



# GMO Quality Trust

## Target Market Determination

### 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 GMO Australia Limited'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 GMO Quality Trust before making a decision whether to buy this product. The PDS is available at: <https://www.gmo.com/australia/product-index-page/equities/quality-strategy/quality-trust/>

### Target Market Summary

**This product is likely to be appropriate for a consumer seeking capital growth to be used as either a core or satellite part of their portfolio where the consumer has a medium to long term investment timeframe and a medium to high risk/return profile.**

### Fund and Issuer identifiers

<b>Issuer</b>	GMO Australia Limited	<b>APIR Code</b>	GMO1447AU
<b>Issuer ABN</b>	30 071 502 639	<b>ISIN Code</b>	AU60GMO14472
<b>Issuer AFSL</b>	236 656	<b>Date TMD approved</b>	20 August 2021
<b>Fund</b>	<b>GMO Quality Trust</b>	<b>TMD Version</b>	<b>1</b>
<b>ARSN</b>	643 940 872	<b>TMD Status</b>	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.

Definitions of terms are in the attachment or otherwise in the PDS.

### 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	TMD Indicator	Product description including key attributes
<b>Consumer's investment objective</b>		
Capital Growth	Green	The Trust's investment objective is total return in excess of that of its benchmark the MSCI World Index.  Investment in the Trust is subject to investment risk, including loss of income or principal invested. Investment in the Trust is not a deposit or liability of GMO or GMO Australia or any of their affiliates and none of these entities stands behind or in any way guarantees the capital value and/or performance of units issued or the assets of the Trust.
Capital Preservation	Yellow	
Capital Guaranteed	Red	
Income Distribution	Red	
<b>Consumer's intended product use (% of Investable Assets)</b>		
Solution/Standalone (75-100%)	Yellow	The Trust seeks total return by investing in equities and equity-related securities the Manager believes to be of high quality. The Trust has Medium High to Very High diversification across equities investments (referring to the Diversification ratings in the Definitions attached) given it can make security investments in companies the stocks of which are listed or traded on regulated markets anywhere in the world. However, at times, the Trust may have substantial exposure to a single asset class, industry, sector, country, region, currency or issuer.
Core Component (25-75%)	Green	
Satellite/small allocation (<25%)	Green	
<b>Consumer's investment timeframe</b>		
Short ( $\leq 2$ years)	Yellow	The Trust is designed for investors seeking total return over the medium to long term. The suggested minimum investment time-frame is 5 years.
Medium ( $> 2$ years)	Green	
Long ( $> 8$ years)	Green	
<b>Consumer's Risk (ability to bear loss) and Return profile</b>		
Low	Yellow	Given that the Trust:  (a) seeks to achieve medium to long-term total return; (b) may take long and short positions in a range of global equities and may use exchange traded and over-the-counter ("OTC") derivatives, including futures, forward currency contracts, swaps, options as well as making other investments; (c) may invest in exchange-traded funds and unlisted pooled funds as part of its investment strategy,  investors should be willing to accept moderate levels of volatility in exchange for the possibility of total return. Accordingly, the Trust has a Medium to High risk-return profile.
Medium	Green	
High	Green	
Very high	Green	

Consumer's need to withdraw money	TMD Indicator	Product description including key attributes
Daily		The Trust is daily priced (i.e. has daily liquidity). Redemptions are generally paid within 3 business days, however, the constitution for the Trust allows for up to 21 days to pay redemption proceeds. In addition, if GMO Australia receives redemption requests in relation to the Trust that in one day represent 20% or more of the total units in the Trust, the constitution permits GMO Australia to reduce each redemption request so that only 20% of the units are redeemed on that day. The unredeemed units are carried forward to the next day and GMO Australia may again apply this restriction on each such subsequent day. The constitution for the Trust also permits redemptions to be suspended under certain circumstances (including market disruptions).
Weekly		
Monthly		
Quarterly		
Annually or longer		

## 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.

## Distribution conditions/restrictions

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

Distribution Condition	Distribution Condition Rationale
There are no distribution conditions.	No applicable.

## Review triggers

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

Material change to key attributes, fund investment objective and/or fees.

Material deviation from benchmark / objective over sustained period.

Key attributes have not performed as disclosed by a material degree and for a material period.

Determination by the issuer of an ASIC reportable Significant Dealing

Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the product or distribution of the product.

The use of Product Intervention Powers, regulator orders or directions that affects the product.

## 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	1 year and 3 months
Subsequent review	3 years and 3 months

## Distributor reporting requirements

*This part is required under section 994B(5)(g) and (h) of the Act.*

Reporting requirement	Reporting period	Which distributors this requirement applies to
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 the end of the calendar quarter.	All distributors
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.	All distributors
To the extent a distributor is aware of dealings outside the target market these should be reported to the issuer, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	Within 10 business days following the end of the calendar quarter.	All distributors

If practicable, distributors should adopt the FSC data standards for reports to the issuer. Distributors must report to GMO Australia Limited by email to the following address: [sydcst@gmo.com](mailto:sydcst@gmo.com).

## Definitions

Term	Definition
<b>Consumer's investment objective</b>	
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 (such as cash or fixed income securities) 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).
<b>Consumer's intended product use (% of Investable Assets)</b>	
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.
<b>Portfolio diversification (for completing the key product attribute section of consumer's intended product use)</b>	
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".

Term	Definition
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).
<b>Consumer's intended investment timeframe</b>	
Short ( $\leq 2$ 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 ( $> 8$ years)	The consumer has a long investment timeframe and is unlikely to redeem within eight years.
<b>Consumer's Risk (ability to bear loss) and Return profile</b>	
<p>Issuers should undertake a comprehensive risk assessment for each product. The FSC recommends adoption of the Standard Risk Measure (<b>SRM</b>) to calculate the likely number of negative annual returns over a 20 year period, using the guidance and methodology outlined in the <b><i>Standard Risk Measure Guidance Paper For Trustees</i></b>. 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	<p>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.</p> <p>Consumer typically prefers defensive assets such as cash and fixed income.</p>
Medium	<p>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.</p> <p>Consumer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.</p>
High	<p>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.</p> <p>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.</p>

Term	Definition
Very high	<p>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).</p> <p>Consumer typically prefers growth assets such as shares, property and alternative assets.</p>
<p><b>Consumer’s need to withdraw money</b></p>	
<p>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.</p>	
Daily/Weekly/Monthly/Quarterly/Annually or longer	<p>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.</p>
<p><b>Distributor Reporting</b></p>	
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"> <li>• they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or</li> <li>• 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).</li> </ul> <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> <li>• the nature and risk profile of the product (which may be indicated by the product’s risk rating or withdrawal timeframes),</li> <li>• 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</li> <li>• 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).</li> </ul> <p>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:</p>



Term	Definition
	<ul style="list-style-type: none"> <li>• it constitutes more than half of the distributor’s total retail product distribution conduct in relation to the product over the reporting period,</li> <li>• the consumer’s intended product use is <i>Solution / Standalone</i>, or</li> <li>• 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>.</li> </ul>

Issued by GMO Australia Limited ABN 30 071 502 639, AFS Licence No. 236 656, the issuer of GMO Quality Trust (the “Trust”). The Trust accepts investments from wholesale investors only. Retail investors are not able to directly invest in the Trust but may be able to gain exposure to the Trust by investing with certain investor directed portfolio services, master trusts, wrap accounts or custodians (“Services”). GMO Australia Limited, GMO LLC, and their affiliates, do not guarantee the performance of the Trust or the repayment of an investor's capital. This information is of a general nature only and is not advice. It does not take into account the objectives, financial situation or needs of any specific investor. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. The offer to invest in the Trust for wholesale investors is contained in the current Information Memorandum. A Product Disclosure Statement (“PDS”) is available for the Trust and is solely for use by retail investors gaining exposure to the Trust through a Service. Investors should read the Information Memorandum or PDS, consider their own circumstances, and obtain their own advice before making an investment decision. The Information Memorandum and PDS may be accessed from [www.gmo.com](http://www.gmo.com). This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.