

Target Market Determination Managed Discretionary Accounts ('MDA') 2024

This document has been prepared to ensure Northhaven Financial Management Pty Ltd complies with the Design and Distribution Obligations (DDO) set out under the Corporations Act 2001 (Cth) (Corporations Act) in respect of a target market determination (TMD) for Managed Discretionary Accounts ("MDA"). This document does not purport to address all obligations on product issuers under the DDO regime.

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Overview of this document

This document is a target market determination for the purposes of section 994B of the *Corporations Act 2001 (Cth)* (Corporations Act) in respect of MDA's issued by us.

Overview of MDAs

A Managed Discretionary Account ("MDA") is a facility, other than a registered managed investment scheme (registered scheme) or an interest in a registered scheme, with the following features:

- a person (MDA client) makes contributions.
- the client portfolio assets are managed on an individual basis by another person (MDA provider) at the MDA provider's discretion, subject to any agreed limitation; and
- the MDA client and the MDA provider intend that the MDA provider will use the MDA client portfolio assets to generate a financial return or other benefit for the client.

MDAs are available to clients who elect to outsource their investment management decisions, or those who cannot manage their investment accounts due to communication problems that may be encountered such as when travelling or out of contact for extended periods. MDAs are a useful tool when a client resides overseas, and other situation where communication is difficult or cannot be timely. Other acceptable reasons for conducting MDAs are when the management of the investments must be seen to be at arm's length such as Estates, Investment Funds managed by beneficiaries, blind trusts, etc.

Note that the discretion is to Northhaven and not the adviser, as Northhaven is responsible under the AFS Licence.

The adviser is still obligated to comply with the Corporations Act in respect of providing advice to retail clients. Consequently, all of the rules and regulations in respect of providing advice to clients (level of service, investment strategy, investment objectives, disclosure documents etc) will still apply.

Risks of using an MDA include:

- Disagreement with investment decisions — the MDA provider may make investment decisions the client does not agree with.
- Changes to your situation — the MDA provider makes investment decisions based on an agreed investment program. If the client's financial situation changes and they don't update their adviser, the provider could make decisions that no longer suit the client's objectives.
- Client could pay more — fees and costs can add up quickly and reduce the investment returns. MDAs may be more expensive than investing directly.

Target Market for MDAs (s994B(5)(b))

Target Market for MDAs at Northhaven will be as follows:

- Northhaven has deemed it appropriate to provide an MDA service in order to meet the needs of clients who are seeking both a customised investment portfolio and professional portfolio management. Clients must meet these criteria in order to be considered for MDA services.
- MDAs must have a portfolio value of a minimum of \$100,000 and the adviser must have a reasonable expectation that this will increase as a long-term growth portfolio. Two Directors of Northhaven may arbitrarily grant exemptions to this threshold if an appropriate justification is made e.g. where there is a 'family' grouping of associated accounts, or a clear path to achieve the minimum account size in a reasonable time.
- In the event the portfolio value falls below the minimum requirement, the ability of the account(s) to stay within the MDA program will be reviewed on a case-by-case basis e.g. issues like short term fluctuations due to market movements, if part of a family grouping of associated accounts, will be taken into account.
- MDAs may include derivatives provided they have been approved by the client for the purpose of hedging. Because of the risks associated with hedging using derivatives and the long-term nature of MDAs, these products are not to be entered into on a discretionary basis i.e. all trades in derivatives for the purposes of hedging must have had prior approval of the client.
- The adviser must be able to demonstrate that an MDA is in the client's best interests.
- The adviser must have all the competencies for the products used in the MDA portfolio.

Likely objectives, financial situation and needs of retail clients in the target market:

Likely objectives:

- Objective of Long-Term Growth: the adviser may take advantage of short-term opportunities if allowed in the Strategy/Statement of Advice, however excessive transactions which indicate a 'trading' pattern will result in cancellation of the MDA facility for that account. Any account proposed that has a short-term trading strategy will not be approved and / or any account that appears to be operated in a manner not in the client's best interests may be removed from the service.

Likely financial situation:

- Satisfy the minimum balance requirement of \$100,000 for clients.

Likely needs:

- Portfolio to be actively managed on a discretionary basis by an adviser due to a client requirement for both a customised portfolio and professional investment management and allowing the client to have transparency.

Explanation of why MDAs are likely to be consistent with the likely objectives, financial situation and needs of the target market (s994B(8))

MDAs meet the client's likely objectives, financial situation and needs due to the following attributes the service provides:

- Fewer decisions - the MDA provider makes day-to-day investment decisions on behalf of the client. This means fewer decisions for the client to make and less paperwork to review.
- Transparency - MDA allows the client to view all the assets they own in the account. Due to the requirement to be placed on a wrap platform, the client can view fees and charges, and how investments are performing.
- Ease in transacting - the adviser managing through a discretionary relationship can buy or sell assets to respond quickly to market changes.

Retail clients for whom MDA's are unsuitable

- MDAs will generally not be suitable for retail clients outside the target market. i.e. clients who do not meet the criteria set above.

Distribution Conditions (s994B(5)(c))

Any distribution of MDAs by us directly to retail clients will be in accordance with procedures we determine are reasonably likely to ensure that MDAs are only issued to retail clients who are reasonably likely to be within the target market.

Unless approval is given by the two Directors of Northhaven, the distribution of MDAs is strictly only permitted where the clients satisfy all the required conditions below:

- MDAs must have a portfolio value of a minimum of \$100,000 for clients and the adviser must have a reasonable expectation that this will increase as a long-term growth portfolio.
- The client must have a reasonable level of engagement with the adviser in order to set investment parameters that will inform the execution of the discretionary power to act on the client's behalf.

No third-party distributor is permitted to distribute the Northhaven MDA to clients.

Review Triggers (s994B(5)(d))

The TMD will be reviewed

- at least once every three years
- in the event of a material increase in complaints with the product; or
- where directed by ASIC or another agency with the authority to do so.

Review Periods (s994B(5)(e), (f))

This MDA must be reviewed at least once every three years or when a material change in client circumstances has occurred, or where the client has specifically requested a review to be conducted. A review must also be conducted where there has been a change in MDA policy or when requested by Compliance.

Distributor Reporting Requirements (s994B(5)(g), (h))

All Distributors of the Northhaven MDA are associates and representatives of Northhaven.