

Target Market Determination (TMD)

Sequoia – US Equity Hedge – Series 3

6 February 2024

This TMD relates to the product referred to as **Sequoia – US Equity Hedge – Series 3** offered under the Term Sheet Product Disclosure Statement (PDS) dated 6 February 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.

Issuer	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.
Arranger	Sequoia Asset Management Pty Ltd (ACN 135 907 550, AFSL 341506)
Product	Sequoia – US Equity Hedge – Series 3 is a type of leveraged structured investment. It is issued in the legal form of Units in a Deferred Purchase Agreement (“ DPA ”). The Units are offered under the Term Sheet PDS dated 6 February 2024 and Master PDS dated 14 August 2017.
TMD issue date	6 February 2024
TMD Version	1
Distribution status	Available
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 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 https://www.sequoiasi.com.au/ and consider obtaining independent financial product advice before deciding to invest in DPAs.
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Target Market for Sequoia – US Equity Hedge – 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
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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 – US Equity Hedge – Series 3 as part of a diversified portfolio (for example, with an intended product use of Minor Allocation). In such circumstances, Sequoia – US Equity Hedge – 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 – US Equity Hedge – 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
Objective	TMD indicator	<i>The Units in Sequoia – US Equity Hedge – Series 3 offer investors the ability to gain leveraged exposure to the negative performance of the S&P 500 (“the Index”) below the Strike Level over a period of 1 year and 1 week.</i>
Capital Growth	In Target Market	<i>This investment is fully hedged into AUD such that investors do not take any currency risk in relation to movement in the AUD/USD rate between the Commencement Date and Maturity Date. The product’s leveraged exposure to the downside movements in the Index means it will likely be suitable for investors who are seeking capital growth.</i>
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
Product Use (% of Investible Assets)	TMD indicator	<i>Sequoia – US Equity Hedge – Series 3 provides 100% leveraged exposure to the negative performance of the Index below the Strike Level for a period of 1 year and 1 week. 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.</i>
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
Investment Timeframe of investor	TMD indicator	<i>Sequoia – US Equity Hedge – Series 3 provides 100% leveraged exposure to the Index for a period of 1 year and 1 week. It is designed to be held until maturity and therefore the minimum timeframe for holding the investment is 1 year and 1 week. This product is not suitable for investors who have a timeframe of less than 1 year and 1 week.</i>
Minimum investment timeframe	1 year and 1 week	



Column 1	Column 2	Column 3
Investor's intended Risk/Return tradeoff	TMD indicator	<i>Sequoia – US Equity Hedge – Series 3</i> provides 100% leveraged exposure to the negative performance of the Index below the Strike Level for a period of 1 year and 1 week. 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.
Extremely High	In Target Market	The fact that the product also has a fixed timeframe of 1 year and 1 week and a break-even point where the Index needs to fall below the break-even point 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 leveraged products generally. This is why this product is considered Extremely 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 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.
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	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.
Within one week of request	Not considered in Target Market	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.
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 – US Equity Hedge – 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 – US Equity Hedge – Series 3 is unsuitable

An investment in Sequoia – US Equity Hedge – 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 – US Equity Hedge – 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 6 February 2024 when distributing Sequoia – US Equity Hedge – 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 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 – US Equity Hedge – Series 3

Sequoia – US Equity Hedge – 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 1-8 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.

Although Sequoia – US Equity Hedge – Series 3 does not include a loan to fund the acquisition of Units, it is still a leveraged investment and subject to the risks associated with leveraged products generally. In this case leverage is provided via an Issue Price which represents only a small percentage of each Unit's total exposure to the Index.

Deferred Purchase Agreement

The DPA is the underlying legal instrument that an investor will invest into when investing into Sequoia – US Equity Hedge – 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, an investor may elect to use the Agency Sale Option and 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.

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 (Issue Price + Application Fee) x Number of Units. Investors may also incur an Upfront Adviser Fee in addition. A 100% loss will occur if the Final Price is \$0 per Unit at Maturity. This will be the case if the Final Index Level is equal to or above the Strike Level at Maturity. Investors should be aware that Series 3 is designed to provide a profit where there has been a decrease in the Reference Asset below the Strike Level and is not designed to profit from increases in the Reference Asset.
- 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 (Issue Price + Application Fee) x Number of Units. Investors may also incur an Upfront Adviser Fee in addition. Investors may incur a partial loss if the Final Price is positive but less than the Issue Price at Maturity. This will occur if the Final Index Level is below the Strike Level but higher than the Break Even Point for the Final Index Level at Maturity;
- Timing risks. The timing risk is significant. This is because the Investment Term is fixed and the Final Price received at the end of the Investment Term needs to exceed the Issue Price 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;
- Your return is affected by the performance of the Reference Asset. There is no guarantee that the Reference Asset will fall below the Strike Level by the Maturity Date in order for the Final Price to be positive.
- There will be no amount payable at Maturity if the Reference Asset is not below the Strike Level at Maturity.
- Additionally, in the event of an Investor requests an Issuer Buy-Back or there is an Early Maturity Event, you will not receive a refund of the Issue Price or any Fees. The amount received will depend on the market value of the Units which will be determined by many factors including but not limited to the prevailing level and volatility of the Reference Asset, the distance above or below the Strike Level, prevailing Australian and US interest rates and the time to Maturity.
- 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
Objective	
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).
Product Use (% of Investible Assets)	
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.
Portfolio diversification	
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.
Investment Timeframe of investor	
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).