Client's risk (ability to bear loss) and return profile		
Very high	✓	The SMA offers a selection of SMA Model Portfolios across different risk levels and is generally designed for investors with a medium to very high tolerance to bearing loss, depending on the selected SMA Model Portfolio. The SMA is generally not designed for investors who have a low ability to bear loss.
High	✓	
Medium	✓	
Low	✗	
Client's need to withdraw from investment ²		
Daily	✗	The SMA offers a range of SMA Model Portfolios with differing levels of liquidity. Particular securities or investments within an SMA Model Portfolio may be difficult to purchase or sell, preventing the SMA Account from closing out a position or rebalancing within a timely period and at a fair price.
Within one week of request	✓	
Within one month of request	✓	
Within three months of request	✓	
Within one year of request	✓	
One year or longer	✓	

Additional key attributes of the Macquarie SMA

Key attributes

- **Individual tax record of investments** - SMA Model Portfolios allow the tax transparency of all the securities held, individual tax cost position and direct flow through of all income.
- **Visibility / transparency of portfolio holdings** - Clients have visibility and transparency of underlying holdings and transactions within SMA Model Portfolios.
- **Ability to customise portfolio** - The SMA offers the ability to apply a 'do not hold' customisation to certain securities or sectors in an SMA Model Portfolio.
- **Ability to include in specie transfer of existing investments** - The SMA offers the ability, where permitted, to transfer securities (held in the same name) into and out of an SMA Model Portfolio without it resulting in a capital gains tax event.
- **The option to choose one or more SMA Model Portfolios with specialist investment objectives** - The SMA offers the ability to invest in SMA Model portfolios designed with ethical, social and/or governance considerations.

Fee structure

Where stated in the Macquarie SMA PDS, a Management Fee applies to investments in the Macquarie SMA. The applicable Management Fee depends on the SMA Model Portfolio(s) selected and is calculated based on the value invested in each SMA Model Portfolio. A transaction fee also applies to each trade of listed securities within the Macquarie SMA. See the Macquarie SMA PDS for details on all of the fees and costs that apply.

² The product makes available a broad range of Model Portfolios with different liquidity timeframes. The liquidity of each Model will depend on the underlying securities held within it. In some cases, particular assets may be less liquid and take longer than indicated timeframes to be realised.

Distribution Conditions

The Macquarie SMA is designed to be distributed through Australian Financial Services Licensees (AFSLs) and their representatives.

Distribution Conditions for all AFSLs other than MISL and Eligible Platforms

Distribution of the Macquarie SMA by all AFSLs (other than MISL and Eligible Platforms) and their representatives is subject to the following conditions and restrictions:

- Only AFSLs or their representatives, who are licensed to provide personal advice on the product to retail clients may arrange for clients to apply for or acquire the product,
- Arranging for a client to apply for or acquire an interest in the product (whether it is an initial or subsequent investment) is permitted only where the AFSL or representative is implementing personal advice provided to the client to acquire that interest in the product,
- Arranging for a client to apply for or acquire an interest in the product is only permitted where the client holds an account with an Eligible Platform,
- Arranging for a client to apply for or acquire an interest in the product is only permitted where the client meets the product's eligibility criteria (as determined by MISL),
- General advice and any marketing or promotional materials or activities about the product must only be provided to, or made available through, channels associated with clients who typically receive, or are looking to receive, personal advice,
- The PDS for the product must only be made available through channels associated with, or targeted to clients who typically receive, or are likely to receive, personal advice; and
- Dealing in the product by an AFSL or its representatives is restricted to dealing in the SMA Model Portfolio(s) that MISL has approved as being available for that particular AFSL and its representatives.

Distribution conditions for Eligible Platforms

Distribution of the Macquarie SMA by Eligible Platforms and their representatives is subject to the following conditions and restrictions:

- Eligible Platforms will only arrange for a client to acquire the product (whether it is an initial or subsequent investment) where the client has received personal advice to acquire the product.

Distributor Reporting Requirements

Distributors of these products must provide Macquarie with the following information in writing:

Complaints

Reporting obligation	As soon as practicable but, in any case, within 10 business days after the end of each reporting period.
Reporting period	Every quarter, ending on: <ul style="list-style-type: none">• 31 March,• 30 June,• 30 September, and• 31 December.
Required detail	The full details of any complaints received relating to the Macquarie SMA
Reporting method	See the Reporting Requirements section on our website www.macquarie.com.au/ddo

Significant Dealings

Reporting obligation	As soon as practicable, but in any case, within 10 business days of becoming aware of the significant dealing.
Required detail	<ul style="list-style-type: none">• The date on which or the date range over which the dealing occurred,• A description of the dealing (including details of the impacted account(s)),• An explanation of why the dealing is considered significant,• An explanation of why the dealing is considered to be inconsistent with the TMD,• How the dealing was identified (e.g., through monitoring, complaints etc.); and• Detail of what steps have been or will be taken in relation to the significant dealing.
Reporting method	For details see www.macquarie.com.au/ddo

Additional Information

Reporting obligation	As soon as practicable but, in any case, within 10 business days of receiving a request from Macquarie.
Required detail	Such additional complaint related information (such as further information relating to the nature of complaints) that Macquarie requests from time to time.
Reporting method	As specified in any request from Macquarie.

Review of this Target Market Determination

This TMD will be reviewed as follows:

Periodic review	Within 12 months of the date that this TMD was last reviewed.
Review triggers	<p>This TMD will be reviewed should any of the following events occur:</p> <ul style="list-style-type: none">• A material, unexpected increase in complaints is received about the product,• MISL determines it has a reportable situation in relation to this TMD or MISL's obligations under Part 7.8A of the Corporations Act;• Implementation of a material product change that would, if the product was acquired as a retail client, require notification under section 1017B(1) of the Corporations Act 2001, except where a review of this TMD has already been completed in anticipation of that change;• Commencement of a change in law or other regulatory requirement materially affecting the product(s), except where a review of this TMD has already been completed in anticipation of that change;• The use of a regulatory order or direction (including the use by ASIC of its Product Intervention Powers) that expressly states or directly implies that this TMD is no longer appropriate; or• MISL reporting a significant dealing in the products to ASIC.

Definitions

Terms	Definition
Client's investment objective	
Capital Growth	These SMA Model Portfolios are designed or expected to generate capital return over the investment timeframe. They have exposure to growth assets (such as shares or property) or otherwise pursue an investment return above the current inflation rate.
Capital Preservation	These SMA Model Portfolios are designed or expected to have low volatility and minimise capital loss. They have 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	These SMA Model Portfolios are designed or expected to distribute regular and/or tax-effective income. They have exposure to income-generating assets (this may include high dividend yielding equities, fixed income securities and money market instruments).
Client's intended product use (as a percentage of investable assets)	
Solution/Standalone (up to 100% of investible assets)	These SMA Model Portfolios are designed to hold up to 100% of the client's total investable assets. The client is likely to seek a product with very high portfolio diversification.
Major Allocation (up to 75% of investible assets)	These SMA Model Portfolios are designed to hold up to 75% of the client's total investable assets. The client is likely to seek a product with at least high portfolio diversification.

Terms	Definition
Core Component (up to 50% of investible assets)	These SMA Model Portfolios are designed to hold up to 50% of the client's total investible assets. The client is likely to seek a product with at least medium portfolio diversification.
Minor Allocation (up to 25% of investible assets)	These SMA Model Portfolios are designed to hold up to 25% of the client's total investible assets. The client is likely to seek a product with at least low portfolio diversification.
Satellite Allocation (up to 10% of investible assets)	These SMA Model Portfolios are designed to hold up to 10% of the client's total investible assets. The client is likely to seek a product with at least very low portfolio diversification.
<i>Investable Assets</i>	Those assets that the client has available for investment, excluding the residential home.
Diversification³	
Very low	These SMA Model Portfolios provide exposure to a single asset (for example, a commercial property) or a niche asset class (for example, minor commodities or collectibles).
Low	These SMA Model Portfolios provide 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	These SMA Model Portfolios provide 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	These SMA Model Portfolios provide 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	These SMA Model Portfolios provide exposure to a large number of holdings across a broad range of asset classes, sectors and geographic markets with limited correlation to each other.
Client's investment timeframe	
The minimum suggested timeframe for a client holding a particular SMA Model Portfolio. Typically, this is the rolling period over which the investment objective of the SMA Model Portfolio is likely to be achieved.	

³ The examples provided are illustrative and may not reflect actual holdings in the SMA Model Portfolios.

Terms	Definition
Risk (ability to bear loss) and return profile	
Very high	<p>For the relevant part of the client's portfolio, the client:</p> <ul style="list-style-type: none"> • has a very high risk appetite, • can accept very high volatility and potential losses (e.g. has the ability to bear 6 or more negative returns over a 20-year period, and • seeks to maximise returns (typically over a medium or long timeframe). <p>The client typically prefers high growth assets (such as high conviction portfolios, hedge funds, and alternative investments).</p>
High	<p>For the relevant part of the client's portfolio, the client:</p> <ul style="list-style-type: none"> • has a high risk appetite, • can accept high volatility and potential losses (e.g. has the ability to bear up to 6 negative returns over a 20-year period, and • seeks high returns (typically over a medium or long timeframe). <p>The client typically prefers growth assets (such as shares and property).</p>
Medium	<p>For the relevant part of the client's portfolio, the client:</p> <ul style="list-style-type: none"> • has a moderate or medium risk appetite, • seeks low volatility and potential losses (e.g. has the ability to bear up to 4 negative returns over a 20-year period, and is comfortable with a moderate target return profile. <p>The client typically prefers defensive assets (such as fixed income).</p>
Low	<p>For the relevant part of the client's portfolio, the client:</p> <ul style="list-style-type: none"> • has a conservative or low risk appetite, • seeks to minimise volatility and potential losses (e.g. has the ability to bear up to 1 negative return over a 20-year period, and • is comfortable with a low target return profile. <p>The client typically prefers stable, defensive assets (such as cash).</p>
Client's need to withdraw from investment	
<p>This 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, considering the length of time an Eligible Platform takes to process requests for redemption for underlying investments as well as the liquidity of the market and likely realisable value on market.</p>	