Target Market Determination

Managed Discretionary Accounts ('MDA') 2021

*This document has been prepared to ensure Morgans Financial Limited comply 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.*

Issuer	Morgans Financial Limited A.B.N. 49 010 669 726 – AFSL 235410
Product	Managed Discretionary Accounts ("MDA")
Date of TMD	Oct 2021
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 MDA's	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 client and the MDA provider intend that the MDA provider will use the client portfolio assets to generate a financial return or other benefit for the client. MDAs are available to clients 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 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, compliance policy of employers of clients, blind trusts, etc. Note that the discretion is to **Morgans** and **not the adviser**, as Morgans is responsible under the AFS Licence. The adviser is still obligated to comply with the Corporations Act and ASIC Market Integrity Rules 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, SoA (Statement of Advice), RoA (Record of Advice), etc) will still apply as if the client had received the advice and given the instructions. Risks of using an MDA include: • **Disagreement with investment decisions** — the MDA provider may make investment decisions the client does not agree with. If it's in line with the investment program, you still have to pay for the investment (or reversal costs). • **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 them, the provider could make decisions that no longer suit. • **Client could pay more** — fees and costs can add up quickly and reduce the investment returns. MDAs may be more expensive than investing directly.

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Target Market for MDAs (s994B(5)(b))	Target Market for MDAs at Morgan's will be as follows: • Be a Wealth plus client unless special dispensation is granted. • MDAs must have a portfolio value of a minimum of $500,000 for Australian clients and $250,000 for overseas clients and the adviser must have a reasonable expectation that this will increase as a long-term growth portfolio. The Board may arbitrarily grant exemptions to this threshold if an appropriate justification is made e.g. where there is a 'family' grouping of associated accounts, which in total exceeds the minimum value. • 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. • The client must generally have a minimum of one year's history with the adviser. Any less and it is doubtful whether an appropriate relationship upon which to run a discretionary account could be built. Conversely, it is expected that a long-term client (except when there is a change of circumstances such as travelling/living overseas) is not likely to suddenly require discretionary services after receiving regular personal advice for many years. • MDAs may include derivatives (options, warrants, etc) provided they have been approved by the client and limited for the purpose of hedging. Because of the risk nature of these instruments, and the long-term nature of MDAs, these products are not to be entered into on a discretionary basis i.e. all trades in these products must have had prior approval of the client. • The adviser must be able to demonstrate that the client is non-contactable or difficult to contact whenever an investment opportunity requires discussion. Overseas clients are more likely to be able to meet these criteria as well as clients that travel frequently and/or in remote areas. In any event the adviser must be able to demonstrate that a MDA is in the clients 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 being operated in a manner not in the client's best interests may be removed from the service. Likely financial situation: • Satisfy the minimum balance requirements being $500,000 for Australian clients and $250,000 for overseas clients. • Have an existing account at Morgans for a minimum of 12 months which uses the Wealth plus platform. Likely needs: • Portfolio to be actively managed on a discretionary basis by an adviser due to not being contactable to discuss investment opportunities during market hours and allow the client to have transparency.

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Explanation of why MDAs are likely to be consistent with the likely objectives, financial situation and needs of the target market (s994B(8))	MDA meets 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 upon the Wealth plus 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 Board the distribution of MDAs is only permitted where the clients satisfy all the required conditions below: • Client is on the Wealth plus platform unless special dispensation is granted. • MDAs must have a portfolio value of a minimum of $500,000 for Australian clients and $250,000 for overseas clients and the adviser must have a reasonable expectation that this will increase as a long-term growth portfolio. The client is deemed as overseas if their domicile is not within Australia. • Client must generally have a minimum of one year's history with Morgans. • The adviser must be able to demonstrate that the client is non-contactable or difficult to contact whenever an investment opportunity requires discussion. No third-party distributor is permitted to distribute MDAs issued by us to retail clients.
Review Triggers (s994B(5)(d))	The review triggers that may suggest that the MDA is no longer appropriate, such that a review of the MDA arrangement should be undertaken, include: • Annual review of the investment program as required by RG 179. The adviser must evidence that they have conducted a review with the client and whether the client's circumstances and objectives are still suited for the MDA arrangement.
Review Periods (s994B(5)(e), (f))	This MDA must be reviewed at least annually unless significant or material change in client circumstances have 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))	N/A

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Approved by Morgans Board of Directors (Board)	Compliance, monitoring and review Director, Risk & Governance	Next review date September 2022

Morgans Financial Limited AFSL 235410 ABN 49 010 669 726
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