

# Target Market Determination (TMD)

## Sequoia Alpha Series 3

### 13 March 2024

This TMD relates to the product referred to as **Sequoia Alpha Series 3** offered under the Term Sheet Product Disclosure Statement (PDS) dated 13 March 2024 and Master PDS dated 14 August 2017 (together referred to as the “**PDS**”). This product is issued by Sequoia Specialist Investments Pty Ltd (ACN 145 459 936) (“**the Issuer**”) and arranged by Sequoia Asset Management Pty Ltd (ACN 135 907 550, AFSL 341506) (“**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.

<b>Issuer</b>	Sequoia Specialist Investments Pty Ltd (ABN 67 145 459 936) The Issuer does not hold an AFSL and relies on the arranger exemption in s911A(2)(b) of the Corporations Act.
<b>Arranger</b>	Sequoia Asset Management Pty Ltd (ACN 135 907 550, AFSL 341506)
<b>Product</b>	<b>Sequoia Alpha Series 3</b> is a type of leveraged structured investment. It is issued in the legal form of Units in a Deferred Purchase Agreement (“ <b>DPA</b> ”) where the amount invested into the Units is funded via a Limited Recourse Loan (“ <b>the Loan</b> ”). The Units and Loan are offered together under the Term Sheet PDS dated 13 March 2024 and Master PDS dated 14 August 2017. It is not possible to invest into the Units without also taking out the Loan.
<b>TMD issue date</b>	13 March 2024
<b>TMD Version</b>	1
<b>Distribution status</b>	Available
<b>Overview of this document</b>	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 us. 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 our PDS at <a href="https://www.sequoiasi.com.au/">https://www.sequoiasi.com.au/</a> and consider obtaining independent financial product advice before deciding to invest in DPAs.
<b>TMD contact details</b>	Blair Kirkhope, Head of Specialist Investments, Sequoia Specialist Investments Pty Ltd, Level 7, 7 Macquarie Place, Sydney NSW 2000 Email: <a href="mailto:blairkirkhope@sequoia.com.au">blairkirkhope@sequoia.com.au</a> , <a href="mailto:specialistinvestments@sequoia.com.au">specialistinvestments@sequoia.com.au</a> Ph: Ph 02 8114 2203 or 02 8114 0294

## Target Market for Sequoia Alpha Series 3

### Notes relating to Target Market

The investor attributes for which the product is likely to be considered appropriate have been assessed using a Green, Amber and Red rating methodology with appropriate colour coding:

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

In the tables below, Column 1, Investor Attributes, indicates a description of the likely objectives, financial situation and needs of the class of investors that are considering this product. Column 2, TMD indicator, indicates whether an investor meeting the attribute in Column 1 is likely to be in the target market for this product. Column 3 outlines the key Product Attributes.

**Generally, an investor is unlikely to be in the target market for the product if one or more of their Investor Attributes are a Red rating or three or more of their Investor Attributes are an Amber rating.**



An investor (or class of investors) may intend to hold an investment in Sequoia Alpha Series 3 as part of a diversified portfolio (for example, with an intended product use of Minor Allocation). In such circumstances, Sequoia Alpha Series 3 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 balanced or moderate diversified portfolio with a minor allocation to growth assets. In this case, a product with a High Risk/Return profile such as Sequoia Alpha Series 3 may be consistent with the investor's objectives for that Minor Allocation notwithstanding that the Risk/Return profile of the investor as a whole is Medium. In making this assessment, distributors should consider all features of a product (including its key attributes).

### Investor's objectives for product

Column 1	Column 2	Column 3
<b>Objective</b>	<b>TMD indicator</b>	<p><i>Sequoia Alpha Series 3</i> provides 100% leveraged exposure to the Solactive Alpha Mutual Fund VT Index ("Index") for a period of 2 years via a Limited Recourse Loan. The proceeds from the Limited Recourse Loan are invested into Units of a Deferred Purchase Agreement ("DPA") which provide exposure to the Index. The product is designed to give investors leveraged exposure to any positive growth of the Index during the Investment Term through the payment of a semi-annual uncapped Performance Coupons. The Total Performance Coupons payable during the Investment Term is ultimately dependent on the Index Performance during the Investment Term which is applied to the full leveraged Investment Amount. The product's leveraged exposure to the Index means it will likely be suitable for investors who are seeking capital growth.</p>
Capital Growth	In Target Market	
Capital Preservation	Not considered in Target Market	
Regular Income	Not considered in Target Market	

### Investor's intended use of product

Column 1	Column 2	Column 3
<b>Product Use (% of Investible Assets)</b>	<b>TMD indicator</b>	<p><i>Sequoia Alpha Series 3</i> provides 100% leveraged exposure to the Index for a period of 2 years via a Limited Recourse Loan. Given the risks associated with the 100% leverage and exposure to only one asset class, it's expected the Units would be used as a Satellite Allocation (up to 10%) within a broader portfolio strategy.</p>
Solution/Standalone (up to 100%)	Not considered in Target Market	
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 Allocation (up to 10%)	In Target Market	

Column 1	Column 2	Column 3
<b>Investment Timeframe of investor</b>	<b>TMD indicator</b>	<p><i>Sequoia Alpha Series 3</i> provides 100% leveraged exposure to the Index for a period of 2 years via a Limited Recourse Loan. It is designed to be held until maturity and therefore the minimum timeframe for holding the investment is 2 years. This product is not suitable for investors who have a timeframe of less than 2 years.</p>
Minimum investment timeframe	2 years	



Column 1	Column 2	Column 3
Investor's intended Risk/Return tradeoff	TMD indicator	<p><i>Sequoia Alpha Series 3</i> provides 100% leveraged exposure to the Index for a period of 2 years via a Limited Recourse Loan. This product should therefore be considered an Extremely High risk investment with potential to generate an Extremely High return. This investment is suitable for investors with an intended Risk/Return tradeoff that is, at least, Extremely High.</p> <p>The fact that the product also has a fixed timeframe of at least 2 years 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 risk associated with geared products generally. This is why this product is considered Extremely High risk. We refer Distributors to the 'Benefits of Limited Recourse Leverage' on page 8.</p> <p><b>Note:</b> 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 an Extremely High Risk/Return profile may be consistent with the investor's objectives for a growth allocation as part of Satellite Allocation (up to 10%), notwithstanding that the Risk/Return profile of the investor's portfolio as a whole may be Very High, High, Low or Medium.</p>
Extremely High	In Target Market	
Very High	Not considered in Target Market	
High	Not considered in Target Market	
Medium	Not considered in Target Market	
Low	Not considered in Target Market	

Column 1	Column 2	Column 3
Investor's need to access capital	TMD indicator	<p>Investors may be able to access their capital by requesting the Issuer to buy-back their Units ("Issuer Buy-Back"). Acceptance of a request for an Issuer Buy-Back is at the Issuer's discretion. Generally, the Issuer would only reject or defer an Issuer Buy-Back request if it is unable to adequately unwind its own hedging arrangements.</p> <p>It is expected that under ordinary circumstances, the Issuer will be able to settle any proceeds from any request for an Issuer Buy-Back of Units into an investors' bank account within two weeks. This is calculated from the date that any Issuer Buy-back request is submitted to the Issuer. Any such request needs to be submitted by completing the Issuer Buy-Back Form on the Issuer's website and sending it to the Issuer's email address. Refer to the TMD Contact details on the front page of this document.</p>
Within one week of request	Not considered in Target Market	
Within one month of request	Not considered in Target Market	
Within three months of request	Not considered in Target Market	
Within one year of request	Not considered in Target Market	
Within 5 years of request	Not considered in Target Market	
Within 10 years of request	Not considered in Target Market	
10 years or more	Not considered in Target Market	
At issuer discretion	In Target Market	

Please refer to the Appendix for Definitions of Terms

### Explanation of why investments in *Sequoia Alpha Series 3* 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 TMD Indicator in Column 2.

### Retail clients for whom *Sequoia Alpha Series 3* is unsuitable

An investment in *Sequoia Alpha Series 3* will generally not be suitable for retail clients outside the target market. This also includes Retail clients who do not understand the risks of leveraged structured investments and retail clients 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 *Sequoia Alpha Series 3* issued by *Sequoia Specialist Investments Pty Ltd* (SSI) without a Distribution Agreement entered into between SSI and the Distributor.



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

Distributors must consider and understand the PDS dated 13 March 2024 when distributing Sequoia Alpha Series 3 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:

- We become 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;
- We become aware of a significant volume of complaints related to the TMD from retail clients
- We become aware of significant changes to the composition and/or construction of the Index constituting the Reference Asset; or
- We become aware of significant changes to the creditworthiness of the relevant Hedge Provider

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

Review period	Maximum period for review
Initial review	12 months
Subsequent/periodic reviews	12 months

### 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	Which distributors this requirement applies to
Complaints (as defined in section 994A(1) of the Act) relating to the product. The distributor should provide all the content of the complaint, having regard to privacy.	Number and nature of complaints	As soon as practicable but no later than 10 business days following end of calendar quarter.	All distributors
Significant dealing(s) outside the target market, under section 994F(6) of the Act. See Definitions for further detail.	Date range of the significant dealing(s) and description of the extent and nature of the significant dealing	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.	All distributors

### Overview of Sequoia Alpha Series 3

*Sequoia Alpha Series 3* 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. 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. Most structured investments offered by Sequoia Specialist Investments Pty Ltd cover an investment term of between 1-4 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 *Sequoia Alpha Series 3*. 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 on or before the Maturity Date then they will be deemed to have elected to use the Agency Sale and will receive cash instead of delivery assets at Maturity. Please refer to the relevant PDS for further details on the deemed election to use the Agency Sale Option and resulting cash 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, 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 DPA Units

The DPA Units under Sequoia Alpha Series 3 are funded via a Limited Recourse Loan (“Loan”). In this case, investors in the DPA Units borrow 100% of the Issue Price per Unit from SSI 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 DPA Units. Since the Loan is limited in recourse to an investor’s interest in the DPA Units, once an Investor has paid their Prepaid Interest and the Fees as specified in the PDS, even if the Performance Coupon on the DPA 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.

## Key Risks

Key risks include:

- Risk of 100% loss in relation to the Total Investment Cost and Upfront Adviser Fee. The Total Investment Cost equals the Prepaid Interest in relation to the Loan and the Application Fee. Investors may also incur an Upfront Adviser Fee in addition. A 100% loss will occur if there are no Performance Coupons paid during the Investment Term. This will be the case if the Index Performance is less than or equal to zero on each of the Performance Coupon Determination Dates;
- Risk of partial loss (i.e. less than 100% loss) in relation to the Total Investment Cost and Upfront Adviser Fee. The Total Investment Cost equals the Prepaid Interest in relation to the Loan and the Application Fee. Investors may also incur an Upfront Adviser Fee in addition. Investors may incur a partial loss if the Total Performance Coupons received during the Investment Term is less than the Break-Even Point (per Unit);
- Timing risks. The timing risk is significant. This is because the Investment Term is fixed and the Total Performance Coupons received during the Investment Term needs to exceed the Total Investment Cost by the time the Maturity Date arrives in order for the investor to generate a profit from their investment (ignoring any Upfront Adviser Fee and any external costs). If this does not occur by the Maturity Date then Investors will generate a loss;
- Volatility and exposure risk – the volatility control mechanism used by the Index means that if there is high volatility in the relevant underlying portfolio during the Investment Term there is a risk the Index will have little to no exposure to this portfolio during some or all of the Investment Term, which may provide some protection against decreases in the prices of the portfolio comprising the Index however it may also limit the Index’s (and the Units’) exposure to increases in the prices of the relevant portfolio comprising the Index. To the extent the Index has an exposure primarily to cash as a result of the volatility control mechanism, the Index will be unlikely to generate the Index Performance required for investors to generate a profit;
- There is no guarantee that the Units will generate returns in excess of the Prepaid Interest and Fees, during the Investment Term;
- Additionally, in the event of an Investor requested Issuer Buy-Back or Early Maturity Event, you will not receive a refund of your Prepaid Interest or Fees. The amount received will depend on the market value of the Units which will be determined by many factors before the Maturity Date including prevailing interest rates in Australia and internationally, foreign exchange rates, the remaining time to Maturity, and general market risks and movements including the volatility of the Index. Investors should be aware the Units are designed to be held to Maturity and are not designed to be held as a trading instrument;
- Gains (and losses) may be magnified by the use of a 100% Loan. However, note that the Loan is a limited recourse loan, so you can never lose more than your Prepaid Interest Amount and Fees paid at Commencement.
- Investors are subject to counterparty credit risk with respect to the Issuer and the Hedge Counterparty; and
- 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.

Please refer to Section 2 “Risks” of the Master PDS for more information.



## Appendix

### Definitions

Term	Definition
<b>Objective</b>	
Capital Growth	The investor seeks to invest in a product designed or expected to generate capital return over the investment timeframe. 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 designed or expected to have low volatility and minimise capital loss. The investor prefers exposure to defensive assets that are generally lower in risk and less volatile than growth investments (this may include cash or fixed income securities).
Regular Income	The investor seeks to invest in a product designed or expected to distribute regular and/or tax-effective income. The investor prefers exposure to income-generating assets (this may include high dividend-yielding equities, fixed income securities and money market instruments).

<b>Product Use (% of Investible Assets)</b>	
Solution/Standalone (up to 100%)	The investor may hold the investment as up to 100% of their total Investible Assets. The investor is likely to seek a product with Very High portfolio diversification.
Major Allocation (up to 75%)	The investor may hold the investment as up to 75% of their total Investible Assets. The investor is likely to seek a product with at least High portfolio diversification.
Core Component (up to 50%)	The investor may hold the investment as up to 50% of their total Investible Assets. The investor is likely to seek a product with at least Medium portfolio diversification.
Minor Allocation (up to 25%)	The investor may hold the investment as up to 25% of their total Investible Assets. The investor is likely to seek a product with at least Low portfolio diversification.
Satellite Allocation (up to 10%)	The investor may hold the investment as up to 10% of the total Investible Assets. The investor may seek a product with Very Low portfolio diversification. Products classified as Extremely High risk are likely to meet this category only.
Investible Assets	Those assets that the investor has available for investment, excluding the residential home.

<b>Portfolio diversification</b>	
Note: exposures to cash and cash-like instruments may sit outside the diversification framework below.	
Very Low	The product provides exposure to a single asset (for example, a commercial property) or a niche asset class (for example, minor commodities, crypto-assets or collectibles).
Low	The product provides exposure to a small number of holdings (for example, fewer than 25 securities) or a narrow asset class, sector or geographic market (for example, a single major commodity (e.g. gold) or equities from a single emerging market economy).
Medium	The product provides exposure to a moderate number of holdings (for example, up to 50 securities) in at least one broad asset class, sector or geographic market (for example, Australian fixed income securities or global natural resources).
High	The product provides exposure to a large number of holdings (for example, over 50 securities) in multiple broad asset classes, sectors or geographic markets (for example, global equities).
Very High	The product provides exposure to a large number of holdings across a broad range of asset classes, sectors and geographic markets with limited correlation to each other.

<b>Investment Timeframe of investor</b>	
Minimum investment timeframe	The minimum suggested timeframe for holding the product. Typically, this is the rolling period over which the investment objective of the product is likely to be achieved.





## Investor's Intended Risk/Return Trade-off

This TMD uses the Standard Risk Measure (SRM) to estimate 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 (note the bands in the SRM guidance differ from the bands used in this TMD). However, 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 (including under conditions of market stress) or that a positive return could still be less than an investor requires to meet their investment objectives/needs. The SRM methodology may be supplemented by other risk factors. For example, some products may use leverage, derivatives or short selling; may have liquidity or withdrawal limitations; may have underlying investments with valuation risks or risks of capital loss; 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.

An investor's desired product return profile would generally consider the impact of fees, costs and taxes.

### Extremely High

For the relevant part of the investor's portfolio, the investor:

- has an extremely high risk appetite,
- can accept significant volatility and losses, and
- seeks to obtain accelerated returns (potentially in a short timeframe).

The investor 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).

### Very High

For the relevant part of the investor's portfolio, the investor:

- has a very high risk appetite,
- 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
- seeks to maximise returns (typically over a medium or long timeframe).

The investor typically prefers high growth assets (such as high conviction portfolios, hedge funds, and alternative investments).

### High

For the relevant part of the investor's portfolio, the investor:

- has a high risk appetite,
- 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
- seeks high returns (typically over a medium or long timeframe).

The investor typically prefers growth assets (for example, shares and property).

### Medium

For the relevant part of the investor's portfolio, the investor:

- has a moderate or medium risk appetite,
- 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
- is comfortable with a moderate target return profile.

The investor typically prefers defensive assets (for example, fixed income).

### Low

For the relevant part of the investor's portfolio, the investor:

- has a conservative or low risk appetite,
- 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
- is comfortable with a low target return profile.

The investor typically prefers stable, defensive assets (such as cash).

## Investor's need to access capital

This investor attribute addresses the likely period of time between the making of a request for redemption/withdrawal (or access to investment proceeds more generally) and the receipt of proceeds from this request under ordinary circumstances. Issuers should consider both the frequency for accepting the request and the length of time to accept, process and distribute the proceeds of such a request. 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 aligning the product to the investor's need to access capital. Where a product is held on investment platforms, distributors also need to factor in the length of time platforms take to process requests for redemption for underlying investments. Where access to investment proceeds from the product is likely to occur through a secondary market, the liquidity of the market for the product should be considered.



## Distributor Reporting

### Significant dealings

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.

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.

Dealings outside this TMD may be significant because:

- they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or
- 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).

In each case, the distributor should have regard to:

- the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes),
- 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
- the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red and/or amber ratings attributed to the investor).