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| <b>ISSUED BY:</b>            | FORTNUM PRIVATE WEALTH LTD                                  |
| <b>ISSUER ABN</b>            | 54 139 889 535  |
| <b>ISSUER AFSL</b>           | 357306  |
| <b>NAME OF PRODUCT</b>       | FORTNUM MANAGED DISCRETIONARY ACCOUNT SERVICE (MDA SERVICE) |
| <b>TMD VERSION</b>           | 1.1   |
| <b>DATE APPROVED</b>         | 27TH JULY 2023  |
| <b>TMD STATUS</b>            | AVAILABLE   |
| <b>MANDATORY REVIEW DATE</b> | 26TH JANUARY 2025   |
| <b>PHONE:</b>                | (02) 9904 2792  |
| <b>ADDRESS:</b>              | AURORA PLACE, LEVEL 10, 88 PHILLIP STREET SYDNEY NSW 2000   |

## INTRODUCTION

Fortnum offers a Managed Discretionary Account Service (MDA Service) to our clients. The service includes managing client's investment portfolio on a discretionary basis in accordance with an agreed Investment Program. Effective from 5<sup>th</sup> October 2021, the Design and Distribution Obligations regulations requires the product issuer to prepare a Target Market Determination (TMD).

A TMD is a written document that describes the class of consumers that comprises the target market for a financial product and matters relevant to the product's distribution and review. Fortnum's MDA TMD is issued in accordance with s994B of the Corporations Act 2001(Cth). The TMD covers all three investment components with the Fortnum MDA Service including:

1. Specialist Managed Portfolio
2. Practice Managed Portfolio
3. Tailored Portfolio

## SUMMARY

Fortnum's MDA Service is *likely* to be appropriate for a client:

- requiring minimal ongoing involvement in the decision making and associated administrative requirements of an investment portfolio;
- requiring professionals to oversee the portfolio; and
- receiving personal advice from an MDA Accredited Fortnum Adviser.

Fortnum’s MDA Service is *unlikely* to be appropriate for a client:

- wanting to participate in the decision-making process of selecting the appropriate investments;
- wanting to participate in the approval process for the recommended investments and be actively involved in the ongoing management of the portfolio; and
- who has not received personal advice from an MDA Accredited Fortnum Adviser.

## DISTRIBUTION CONDITIONS

In response to s994B(5)(c) of the Corporations Act 2001, the table below presents distribution conditions for Fortnum’s MDA Services.

| Distribution Conditions  | Permitted? | Notes   |
|--|------------|---|
| Available through all distributors   | No         | N/A   |
| Available to direct clients  | No         | Fortnum’s MDA is an investment portfolio designed to support client’s individual investment preferences and goals. It is only available to ‘personal advice’ clients, after the Financial Adviser has deemed the MDA Service is in the client’s best interest.                              |
| Available to ‘personal advice’ clients, through the Fortnum MDA Service via ‘MDA Accredited’ advisers, on <i>approved</i> platforms only | Yes        | If the MDA contract is terminated, clients will retain the existing holdings and not be forced to exit from the portfolio. However, Fortnum will not undertake any further transactions in relation to the MDA portfolio, unless as part of the termination process as per the MDA contract |

## THE TARGET MARKET FOR RETAIL CLIENTS

Fortnum applies the red/amber/green rating system to determine the appropriateness of the MDA service to a particular retail client. The TMD indicator keys are described below:

|                  |                              |                       |
|------------------|------------------------------|-----------------------|
| In Target Market | Potentially in Target Market | Outside Target Market |
|------------------|------------------------------|-----------------------|

Generally, Fortnum considered that a client is *unlikely* to be in the target market for the MDA Service if:

- one or more of the client’s objectives correspond to a ‘**red**’ rating, or
- three or more of the client’s objectives correspond to an ‘**amber**’ rating.

| Client Objectives   | TMD Indicator | Service Description  |
|---|---------------|--|
| <b>Desired level of decision making</b>   |               |  |
| Client wishes to make majority of the investment decisions  | Red           | The MDA Service allows a client's portfolio to be actively managed by a team of professionals. Investment decisions will be made within agreed parameters outlined in the MDA contract. The client will not be notified when investment changes are made, nor will they be asked to consent. Therefore, this Service is not suitable for those who are interested in participating in the investment selection process or wanting to approve the changes before execution. |
| Investments recommended by a Financial Adviser, however client requires approval before execution.  | Red           |  |
| Participate in ongoing investment reviews and the decision-making process.  | Orange        |  |
| All investment decisions to be managed and executed by professionals in accordance with a pre-agreed investment program.  | Green         |  |
| <b>Investment preference</b>  |               |  |
| Invest into a low cost and single investment option (e.g. default option) applied to the client's age group   | Red           | An MDA structure will facilitate active portfolio management, provide access to a wide range of investments and greater responsiveness due to the delegation provided to the Financial Adviser.  |
| Invest into a solution that does not require regular rebalancing  | Red           |  |
| Invest into an actively managed portfolio, in line with client's risk profile by authorising the Financial Adviser or approved professional to decide and trade on your behalf. | Green         |  |
| <b>Investment objective</b>   |               |  |
| Capital Growth  | Green         | Generally speaking, an MDA Service allows the client to participate in an investment program that is appropriate to meet their investment objectives. Fortnum, however, do recognise that there are other alternatives that may provide a more cost effective or secured financial outcomes for clients seeking capital guaranteed options as their primary objective.   |
| Capital Preservation  | Green         |  |
| Capital Guaranteed  | Red           |  |
| Income Distribution   | Green         |  |
| <b>Minimum investment timeframe</b>   |               |  |
| Brief ( < 1 Year)   | Red           | The minimum investment timeframe for Fortnum's MDA Service is 12 months.   |
| Short ( ≤ 2 years)  | Green         |  |
| Medium ( > 2 years & ≤ 8 years )  | Green         |  |
| Long ( > 8 years)   | Green         |  |

| <b>Size of investment</b>  |  |  |
|--|--|--|
| \$0 - \$150,000  |  | Fortnum has secured discounted pricing for major platforms allowing the establishment of the account for investments offered through Fortnum's MDA Service. The administration pricing makes this service more affordable and cost effective for an average portfolio of \$150,000 and above.  |
| \$150,001 - \$250,000  |  |  |
| \$250,001 - \$500,000  |  |  |
| \$500,001 - \$1,000,000  |  |  |
| \$1,000,001+   |  |  |
| <b>Intended Service Use (% of Investable Assets)</b>                         |  |  |
| Solution / standalone (75-100%)  |  | Given the discretionary nature of the MDA service, there are no limits on the % of investable assets per client.   |
| Core component (25-75%)  |  |  |
| Satellite / small allocation (0% -25%)                                       |  |  |
| <b>Risk and Return Profile (Client's tolerance to investment volatility)</b> |  |  |
| Very High  |  | Generally speaking, an MDA Service offers the client investment programs that are appropriate to meet all types of risk and return profiles.   |
| High   |  |  |
| Medium   |  |  |
| Low  |  | Fortnum, however, do recognise that there are other alternatives that may provide a more cost effective or secured financial outcomes for clients seeking capital guaranteed options as their primary objective.   |
| <b>Need to Withdraw Money</b>  |  |  |
| Daily  |  | Under normal circumstances, withdrawal requests can be made on any business day to the Financial Adviser and will be processed as soon as possible, subject to platform limitations. Consequently, it may be less appropriately for clients looking for a daily "transactional" style account. |
| Weekly   |  |  |
| Monthly  |  |  |
| Quarterly  |  |  |
| Annually or longer   |  |  |

## REVIEW TRIGGERS

Review triggers are events and circumstances that would reasonably suggest that the TMD is no longer appropriate.

Fortnum identifies the following non-exhaustive possible triggers under s994B(5)(d) of the Corporations Act 2001:

- Any significant change in MDA regulations, including any future updates of ASIC RG 179 and ASIC Corporations (Managed Discretionary Account Services) Instrument 2016/968.
- The volume, nature, size, and outcome of any complaints (as defined in s994A(1) of the Corporations Act 2001) about the service and the service distribution.
- The use of Product Intervention Powers, regular orders or directions that affect the product.
- Any material changes to the MDA Service offering, benefits, features, objectives and/or fees.
- Determination by the issuer of an ASIC reportable significant dealing.

Fortnum will review the TMD within 10 business days if any of the above review triggers suggest that the TMD are no longer appropriate.

## MANDATORY REVIEW PERIODS

| Review Period     | Maximum Period for Review |
|-------------------|---------------------------|
| Initial Review    | Completed                 |
| Subsequent Review | Every 18 months           |

## SIGNIFICANT DEALING(S)

Section 994F(6) of the Act requires distributors to notify the product issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Significant dealings are not defined by the legislation.

Fortnum will make an assessment based on an aggregate view of dealings across all distributors as well as single dealings by an individual authorised representative. Fortnum notes that all distributors are authorised representatives of Fortnum Private Wealth Ltd or Fortnum Advice Pty Ltd.

### Aggregate View of Dealings

Fortnum will complete regular reporting across all dealings outside TMDs and make a determination based on the following factors:

- Proportion of clients accessing the MDA service outside the TMD;
- The level of harm to consumers (if any), where the MDA service is accessed outside the TMD;
- Income or commissions generated for the MDA service by client accessing the MDA service outside the TMD; and
- The time period in which the MDA service outside the TMD was accessed.

## Individual Dealings by Authorised Representatives

Individual authorised representatives are required to report on any significant dealings or likely significant dealings on the MDA service accessed outside the TMD to Fortnum. Some guidance that Fortnum will undertake to make this assessment includes:

- Is there any harm or financial detriment as a result of the accessing the MDA service to the client? and
- Were there any significant fees received by the authorised representative or Fortnum due to clients accessing the MDA service outside of the TMD?

## DISTRIBUTOR REPORTING REQUIREMENTS

The following reporting requirements are applicable to all Fortnum MDA Service Distributors.

| Reporting Requirement  | Reporting Period  | Reporting Method                                       |
|--|---|--|
| Any dealings outside of the target market, including reasons why accessing is outside of target market.  | At the completion of the draft SOA.   | Record the dealing on Fortnum's Xplan DDO page.        |
| Significant dealings outside of target market, under s994F(6) of the Act and defined in the TMD.   | As soon as practicable but no later than 10 business days after a distributor becomes aware of the significant dealing. | Record the dealing on Fortnum's Xplan DDO page.        |
| Complaints (as defined in section 994A(1) of the Act) relating to the MDA Service design, availability, and distribution. The distributor should provide all the content of the complaint, having regard to privacy constraints. | As soon as practicable but no later than 10 business days after a distributor becomes aware of the complaint.           | Complete the Complaints Form on Fortnum's member site. |

For any queries, please contact Fortnum Compliance - [compliance@fortnum.com.au](mailto:compliance@fortnum.com.au)

## IMPORTANT INFORMATION

This document is not a Product Disclosure Statement. The information presented in this document is 'general in nature' and does not take into account your personal objectives, financial situation or needs. You should always seek personal advice from your Financial Adviser to determine the suitability of an MDA service with respect to your personal circumstances.

For clients receiving personal advice from a Financial Adviser licensed by Fortnum Advice Pty Ltd, please note:

- Fortnum Advice Pty Ltd is a wholly owned subsidiary of Fortnum Private Wealth Ltd. Fortnum Advice holds an Australian Financial Services License that provides financial services to clients.
- Fortnum Advice utilise the Managed Discretionary Account (MDA) Service licensed via arrangement with Fortnum Private Wealth Ltd.