# TARGET MARKET DETERMINATION (TMD)
# C2 LEAP UNITS – SERIES 1

## 19 July 2023

This TMD relates to the product referred to as **C2 LEAP Units – Series 1 ("Units")** offered under the Term Sheet Product Disclosure Statement (PDS) dated 19 July 2023, C2 Gateway DPA Master PDS dated 25 March 2020 and the Supplementary Master PDS dated 12 July 2023 (together referred to as the "**PDS**"). This product is issued by C2 Specialist Investments Pty Ltd (ACN 622 433 032) ("**the Issuer**") and arranged by C2 Financial Services Pty Ltd (ACN 621 428 635, AFSL 502171) ("**the Arranger**") pursuant to Section 911A(2)(b) of the Corporations Act. Pursuant to Section 911A(2)(b), the Issuer will issue the Units in accordance with the offer made by the Arranger.

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| Issuer | C2 Specialist Investments Pty Ltd (ACN 622 433 032) . The Issuer does not hold an AFSL and relies on the arranger exemption in s911A(2)(b) of the Corporations Act. |
| Arranger | C2 Financial Services Pty Ltd (ACN 621 428 635, AFSL 502171) |
| Product | C2 LEAP Units – Series 1 is a type of leveraged structured investment giving investors long term highly geared exposure to the BNP Paribas Multi Asset Diversified 10 Index (AUD Hedged) ("Index") – an Index includes exposure to bonds, equities & commodities. It is issued in the legal form of Units in a Deferred Purchase Agreement ("DPA") where the amount invested into the Units is funded via a Limited Recourse Loan ("the Loan"). The Units and Loan are offered together under the Term Sheet Product Disclosure Statement (PDS) dated 17 July 2023, C2 Gateway DPA Master PDS dated 25 March 2020 and the Supplementary Master PDS dated 12 July 2023. It is not possible to invest into the Units without also taking out the Loan. |
| Date of TMD | 19 July 2023 |
| 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 DPAs issued by the Issuer.<br><br>This document is not a product disclosure statement (PDS) and does not take into account any particular investor's objective, financial situation or needs. You should refer to the PDS and consider obtaining independent financial product advice before deciding to invest in the Units. |

**Target Market for C2 LEAP Units – Series 1**

The Issuer has adopted a Green, Amber and Red rating methodology with appropriate colour coding to determine if an Investor is considered to be in the Target Market.

| In Target Market | Potentially in Target Market | Not considered on Target Market |
|---|---|---|

Generally, an investor is unlikely to be in the Target Market for the product if they have 1 or more Red ratings or 3 or more Amber ratings.

An investor (or class of investors) may intend to hold the Units as part of a diversified portfolio. In such circumstances, the Units should be assessed against the investor's attributes **for the relevant portion of the portfolio**, rather than the investor's portfolio as a whole. For example, an investor may seek to construct a conservative portfolio with a small allocation to growth assets. In this case, it may be likely that a product with a High Risk/Return profile such as the Units is consistent with the investor's objectives for that allocation notwithstanding that the risk/return profile of the investor as a whole is Low or Medium. In making this assessment, distributors should consider all features of a product (including its key attributes).

**Investor's objective for the product**

| | | |
|---|---|---|
| Capital Growth | In Target Market | Investors borrow the full investment amount (100%) via a Limited Recourse Loan. The Investor is only required to pay the Prepaid Interest and any Fees. The proceeds from the Limited Recourse Loan are invested into Units of a Deferred Purchase Agreement ("DPA") which provide exposure to the BNP Paribas Multi Asset Diversified 10 Index (AUD Hedged) ("Index") for a period of 10 years . The product is designed to give investors geared exposure to any positive growth of the Index during the Investment Term through the payment of a Performance Coupon at Maturity. The product's geared exposure to the Index means it will likely be suitable for Investors seeking capital growth. |
| Capital Preservation | Not considered in target market | |
| Capital Guaranteed | Not considered in target market | |
| Regular Income | Not considered in target market | |

**Investors intended use of the product**
(Product use (% of Investible Assets)

| | | |
|---|---|---|
| Solution/Standalone (up to100%) | Not considered in target market | The Units provide 100% geared exposure to the Index for a period of 10 years via a Limited Recourse Loan. Given the high risks associated with the high level of gearing and exposure to only one asset class, it's expected the Units would be used as a Very Small allocation (<10%) within a broader portfolio strategy. |
| Major allocation (up to 75%) | Not considered in target market | |
| Core Component (up to 50%) | Not considered in target market | |
| Minor allocation (up to 25%) | Not considered in target market | |
| Satellite/Small (up to 10%) | In Target Market | |

**Investors intended use of the product**
(Investment Timeframe of Investor)

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|---|---|---|
| 10 years | In Target Market | The Units provide 100% geared exposure to the Index for a period of 10 years via a Limited Recourse Loan. It is designed to be held to Maturity and therefore the timeframe for holding should be considered to be 10 years. However, the Investor does have the ability to Walk Away on pre-determined annual dates (beginning at the start of the 3rd year) and can redeem Units via an Issuer Buy-Back on a quarterly basis. See Annual Walk Away in the PDS for more information. |

**Investors intended use of the product**
(Investors intended risk/return trade-off )

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|---|---|---|
| Extremely High | In Target Market | The Units provide 100% geared exposure to the Index for a period of 10 years via a Limited Recourse Loan. This product should therefore be considered a Very High Risk investment with potential to generate a Very High Return. The fact that the product also has a fixed timeframe and a break-even point which needs to be exceeded by the Maturity Date in order for the investor to make a positive investment return, means that this investment includes a very specific timing risk. This timing risk is in addition to the high risk associated with geared products generally. This is why this product is considered Very High Risk. Note: This section looks at an investor's objectives for the relevant portion of their portfolio only, rather than the investor's portfolio as a whole. For example, a product with a Very High Risk/Return profile may be consistent with the investor's objectives for a growth allocation as part of Very Small portfolio allocation (<10%), notwithstanding that the risk/return profile of the investor's portfolio as a whole may be low or medium. |
| Very High | In Target Market | |
| High Risk | Not considered in target market | |
| Medium | Not considered in target market | |
| Low | Not considered in target market | |

**Please refer to the Appendix for explanation of terms**

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

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 investors in the Target Market as described above, as the key features of this product in column 3 of the table above are likely to be suitable for investors with the attributes identified with a green 'In Target Market' Indicator in column 2.

**Retail clients for whom the Units unsuitable**

An investment in the Units will generally not be suitable for retail clients outside the Target Market. This also includes Retail clients who do not understand the Key Risks and who cannot bear the consequences of potential losses without material impact on their standard of living.

**Distribution Conditions (s994B(5)(c))**

No third party is permitted to distribute the Units without a Distribution Agreement entered into between Issuer and the Distributor.

All Distributors who have entered into a Distribution Agreement with the Issuer and wish to distribute the product must do so in accordance with any additional relevant procedures specified by the Issuer to the Distributor.

Distributors must consider and understand the PDS when distributing the Units to retail clients who fall within the Target Market.

**Review Triggers (s994B(5)(d))**

The review triggers that may suggest that the TMD is no longer appropriate, such that a review of the TMD should be undertaken, include:

- The Issuer becomes aware of a significant issuance of the product to retail clients outside the target market;
- Material changes to law affecting DPAs or Loans or other relevant regulatory changes;
- The Issuer becomes aware of a significant volume of complaints related to the TMD from retail clients;
- The Issuer becomes aware of significant changes to the composition and/or construction of the Index constituting the Reference Asset; or
- The Issuer becomes aware of significant changes to the creditworthiness of the relevant Hedge Counterparty.

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

| Review Period | Maximum Period for Review |
|---|---|
| Initial Review | 12 Months |
| Subsequent/periodic reviews | Annually |

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

The following information must be provided to us by distributors who engage in retail product distribution conduct in relation to this product:

| Type of Information | Description | Reporting Period |
|---|---|---|
| Complaints | Number and nature of complaints | As soon as practicable, and in any case within 10 business days after becoming aware |
| Significant dealing(s) outside the Target Market | Date range of the significant dealing(s) and description of the extent and nature of the significant dealing(s) | As soon as practicable, and in any case within 10 business days after becoming aware |

**Overview of C2 LEAP Units – Series 1**

C2 LEAP Units – Series 1 is a leveraged structured investment. A structured investment is a pre-packaged investment strategy that provides exposure to underlying assets which may include a single stock, a basket of stocks, indices, commodities, debt securities, listed futures contracts, exchange traded funds, managed funds and/or foreign currencies. Structured investments include predefined terms and conditions which are fixed at the commencement of the investment. Structured investments are only open for investment over a limited time period (typically 4-8 weeks) and once the investment offer period has closed, they are typically closed for investment (although in limited circumstances a secondary market can exist). The predefined terms and conditions will always include a fixed maturity date at the end of an investment term, typically anywhere from 3 months up to even 10 years.

Structured investments can be used as an alternative to a direct investment, as part of the asset allocation process to increase diversification or reduce risk exposure of a portfolio, or to obtain leverage to a current market trend or investment theme.

**Deferred Purchase Agreement**
The DPA is the underlying legal instrument that an investor will invest into when investing into the Units. A deferred purchase agreement, or DPA, is a financial instrument which derives its value from the value of another reference asset such as an index, stock, or commodity. The DPA instrument allows for a lot of flexibility in defining the different terms and conditions of an investment, thereby allowing for a very broad range structured investments to be issued under a DPA.

The DPA is a financial contract between two parties where one party undertakes to deliver to the other some pre-determined delivery assets, rather than cash at the Maturity of the DPA. In other words, when you apply for a DPA, you agree to buy the delivery assets which will be delivered to you on the maturity date of the contract. The number of delivery assets that will be delivered will be determined by how the underlying reference asset performs during the investment term and the final value calculation of the DPA. However, if an investor does not repay the loan prior to Maturity they will be deemed to have utilised the Agency Sale Option. Please refer to the relevant PDS for further details on settlement at Maturity.

In addition to the "delivery asset" feature, there are other conditions specified in the DPA contract such as the calculation of performance coupons, fixed coupons, the final unit value, the parties' contractual obligations, and the investment amount.

The Units in DPAs are "Securities" for the purposes of Chapter 7 of the Corporations Act.

**Limited Recourse Loan to fund the Units**
The Units are funded via a Limited Recourse Loan ("Loan"). In this case, investors in the Units borrow 100% of the Issue Price per Unit from the Issuer as the Lender on the Commencement Date. Please refer to the PDS for further details of the Loan. Investors automatically apply for the Loan when they submit the application form. The Loan is limited in recourse to an investor's interest in the Units. Since the Loan is limited in recourse to an investor's interest in the Units, once an Investor has paid their Prepaid Interest and the Fees as specified in the PDS, even if the Performance Coupon on the Units is insufficient to repay the amount of the Loan, the investor cannot be pursued for anything more (even upon Early Maturity or an early unwind or upon an Issuer Buy- Back). As such, the Investor knows upfront at the time of entering into the Loan their worst case position and total amount of capital at risk (being Prepaid Interest, less Fixed Coupons).

**Key Risks**

Key risks include:

- Your return (including any Performance Coupon) is affected by the performance of the Reference Asset. There is no guarantee that the Reference Asset will perform well.
- There will be no Performance Coupon payable if the performance of the Reference Asset during the Term is negative.
- There is no guarantee that the Units will generate returns in excess of the Prepaid Interest and Adviser Fee (if any) during the Investment Term. You could lose some or all of your Prepaid Interest and Adviser Fee (if any) paid during the Investment Term. Additionally, the Units are designed to be held to Maturity, in the event of an Investor requested Issuer Buy-Back, Early Maturity Event, or if you exercise the Annual Walk Away Option before the Maturity Date, you will not receive a refund of your Prepaid Interest or Adviser Fee (if any), nor will you be entitled to any future Performance or Fixed Coupon. The Buyback Price may be nil, or substantially less the Prepaid Interest and fees paid.
- Gains (and losses) may be magnified by the use of a 100% LVR Investment Loan. However, please note that the Investment Loan is a limited recourse loan, so, in respect of the Investment Loan, you will never lose more than the Prepaid Interest and any Adviser Fee (if any).
- Investors are subject to counterparty credit risk with respect to the Issuer and the Hedge Counterparties.
- The Units may mature early following an Early Maturity Event, including an Adjustment Event, Market Disruption Event or if the Issuer accepts your request for an Issuer Buy-Back or you exercise the Annual Walk Away Option.
- The Reference Asset in Series 1 contains an AUD hedging strategy incorporated into the index by the index issuer at the level of the index (the AUD hedge is not a separate instrument to the index). The AUD hedging strategy used by the Reference Asset is not intended to eliminate all the foreign exchange exposure of the relevant Reference Asset, however it is expected to do a reasonably good job. There is a risk Investors will have exposure to foreign exchange rates to the extent the methodology used by the relevant Reference Asset fails to fully hedge the Reference Asset's exposure into AUD. The Issuer nor any of its related entities is responsible for the operation of the AUD hedge (if any) in respect of each Reference Asset

**Please refer to Section 2 "Risks" of the Master PDS for more information.**

**Appendix**

**Definitions**

| Term | Definition |
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| **Objective** | |
| Capital Growth | The investor seeks to invest in a product designed to generate capital growth. The investor prefers exposure to growth assets (such as shares or property) or otherwise seeks an investment return above the current inflation rate. |
| Capital Preservation | The investor seeks to invest in a product to reduce volatility and minimise loss in a market down-turn. The consumer prefers exposure to defensive assets (such as cash or fixed income securities) that are generally lower in risk and less volatile than growth investments |
| Capital Guaranteed | The investor seeks a guarantee or protection against capital loss whilst still seeking the potential for capital growth (typically gained through a derivative arrangement). The investor would likely understand the complexities, conditions and risks that are associated with such products. |
| Regular Income | The investor seeks to invest in a product designed to distribute regular and/or tax-effective income. The investor prefers exposure to income- generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments). |
| **Investor's Intended Risk/Return Trade-off** | |
| Solution/Standalone (up to 100%) | The investor intends to hold the investment as up to 100% of their total investible assets (see definition below). The investor typically prefers exposure to a product with at least very high portfolio diversification. |
| Major allocation (up to 75%) | The investor intends to hold the investment as up to 75% of their total investible assets (see definition below). The investor typically prefers exposure to a product with at least high portfolio diversification. |
| Core Component (up to 50%) | The investor intends to hold the investment as up to 50% of their total investible assets (see definition below). The investor typically prefers exposure to a product with at least Medium portfolio diversification. |
| Minor allocation (up to 25%) | The investor intends to hold the investment as up to 25% of their total investible assets (see definition below). The investor typically prefers exposure to a product with at least low portfolio diversification. |
| Satellite Allocation | The investor intends to hold the investment as up to 10% of their total investible assets (see definition below). The investor typically prefers exposure to a product with at least very low portfolio diversification. |
| **Product Use (% of Investible Assets)** | |
| A 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 an investor requires to meet their investment objectives/needs. It also does not consider all risks such as concentration risk or liquidity risks which are explained in more detail in the product disclosure statement.<br><br>An investor's desired product return profile would generally consider the impact of fees, costs and taxes. | |
| Low | For the relevant part of the consumer's portfolio, the consumer:<br>• has a conservative or low risk appetite,<br>• seeks to minimise volatility and potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period (SRM 1 to 2)), and<br>• is comfortable with a low target return profile.<br><br>The consumer typically prefers stable, defensive assets (such as cash). |
| Medium | For the relevant part of the consumer's portfolio, the consumer:<br>• has a moderate or medium risk appetite,<br>• seeks low volatility and potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5)), and<br>• is comfortable with a moderate target return profile.<br><br>The consumer typically prefers defensive assets (for example, fixed income). |
| High | For the relevant part of the consumer's portfolio, the consumer:<br>• has a high risk appetite,<br>• can accept high volatility and potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 5 or 6)), and<br>• seeks high returns (typically over a medium or long timeframe).<br><br>The consumer typically prefers growth assets (for example, shares and property). |

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| Very high | For the relevant part of the consumer's portfolio, the consumer:<br>• has a very high risk appetite,<br>• can accept very high volatility and potential losses (e.g. has the ability to bear 6 to 7 negative returns over a 20 year period (SRM 6 or 7)), and<br>• seeks to maximise returns (typically over a medium or long timeframe).<br><br>The consumer typically prefers high growth assets (such as high conviction portfolios, hedge funds, and alternative investments). |
| Extremely high | For the relevant part of the consumer's portfolio, the consumer:<br>• has an extremely high risk appetite,<br>• can accept significant volatility and losses, and<br>• seeks to obtain accelerated returns (potentially in a short timeframe).<br><br>The consumer seeks extremely high risk, speculative or complex products which may have features such as significant use of derivatives, leverage or short positions or may be in emerging or niche asset classes (for example, crypto-assets or collectibles). |

**Distributor Reporting**

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| Significant | 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.<br>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.<br>Dealings outside this TMD may be significant because:<br><br>• they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or<br>• they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the investor (or class of investor).<br>In each case, the distributor should have regard to:<br>• the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes),<br>• the actual or potential harm to an investor (which may be indicated by the value of the investor's investment, their intended product use or their ability to bear loss), and<br>• the nature and extent of the inconsistency of distribution with the TMD. |