

Target Market Determination

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TMD Version: 5.0

Futurity Investment Group Limited's (Futurity) vision is that everyone has access to the education and lifelong learning opportunities needed to fulfil their aspirations.

We support this vision by providing our members with an Education Bond product described in this Target Market Determination (TMD), that assists them with the funding of lifelong education for themselves, their families and others dear to them.

Futurity's Education Bond is an investment linked life policy, governed by the Life Insurance Act 1995 (Cth) and Education Bond Master Product Rules and subject to regulation by the Australian Prudential Regulation Authority (APRA). It is structured under Australian tax law as a scholarship plan, entitling its education beneficiaries to concessional tax treatment where investment earnings are used to pay for eligible education expenses. It is a medium to long term tax effective saving and investment product, with a diversified range of investment options, designed to help meet the cost of education purposed objectives, and is suitable for individuals, families, companies, or trusts.

This TMD identifies in general terms, those likely suited (and unsuited) investors for whom Futurity's Education Bond has been designed, having regard to the objectives, financial situation and needs of the target market. It also identifies conditions and restrictions placed on the product's distribution, events and circumstances that would reasonably suggest that the TMD is no longer appropriate, review periods and reporting obligations for the TMD.

Detailed information regarding the Education Bond can be found in its Product Disclosure Statement (PDS) available from Futurity as detailed below. Before making any investment decisions in relation to acquiring an Education Bond, potential investors should consider and read the PDS and obtain appropriate advice as necessary.

Target Market

Likely suited Investors (within target market)

- Those wishing to tax-effectively save and invest by using Futurity's Education Bond product as a:
 - Savings Plan – with regular ongoing contributions that can be flexibly adjusted by amount and frequency; or
 - Lump Sum Plan – by a single “once off” lump sum contribution with flexibility to make ad hoc add-on contributions from time to time, with the purpose of accumulating funding over the medium to long-term for their education-purposed objectives.
- Those with education-purposed objectives seeking:
 - to benefit an individual(s), their family members or unrelated other persons, including those who are objects of charitable giving or family or testamentary trusts;
 - to cover an expansive range of education costs of Australian and international courses – pre-school, primary, secondary and higher education; vocational education and training; career enhancing; adult education and special needs courses;
 - to cover a full spectrum of educational expenses for school, such as tuition and course fees, books, devices, uniforms, excursions, travel, education living expenses or student debt repayments.
- Those wanting to tax-effectively save and invest to accumulate funding for their education-purposed objectives with a product that has thirty-two underlying Investment Options, included within the investment categories referred to in the table below, and detailed in the PDS that:
 - comprise leading Australian and international investment managers;
 - span Diversified and Sector-Specific Options and Active and Passive (Indexed) Options – as well as offering a range of Responsible Investment Options;
 - cater for investment strategies that can be tailored to an investor's risk tolerance and risk appetite and the investment timeframe related to their Education Bond's objective;
 - allows investors to switch between the menu's Investment Options at any time without personal tax or capital gains tax consequences.
- Those wanting a flexible online application process to establish their Education Bond, either by using the EdInvestor or the streamlined EdSaver application process depending on the extent of features to be initially activated.
- Those wanting to access their investment at any time – Education Benefit Claims and Other Withdrawals (Any Purpose) are allowed to be made at any time and both are processed using daily Unit Prices.

- Those, who may commence the investment for the education purposes of their own, their families' or others' specific or personal lifelong education goals, but may, due to a change in circumstances, want the ability to access their investment as an Investment Bond for non-education purposes, rather than solely for making education expense claims. (**Important Note** – If an Education Bond is accessed for non-education purposes by making Other Withdrawals (Any Purpose), then Investment Bond Tax Rules apply to the withdrawal amount. This treatment is explained in the PDS).
- Those wanting an investment product with competitive fees that are built into the product's Unit Prices, which are calculated daily.
- Those wanting an investment product that has planning features that allow Bond transfers, Bond nominations and the appointment of Bond Guardians and Representatives as described in the PDS.
- Those investors with assets available for investment that meet the minimum Education Bond product investment requirements applicable to:
 - Savings Plans – minimum initial investment of \$1,000 per Bond (\$100 minimum per investment option) and savings contributions of \$200 per month (\$50 minimum per investment option); and
 - Lump Sum Plans – minimum initial investment of \$5,000 per Bond (\$500 minimum per investment option) and minimum add-on contributions of \$500 (\$100 minimum per investment option).
 (**Important Note** – Maximum contribution limits apply over the duration of the Education Bond. This limit is currently set at \$1,000,000 per beneficiary but may be reviewed annually or otherwise at Futurity's discretion, with updated limits published on futuraityinvest.com).
- Generally, for those investors on middle to high marginal tax rates (MTRs) (from 1 July 2024 30%, 37% and 45% – excluding the Medicare levy), the Education Bond product, being a Tax-Paid investment, means it can have tax rate 'arbitrage' benefits, because the effective Fund Tax rates (that Futurity pays on behalf of Bond Owners) on the Bond's investment earnings, are generally lower than the Bond Owner's own higher ongoing personal MTRs).

Not suitable for Investors (considered not within target market)

- Minors under 10 years of age (Minors aged 10 to 16 years can invest with parental or guardian consent).
- Those wanting to transfer their Education Bond to another product issuer. While the product can be transferred at any time to someone else with full preservation of the Bond's tax-advantaged status, Education Bonds are not portable (unlike a superannuation account) between product issuers.
- Those with minimal investable assets or who do not wish to accumulate funding over the medium to long-term for their, their families' or unrelated other persons' education-purposed objectives.
- Those investors seeking to make investment contributions in excess of the Education Bond maximum contribution limits established and as published from time to time.
- Superannuation Funds which pay tax at 15%.

Objectives and Purposes of Education Bonds

Specific objectives and purposes of Education Bonds include:

- a dedicated, tax-effective way to save and pay for eligible education expenses for one or more (up to 10) selected education beneficiaries.
- education funding for children or others, who are the objects of charitable giving or sponsorships.
- estate planning or the ability to make intergenerational wealth transfers or distributions as an alternative to Wills, family trusts or testamentary trusts (created under a will).

Likely objectives, financial situation and needs of investors in the target market are those seeking:

- a tax-paid investment structure with special tax benefits when used for education, for estate planning and wealth transfer features.
- a medium to longer-term investment horizon (5 years or more) with the ability to access contributed capital and accumulated investment benefits at any time.
- an expansive investment menu with a range of Investment Options to suit Investors' investment strategies that can be tailored to the Investors' objectives, risk tolerance and risk appetite and investment timeframe.

Appropriateness of Target Market

The Education Bond product is likely to be consistent with the objectives, financial situation and needs of investors in the target market on the basis of:

- its attributes as a medium to long-term tax effective investment vehicle to fund education-purposed objectives as described within this TMD and more particularly, the PDS.
- the terms of issue of the product. and
- Futurity's assessment of the risks, benefits and features of the product and likely investor outcomes from owning the product.

Investment Categories

The table below details various investment categories relevant to the Investment Options into which Investors can invest. Investors can invest in a range of Investment Categories and Investment Options that can be tailored to the Investors' objectives, risk tolerance and risk appetite and investment timeframes.

Investment Category ¹	Investment Objective ²	Standard Risk Measure ³	Minimum Suggested Timeframe ⁴
Diversified - Conservative	To earn returns based on an appropriate benchmark with a strong bias to defensive assets and some exposure to growth assets. The defensive assets (such as cash and fixed income) provide relatively stable returns with lower volatility, while the growth assets (such as equities) bring higher returns but with higher short-term volatility.	Low to Medium (3) Medium (4)	3 years
Diversified - Balanced	To earn returns based on an appropriate benchmark with a balanced mix of defensive and growth assets. The defensive assets (such as cash and fixed income) usually provide relatively stable returns with low volatility, while the growth assets (such as equities) bring higher returns but with higher short-term volatility.	Medium (4) Medium to High (5)	4-5 years
Diversified - Growth	To earn returns based on an appropriate benchmark with a focus on growth assets and some exposure to defensive assets. The defensive assets (such as cash and fixed income) usually provide relatively stable returns with low volatility, while the growth assets (such as equities) bring higher returns but with higher short-term volatility.	Medium to High (5) High (6)	3-7 years
Diversified - High Growth	To earn returns based on an appropriate benchmark with a strong bias towards growth assets and a small exposure to defensive assets. The defensive assets (such as cash and fixed income) usually provide relatively stable returns with low volatility, while the growth assets (such as equities) bring higher returns but with higher short-term volatility.	High (6)	5-7 years
Cash	To earn a return at least in line with the Bloomberg AusBond Bank Bill Index by investing in predominantly Australian Cash Investments and short to medium term Fixed Interest Investments.	Very Low (1)	None
Australian Fixed Income	To earn a return at least in line with the Bloomberg AusBond Composite 0+ Yr Index by having a diverse portfolio of predominantly Australian Fixed Interest Investments.	Low (2)	3-7 years
International Fixed Income	To earn a return at least in line with the Bloomberg Barclays Global Aggregate Index (AUD Hedged) by having a diverse portfolio of predominantly International Fixed Interest Investments.	Medium (4)	3-7 years
Australian Equities	Generally, to earn returns that are at least in line with the S&P/ ASX 300 Accumulation Index by having a diverse portfolio predominantly invested in Australian equities.	High (6) Very High (7)	5-7 years

International Equities	Generally, to earn returns that are at least in line with a global equity index such as the MSCI World ex Australia Index (or similar ESG equivalent) by having a diverse portfolio predominantly invested in global equities.	High (6)	5-7 years
Emerging Markets Equities	Generally, to earn returns that are at least in line with an emerging markets index such as the MSCI Emerging Markets Index by having a portfolio predominantly invested in emerging market equities.	High (6)	5-7 years
Property	Generally, to earn returns that track the S&P/ASX 300 A-REIT Index by having a diverse portfolio predominantly invested in Australian property equities.	High (6)	7 years

1 Refer to Part B (Investment Menu Booklet) of the PDS for a detailed description of the investment objectives, risks and investment timeframe for each Investment Option.

2 The risk levels and investment objective of each investment option are disclosed in the PDS. These risk levels correspond to the Standard Risk Measure (SRM) developed by the Association of Superannuation Funds of Australia. The available investment options cover all SRM risk levels. Risk and return objectives for each investment option may vary from their associated investment category objectives.

3 The Standard Risk Measure is a 1-7 scale based on the estimated number of negative annual returns over any 20 year period.

4 The minimum suggested timeframe is an estimate of how long an investor should expect to hold their investment in an investment option within this category in order to achieve its expected investment outcome.

Distribution Conditions

Education Bonds are only offered and/or issued in accordance with the relevant terms and conditions as outlined in the most current version of the Futurity Education Bond Product Disclosure Statement (PDS), available on Futurity's website – futurityinvest.com or by calling us on 1300 345 456.

Education Bonds may be distributed indirectly by licensed Financial Advisers authorised by Futurity, upon providing personal financial product advice to an investor who is a client of that Adviser. They must take reasonable steps to ensure that the distribution of the product to their clients is consistent with the TMD and the personal financial product advice provided.

The Adviser must report to Futurity quarterly if the Education Bond is acquired by Bond Owners outside the target market (or immediately, if the dealing outside the target market is deemed to be significant).

The product is also distributed directly by Futurity via Futurity's website – futurityinvest.com. Bond Owners are required to read and accept the terms and conditions of the PDS as part of the application process and provide required information and responses to questions on the application form to assist in the determination of the Bond Owner's profile.

Futurity has assessed the Distribution Conditions and has formed the view, that it is likely that a Bond Owner acquiring the Education Bond product would likely fall within the target market as described above on the basis of our experience with the direct distribution of our products and our distribution arrangements that facilitates the use of licensed Financial Advisers.

Futurity will continue to monitor quarterly and immediate Adviser reports, as well as continue to monitor the frequency of, and reasons for, unexpected or premature product termination to ascertain the appropriateness of the Distribution Conditions.

Distributor Reporting Requirements

Futurity is aware of and meets its Distributor responsibilities under Pt 7.8A of the Corporations Act with respect to dealings, products and complaints.

Financial Advisers, to the extent they are aware, must report to Futurity within 10 business days of the end of each calendar quarter:

- details and outcome of any complaints received related to the product's design, features and distribution.
- general feedback relating to the product and its performance. and
- any dealings outside the TMD and whether such dealings were a consequence of personal advice provided by the Adviser.

Significant dealings in the product that are not consistent with the TMD must be reported by Financial Advisers to Futurity as soon as practicable and in any case within 10 business days of becoming aware of the significant dealings.

TMD Review

TMD Review Triggers

A review of the TMD as to its ongoing appropriateness will be undertaken upon these trigger events:

- material changes to the Education Bond offering or its product description.
- material changes to the relevant tax framework, or any other applicable legislation that negatively impacts the Bond Owner.
- multiple complaints about the Education Bond's appropriateness or its distribution within a single reporting period.
- a significant dealing in the product that is not consistent with the TMD.
- a significant increase in unexpected or premature product termination for Education Bonds within a single reporting period.
- any inquiry, surveillance, direction, notice, investigation or enforceable instrument by or from ASIC about or relating to the features, target market or distribution strategy for the Education Bond, any of which would reasonably suggest that the TMD is no longer appropriate.

Futurity records and reviews information it collects from its direct distribution of its products and from data provided by Financial Advisers primarily through its Governance, Risk and Compliance system as part of its internal governance process, to assist it in undertaking a review of the TMD and the various trigger events.

TMD Review Period

- The TMD review will be undertaken periodically every 2 years and 3 months (for completion of reviews) from the Determination Date.

This Target Market Determination (TMD) – Version 5.0, is made under section 994B of the Corporations Act 2001 (Cth). It, as well as prior versions, are available from our website or free of charge by calling us as detailed below. It sets out conditions and restrictions placed on Futurity's Education Bond's distribution, events and circumstances that would reasonably suggest that the TMD is no longer appropriate and review periods and reporting obligations for the TMD. As at its current Determination Date, this TMD is considered by Futurity to be appropriate to identify the likely suited investors comprising a target market for which Futurity's Education Bond has been designed, having regard to the objectives, financial situation and needs of that market. It provides only general information, without taking account of any investor's objectives, financial situation or needs and no representation is made as to whether or not the product is suitable for any particular investor. Before making any investment decision, you should consider your personal circumstances, the relevant PDS (which is available on our website: futurityinvest.com or by calling us on 1300 345 456) and whether to consult a licensed Financial Adviser, an accountant, a legal adviser and/or a taxation adviser.

The Product issuer is Futurity Investment Group Limited ACN 087 648 879, AFSL 236665