

Balanced Securities Limited (ABN 54 083 514 685)

Target Market Determination



BALANCED SECURITIES

Legal disclaimer

This Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (the **Act**). It forms part of Balanced Securities Limited's (**BSL**) design and distribution arrangements for the financial product comprising secured notes issued by BSL (the **Product or Secured Note**) under a prospectus dated 27 December 2024 (the **Prospectus**). This TMD 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.

This document is **not** a prospectus 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 the Product should carefully read the Prospectus before making a decision whether to buy this Product.

Important terms used in this TMD are defined in the TMD Definitions which supplement this document. Capitalised terms have the meaning given to them in the Prospectus, unless otherwise defined. A Prospectus can be obtained by contacting our office or making an enquiry through our website: www.balancedsecurities.com.au

Issuer and Product identifiers

Issuer	Balanced Securities Limited
Issuer ABN	54 083 514 685
Issuer AFSL No	241382
Product	Secured Notes issued pursuant to Prospectus dated 27 December 2024
Start Date of TMD	5 April 2024
TMD Version	3
<i>TMD Status</i>	Current

Product Description

The Key features of the Product are:

- The investment is backed by a pool of first registered mortgages to a maximum Loan to Valuation ration (**LVR**) of 67% and cash at bank. BSL's trustee holds security over the pool of mortgages on behalf of the investors.
- The Interest Rate that an investor as a holder of Secured Notes (**Noteholder**) receives is fixed for the investment term selected by the investor.
- The investment term is available to a Noteholder to select from ranges from 6 months to 3 years.
- A Noteholder can select to either receive interest paid monthly or interest paid at the end of the investment term.
- The minimum investment amount is \$10,000.
- A Noteholder has no right to withdraw their investment until maturity. However, BSL may in its absolute discretion allow an early withdrawal and may charge a fee for doing so.

Maturity and Rollover Provisions

A Noteholder can redeem the investment on the maturity date or choose to:-

- rollover the investment for the same term;
- rollover the investment for a different term;
- redeem part of the investment; or
- add to the investment.

As outlined in the Prospectus, approximately 30 days prior to the maturity date of a Secured Note, BSL will notify the Noteholder of the redemption date and their options (refer above) via a rollover letter.

If BSL does not hold a completed screening questionnaire signed by the investor in the last 2 years confirming they fall within the target market a screening questionnaire designed to assist the Company to determine whether the investor remains within the target market for our Secured Note product will be provided to them with the rollover letter.

If based on the investor's answers the Company determines that they remain in the target market, the Company will reinvest the maturing funds in a new Secured Note for the same term as the maturing investment at the then prevailing interest rate. If the investor does not respond to the rollover letter and cannot be contacted despite the Company's reasonable endeavours to do so, the Company will reinvest the maturing funds in a new Secured Note for the same term as the maturing investment at the then prevailing interest rate, but on the basis the investor may redeem the new Secured Note on 31 days' notice until a response to the TMD questionnaire confirming the investor sits within the target market is received.

Target Market Summary

This Product is likely to be appropriate for a consumer with a minimum of \$10,000 to invest and who:

- is seeking a defensive investment providing regular income returns, to be paid monthly or on the maturity of the investment as selected by the investor;
- is seeking a short, or medium, term investment timeframe because the Product offers investment terms ranging from 6 months to 3 years and the consumer does NOT need immediate access to capital because their investment is not redeemable until maturity of the investment term;
- is NOT seeking potential capital growth (that is typically sought from growth investments like listed shares or investment property), because on the maturity of the investment, the investor will only receive the amount originally invested;
- is NOT seeking a guaranteed return of capital (like a bank deposit) or capital preservation, because while BSL is satisfied that the security assets held by the Trustee on behalf of investors is more than sufficient to repay investors in full taking into account in excess of \$65m of capital which is a first loss buffer, there is no guarantee that the assets will be sufficient to guarantee that investors will be repaid in full;
- has a low, medium or high risk/return profile;
- wishes to use the Product as part of the consumer's overall investment portfolio, to be used generally:
 - as a Satellite/Small or Core Component or Standalone (not exceeding 75% of the overall investment portfolio) investment within an overall portfolio where the consumer has a low risk/return profile – and is seeking predominately less risky defensive assets rather than riskier growth assets;
 - as a Satellite/Small or Core Component but not Standalone investment within an overall portfolio where the consumer has a medium risk/return profile – and is seeking a majority exposure to riskier growth assets in the consumer's portfolio; and
 - as a Satellite/Small but not Core Component or Standalone investment within an overall portfolio where the consumer has a high risk/return profile – and is seeking predominately exposure to riskier growth assets in the consumer's portfolio; and
- does NOT have a no-risk or very low risk /return profile in which case a bank deposit may be more suitable for the consumer.

Description of Target Market

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.

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*.

Consumers Investment Objective

Consumer Attributes <i>[A description of the likely objectives, financial situation and needs of the class of consumers in the target market]</i>	TMD Indicator	Product description including key attributes <i>[A description of the product, including its key attributes, i.e., product terms, features and attributes that affect the TMD]</i>
Capital Growth	Not considered in target market	The Secured Notes do not offer capital growth and are redeemed at their issue price.
Capital Preservation	Potentially in target market	The Secured Note investment is secured by a charge over all of BSL assets that is held by BSL's trustee. The security under that charge is a pool of first registered mortgages and cash liquidity that BSL holds. While the security is highly likely to be sufficient to repay investors, there is no guarantee that the assets will be sufficient to ensure that investors will be repaid in full. The Secured Notes are designed for consumers who are prepared to accept a low risk of potentially some relatively small degree of capital loss where the Secured Notes are used as part of a diversified portfolio.
Capital Guaranteed	Not considered in target market	The Secured Notes are not capital guaranteed and there is no guarantee that investors will be repaid. Like all investments, outside of deposits of up to \$250,000 in aggregate held with an Australian Bank, the Secured Notes are not covered by the depositor protection provisions of the <i>Banking Act 1959 (Cth)</i> .
Income Distribution	In target market	Investors have a choice of receiving monthly interest payments or payment of interest on maturity of their investment. The investors are paid a fixed rate of interest for the Secured Notes that is applicable to an investor's chosen investment term allowing the investor to budget and plan accordingly. The interest rates currently applicable are available by contacting the Company or at: https://www.balancedsecurities.com.au/interest_rates/index.html .

Consumers intended Product Use (% of Investible Assets)

Consumer's intended product use (% of Investible Assets)		
Solution/Standalone (>50-100%)	In target market (for investors with a low risk and return profile) investing >50-75% of the investor's investable assets	Investors seeking to invest greater than 50% of their total investable assets in the Secured Notes are in the target market if the investor has a low risk and return profile and is seeking a portfolio with predominately defensive fixed income assets rather than growth assets. In accordance with the investor maxim <i>'don't put all your eggs in the one basket'</i> , BSL recommends that investors consider an investment in our Secured Notes as part of a diversified investment portfolio. For that reason, BSL does not recommend that an investor place more than 75% of their investable assets into this Product.
	Not in target market (for investors with a low risk and return profile) investing >75-100% of the investor's investable assets	
	Not in target market (for investors with a medium to very high risk and return profile)	The Product is not suitable as a solution standalone for investors with a medium to very high risk profile because such investors are likely to want a greater proportion of their overall portfolio invested in longer term growth assets.
Core Component (25-50%)	Potentially in target market (for investors with a medium to high risk and return profile)	For investors with a medium or high risk and return profile, the Secured Notes may potentially be in the target market if used as a Core Component as part of a diversified portfolio of investable assets which includes a majority of growth assets.
	In target market (for investors with a low risk and return profile)	Investors with low risk/return profile will be in the target market if seeking to only invest up to 50% of their total investable assets in the Product (as a Core Component).
Satellite/small allocation (<25%)	In target market	For investors with a low, medium, high or very high risk and return profile, the Secured Notes will be in the target market if used as a Satellite/small allocation (less than 25%) component of the investor's total investable assets.

Consumers Investment Timeframe

Short (≤ 2 years)	In target market	BSL offers the Secured Notes for terms of 6 months, 9 months, 1 Year, 2 Year and 3 Years. BSL does not offer the Secured Notes for any term longer than 3 Years. Short investment terms up to 2 years are in the target market.
Medium (> 2 years)	In target market	Medium investment terms of greater than 2 years and up to 3 years offered by BSL are in the target market.
Long (> 8 years)	Not considered in target market	BSL does not offer long investment terms of greater than 8 years, although investors do have the opportunity to rollover their investment into further terms, however there is no potential capital growth on the investment in the Product.

Consumer's Risk (ability to bear loss) and Return Profile

No-risk or very low risk	Not in Target Market	The Product is not capital guaranteed and there is no guarantee of a return of capital. Under this classification an investor is better suited to a bank deposit.
Low	In target market	For investors with a low risk and return profile, the Secured Notes will be in the target market if used as a Satellite/small allocation (less than 25%) component of the investor's total investable assets, or if used as a Core portfolio component (25% to up to 50%) or if used as a Solution /Standalone (greater than 50%) component of the investor's total investable assets.
Medium	In target market (if used as a Satellite/small allocation component or a Core Component only)	For investors with a medium risk and return profile, the Secured Notes will be in the target market if used as a Satellite /small allocation (up to 25%) or a Core Component only (up to 50%).
High	In target market (if used only as a Satellite/small allocation component or a Core Component only)	For investors with a high risk and return profile, the Secured Notes will be in the target market if used as a Satellite /small allocation (up to 25%) or if used as a Core Component only (up to 50%).
Very High	Not in target market (if used as a Core or Solution/standalone portfolio component)	The Secured Notes will not be in the target market for investors with a very high risk and return profile seeking a Core or Standalone allocation (greater than 25%) component of the investor's total investable assets because such investors are likely to want a greater proportion of their investable assets invested in growth assets.
	In target market (if used as a Satellite/small allocation)	For investors with a very high risk and return profile, the Secured Notes will be in the target market if used as a Satellite/small allocation (less than 25%) component only of the investor's total investable assets.

Consumers need to Withdraw their funds

Daily	Not considered in target market	There is no automatic right of investors to redeem investments prior to the expiry of the selected term but BSL may at its absolute discretion allow an early redemption with a break fee to apply.
Monthly	Potentially in target market	<p>The Prospectus allows for:</p> <ul style="list-style-type: none"> • investment terms of: 6 months; 9 months; 1 year; 2 years or 3 years; and • interest payment frequency of monthly or at maturity of the investment term. <p>If investors want regular access to their funds they may invest for shorter terms of 6 months or 9 months or stage their investment across multiple Secured Notes and over a variety of investment terms to create regular redemption events that enable them to get access to some of their funds on a regular basis.</p>
Annually	In target market depending on the selected term of the investment	

Appropriateness

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, and potentially suitable for consumers with the attributes identified with a amber TMD Indicator in Column 2.

Distribution conditions/restrictions

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

Direct Investors (non-intermediated)

The Prospectus is mailed out annually to all existing investors and is available through BSL's website: <https://www.balancedsecurities.com.au/> or on request by contacting our office.

The Prospectus makes it clear to prospective investors that their applications are subject to acceptance by BSL. All prospective investors are screened and filtered by BSL in a detailed process. The BSL representative who assesses an application form from a prospective investor is appropriately trained with an understanding of the target market. The screening process requires the potential investors to tell the BSL representative about themselves, their interest in the product and general level of investment experience for the purpose of assisting BSL to understand, at a high level whether the potential investor may be within the target market.

Each prospective investor will be provided with a copy of the current Prospectus and a questionnaire document containing certain knock out questions (**Questionnaire**) for the purpose of preventing either an initial investment in, or a rollover of investment in, the Secured Notes if an investor is unlikely to be within the target market. The Questionnaire has been designed to ascertain whether the investor is within the target market. Questions (and subsequently, investor responses) have been prioritised based on the BSL's assessment of the potential harm that might result to an investor if they were to proceed with the investment despite sitting outside some of the relevant parameters described in this TMD. The Questionnaire will be completed by each investor or on behalf of the investor by BSL's trained representative in discussion with the investor.

BSL does not employ any third-party distribution channels.

Advised

BSL does not distribute the Product to investors via external Licensees or their Authorised Representatives and consequently there are no distribution channels for advised investors via the use of such licensed intermediaries.

Review triggers
This part is required under section 994B(5)(d) of the Act.
Material change to key attributes, e.g., Product 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 retained earnings of the Issuer falls below \$30m.
The use of Product Intervention Powers, regulator orders or directions that affects the Product.
The Issuer creates a Distribution Channel.

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	<i>1 year and 3 months</i>
Subsequent review	<i>1 year and 3 months</i>

Disclaimer:
This TMD provides general information only and does not take into account your individual objectives, financial situation or needs and you must consider whether the Product is appropriate for you. You should seek professional advice and consider the Prospectus before investing in the Product. The Prospectus may be obtained by contacting BSL or through the BSL website www.balancedsecurities.com.au. 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. 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.

Definitions

Term	Definition
Consumer's investment objective	
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).
Consumer's intended product use (% of Investable Assets)	
Solution/Standalone (>50-100%)	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 (25-50%)	The consumer intends to hold the investment as a major component, up to 50%, 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.
Portfolio diversification (for completing the key product attribute section of consumer's intended product use)	
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".
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).

Term	Definition
Consumer's intended investment timeframe	
Short (≤ 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.

Consumer's Risk (ability to bear loss) and Return profile	
<p>Issuers should undertake a comprehensive risk assessment for each product. The FSC recommends adoption of the 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 <u>Standard Risk Measure Guidance Paper For Trustees</u>. 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>	
No-Risk	The consumer seeks to avoid any risk of, and is not comfortable to bear, any potential losses and desires a no risk target return profile. The consumer is best suited to a capital guaranteed product such as a bank deposit that is capital guaranteed and has no risk of any loss of return of capital.
Very-Low	The consumer is very conservative and avoids risk of, and is not comfortable to bear, potential losses and desires a very low risk target return profile. The consumer is best suited to defensive assets such as cash deposits held with a bank or similar Australian Deposit Taking Institution (ADI) which may or may not be capital guaranteed and has a very low risk of any loss of return of capital.
Low	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. Consumer typically prefers defensive assets such as cash and fixed income.
Medium	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. Consumer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.
High	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. 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.
Very high	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. Consumer typically prefers growth assets such as shares, property and alternative assets.

Consumer's need to withdraw money	
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.	
Daily/Weekly/Monthly/Quarterly/ Annually or longer	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.