

Target Market Determination – Funds Management

Legal disclaimer

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 the Issuer’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 the 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 obtained at <https://arrowfunds.com.au/fund-announcements/fund-reports>.

Target Market Summary

This product is likely to be appropriate for a consumer seeking Capital Growth and Income Distribution to be used as a Satellite / small allocation or a core component not exceeding 50% allocation within a portfolio where the consumer has a Long investment timeframe, Medium risk/return profile and needs limited access to capital.

Fund and Issuer identifiers

Issuer	Arrow Funds Management Limited
Issuer ABN	72 146 671 276
Issuer AFSL	439 095
Fund	Arrow Primary Infrastructure Fund A stapled fund comprising the Arrow Primary Infrastructure Fund (APIF) and the Arrow Operations Trust (AOT)
ARSN APIF	110 813 851
ARSN AOT	668 876 793
APIR Code	SAI0004AU
Date TMD approved	Approved by Compliance Committee 5-Mar-2024
TMD Version	1.0
TMD Status	Current

Description of Target Market

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

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
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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.

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).

Consumer Attributes <i>(A description of the likely objectives, financial situation and needs of the class of consumers in the target market)</i>	TMD Indicator	Product description including key attributes <i>(A description of the product, including its key attributes, i.e., product terms, features and attributes that affect the TMD)</i>
Consumer's investment objective		
Capital Growth	Green	<ul style="list-style-type: none"> • Investors seeking to achieve one or more of the following investment objectives <ul style="list-style-type: none"> ➤ Regular Income; ➤ Some Tax Deferred Income; and ➤ Some Capital Growth
Capital Preservation	Amber	<ul style="list-style-type: none"> • The Fund aims to provide Investors with stable income returns and the potential for capital growth, by investing in a diversified property portfolio. It is intended that a proportion of income distributions will be tax-deferred for Australian tax residents. • While an investment in the Fund could experience capital loss and is higher risk and more volatile than cash or fixed income securities, the Fund is expected to exhibit lower volatility than listed equities or listed REITs in a market downturn.
Capital Guaranteed	Red	
Income Distribution	Green	

Consumer Attributes <i>(A description of the likely objectives, financial situation and needs of the class of consumers in the target market)</i>	TMD Indicator	Product description including key attributes <i>(A description of the product, including its key attributes, i.e., product terms, features and attributes that affect the TMD)</i>
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Consumer's intended product use (% of Investable Assets)		
Solution/Standalone (75-100%)	Red	<ul style="list-style-type: none"> Investors seeking to invest in the Fund as part of a portfolio of investments on the understanding that the Fund strategy aims to build a portfolio of diversified, broader portfolio. It is intended that a proportion of income distributions will be tax-deferred for Australian tax residents. The Fund is permitted to gain exposure to agricultural property assets in Australia and seeks to maintain a diversified portfolio in this asset class by direct investment in real property and indirectly via investment in property funds. Currently the fund has 22 assets, therefore, the Fund's portfolio diversification is medium (see diversification definitions on page 9 below). Whilst the investment objective of the Fund may align with an investor's overall portfolio objectives, it does not come without capital and income risks. In extreme circumstances this may result in significant capital loss, and suspension of income. Investors also have restricted access to their invested capital. <p>* <i>Where the Fund is to form a core component of a portfolio it should generally not exceed 50% of the investor's Investable Assets.</i></p>
Core Component (25-75%*)	Amber	
Satellite/small allocation (<25%)	Green	

Consumer's investment timeframe		
Short (\leq 2 years)	Red	<ul style="list-style-type: none"> Investors seeking to invest in the Fund for the Long term. Whilst the fund has a quarterly liquidity facility, this facility is not guaranteed and redemptions may be capped each quarter, so that total redemptions do not exceed \$2.5 million in any six month period.
Medium ($>$ 2 years)	Red	
Long ($>$ 5 years)	Green	

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Consumer’s Risk (ability to bear loss) and Return profile		
Low	Red	<ul style="list-style-type: none"> • Investors who are comfortable tolerating Medium Risk*. • Whilst the Fund’s objective is to provide regular income distributions (with a proportion being tax deferred) and some capital growth, this does come with some risk. • Specific risks relevant to an investor’s risk and return: <ul style="list-style-type: none"> ➤ The value of an investment may fall if the value of Fund’s assets falls. ➤ The Fund may borrow up to 55% of the gross value of the Fund. ➤ The Fund may not make regular distributions, or at all, as the income available for distribution is dependent on a variety of risks associated with an investment in property (such as risks that the tenants may default on the terms of their leases). • It is estimated that the Fund may experience an estimated 2 to less than 3 negative returns over a 20 year period.
Medium	Green	
High	Green	

Consumer Attributes <i>(A description of the likely objectives, financial situation and needs of the class of consumers in the target market)</i>	TMD Indicator	Product description including key attributes <i>(A description of the product, including its key attributes, i.e., product terms, features and attributes that affect the TMD)</i>
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Consumer's need to withdraw money		
Daily	Red	<ul style="list-style-type: none"> • Investors being comfortable with investments of the Fund having low liquidity. • The Fund is invested primarily in direct real property. While there are well established markets it can take time to realise an investment which can impact on the liquidity of the Fund. • The Fund offers a limited quarterly withdrawal facility (maximum \$2.5 million each six months), which is expected to be satisfied from the Fund's cash or cash-like properties. • Off-market transfer is allowed. • The Fund is invested primarily in direct real property. While there are well established markets it can take time to realise an investment, which could impact on the liquidity of an investment in the Fund.
Weekly	Red	
Monthly	Red	
Quarterly	Amber	
Annually or longer	Green	

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.

Requirements 994B(8)	Explanation
<p><i>Target market and Product</i> RG 274.68(c)</p>	<p>The Issuer considers that the Fund, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of investors in the target market on the basis of:</p> <ul style="list-style-type: none"> • The relationship between the key attributes of the Fund and the target market set out in this TMD. • The terms of the issue of units in the Fund • The investment mandate of the Fund • The investment capability of the manager of the Fund • The Issuer's assessment of the risks and benefits of the Fund • The Issuer's assessment of the likely investor outcomes based on: <ul style="list-style-type: none"> ➤ the historical performance of the Fund in a variety of market conditions ➤ internal modelling of Fund performance based on assets held ➤ analysis of performance data in respect of the Issuer's products that are comparable to the Fund, and ➤ the assessment of the risk profile of the Fund based on investment structure and strategy.
<p><i>Target market and distribution conditions and restrictions</i> RG 274.100</p>	<p>The Issuer considers that the distribution conditions will make it more likely that the investors who acquire units in the Fund are in the target market on the basis of:</p> <ul style="list-style-type: none"> • The requirement for investors who apply direct (i.e. no adviser and not via IDPS or platform) to be asked filtering questions relevant to the TMD prior to applying. • The Issuer provides information to distributors about the Issuer's expectations and requirements in relation to the distribution of the Fund. • Where distribution agreements are in place, the restrictions imposed by, and level of supervision required under the terms of the distribution agreements entered into by the Issuer and the distributors of the Fund. • The distributor's past performance in relation to the distribution of financial products, about which the Issuer is aware. • Any other relevant information about a distributor, about which the Issuer is aware.

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">• Direct investors who are retail, wholesale or sophisticated investors can invest in this product.• Retail investors are asked to complete an online application form, including filtering questions relating to the TMD.
Platform/Wrap—Specific	<ul style="list-style-type: none">• Where a distribution agreement is in place relevant distribution conditions will be agreed that best fit the platform’s systems and procedures.
Platform/Wrap—General	<ul style="list-style-type: none">• Additional steps are not required for advised clients beyond consideration of the issuer’s TMD by the adviser.• Where the client is not advised the platform provider should consider a process where the client completes basic filtering questions relating to the TMD. Arrow has prepared filtering questions which are available by email request from enquiries@arrowfunds.com.au. However, if the platform provider cannot accommodate a process with custom filtering questions, please contact us to consider any specific distribution conditions that may be designed to suit the systems and capabilities of the platform.
Adviser	<ul style="list-style-type: none">• Investor to confirm through online application, that they are financially advised.• Financial advisers to provide details of their AFS Licence and confirm that they have reviewed and considered the TMD in providing advice to the investor.
Other authorised representatives	<ul style="list-style-type: none">• Proper authority verified.• All other requirements of wholesale, retail and advised investors applies, with proper authority to action on behalf of the investor.

Review triggers

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

<ul style="list-style-type: none">• Where the Issuer considers that there has been a material change to the investment strategy, Fund description (including its key attributes), risk profile or liquidity profile of the Fund or taxation consequences for investors in the Fund.
<ul style="list-style-type: none">• Where the Issuer considers that the Fund has underperformed relative to its benchmark or investment objective to a material degree for two consecutive financial years.
<ul style="list-style-type: none">• A significant number, or an unexpectedly high number, of complaints about the Fund or its distribution.
<ul style="list-style-type: none">• Where the Issuer is unable to provide liquidity for all investors wishing to redeem their investment within 12 months of a liquidity event.
<ul style="list-style-type: none">• A significant dealing in this Fund in relation to retail clients that is inconsistent with this TMD.
<ul style="list-style-type: none">• Material changes to the fees or other costs of the Fund that may affect the return of the Fund.
<ul style="list-style-type: none">• Any inquiry, surveillance, direction, notice, investigation or enforceable instrument by or from ASIC about or relating to the Fund’s features, target market or distribution strategy.

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	June 2023
Subsequent review	At least once every year since 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
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.
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.
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.

If practicable, distributors should adopt the FSC data standards for reporting to the Issuer. The reporting templates are available on the website www.arrowfunds.com.au.

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 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.

Term	Definition
Portfolio diversification (for completing the key product attribute section of consumer's intended	
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 years)	The consumer has a medium investment timeframe and is unlikely to redeem within two years.
Long (> 5 years)	The consumer has a long investment timeframe and is unlikely to redeem within five 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 Standard Risk Measure Guidance Paper For Trustees. 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	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. Consumer typically prefers defensive assets such as cash and fixed income.
Medium	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. Consumer 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 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. 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.

Term	Definition
Very high	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). Consumer typically prefers growth assets such as shares, property and alternative assets.

Consumer's need to withdraw money	
Issuers should consider in the first instance the redemption request frequency under ordinary circumstances. However, the redemption request frequency is not the only consideration when determining the ability to meet the investor's requirement to access capital. To the extent that the liquidity of the underlying investments or possible liquidity constraints (e.g. ability to stagger or delay redemptions) could impact this, this is to be taken into consideration in completing this section.	
Daily/Weekly/Monthly/Quarterly/ Annually or longer	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

<p>Significant dealings (cont)</p>	<ul style="list-style-type: none"> • 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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