

# target market determination

## For HESTA Transition to Retirement Income Stream product

HESTA Transition to Retirement (TTR) Income Stream product provides a regular income stream (regular payments) from money accumulated in superannuation, available once members reach preservation age but are still working in either a full or part-time capacity. The TTR Income Stream product provides access to a range of investment options which incorporates our responsible investment approach and provides some longevity (through generation of some capital growth), whilst drawing down from capital.

<b>Trustee of Superannuation Fund</b>	H.E.S.T. Australia Ltd
<b>Fund name</b>	Health Employees Superannuation Trust Australia (HESTA)
<b>Australian Business Number (ABN)</b>	66 006 818 695
<b>Unique Superannuation Identifier (USI)</b>	HST0100AU
<b>Australian Financial Services Licence (AFSL)</b>	235249

## 1. About this document

This target market determination (TMD) seeks to provide members and distributors with an understanding of the target market for whom the product (including key attributes) has been designed and is likely to be appropriate for, having regard to their objectives, financial situation and needs.

This document is not a full summary of the product's risks and features and is not intended to provide financial advice. Members and distributors must refer to the Product Disclosure Statement and any supplementary documents when deciding whether to join this product.

### Product Disclosure Statement to which this TMD applies

This TMD applies to the HESTA TTR Income Stream product referred to in the HESTA Income Stream Product Disclosure Statement available at [hesta.com.au/pds](https://hesta.com.au/pds)

## 2. Important dates

Date from when this TMD is <b>effective</b>	5 October 2021
Date when this TMD was <b>last reviewed</b>	5 October 2021
Latest date when this TMD will be <b>next reviewed</b>	5 October 2022

## 3. Type of members that fall within this target market

The HESTA TTR Income Stream is designed for members who:

- are under age 65 and have reached preservation age but are not fully retired from the workforce;
- have accumulated a minimum of \$50,000 within the superannuation system and are looking to convert this into an income stream to support their transition into retirement phase by:
  - working fewer hours and using the TTR Income Stream to supplement income; or
  - working full time and salary sacrificing into super to save tax and using the TTR Income Stream to supplement their income.
- want the ability to continue to apply an investment strategy (through investment choice that suits their risk profile and/or life stage) that provides some longevity (through generation of some capital growth), whilst drawing down from their capital.

## Product description and key attributes

The key product attributes include:

- access to a tax efficient way to draw an income if over age 60.
- access to a Ready-Made Strategy (our default option in the absence of investment choice) upon joining, where exposure to growth-oriented assets like infrastructure and shares is expected to decline slowly over time without the need to rebalance the portfolio
- ability to select from ten investment options allowing members to create their own portfolio to suit their specific investment needs
- ability to specify an annual income level, subject to a minimum and maximum annual payment amount set by government legislation
- access to flexible payment options for regular income payments, including weekly, fortnightly, monthly, quarterly, half-yearly and yearly
- online member portal access using HESTA Member Online
- ability to access intra-fund advice about superannuation.

## Objectives, financial situation, and needs

### *Investment options*

The following Ready-Made options are designed to meet the needs of members who want exposure to a diversified portfolio of investments across different asset classes and with different risk/return outcomes.

#### **Ready-Made Strategy (Default option)**

This option is designed for members who:

- are seeking a strategy that comprises an investment in 66% Conservative option and 34% Balanced Growth option, with regular income payments drawn from the Balanced Growth option first.
- are seeking an investment where exposure to growth-oriented assets is expected to decline slowly over the time without the need to rebalance the portfolio
- may be comfortable with their regular income payments being drawn down from the Balanced Growth option first, the higher risk option of the two that is expected to have relatively higher volatility than Conservative in the short term
- may be comfortable being 100% invested within the Conservative Option once the allocation to Balanced Growth has been slowly exhausted through the drawdown of regular income payments.

<b>Balanced Growth</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking to invest in a wide range of asset classes including shares, private equity, alternatives, property, and infrastructure, with some debt and cash investments</li> <li>• are seeking to outperform the rate of inflation as measured by the CPI, by 3.0% in the long term (10 years)</li> <li>• may be comfortable with a higher exposure to growth assets.</li> <li>• may be comfortable with exposure to a high-risk investment with possible short-term volatility</li> <li>• would ideally invest in the option for 5 to 7 years (but can move in and out of this option at any time).</li> </ul>
<b>Conservative</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• Are seeking to invest in a wide range of asset classes with a higher allocation than Balanced Growth to debt and cash investments, with some shares, property, infrastructure, and alternatives investments.</li> <li>• Are seeking to outperform the rate of inflation as measured by the CPI, by 1.5% in the long term (10 years)</li> <li>• May be comfortable with less exposure to growth assets and more exposure to defensive assets</li> <li>• May be comfortable with exposure to a medium risk investment with some short-term volatility; but is expected to have relatively lower volatility than Balanced Growth in the short term</li> <li>• Would ideally invest in the option 1 to 3 years (but can move in and out of this option at any time).</li> </ul>
<b>Index Balanced Growth</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking to invest in low-cost passive investment strategies that aim to closely match index returns.</li> <li>• are seeking to outperform the rate of inflation as measured by the CPI, by 2.0% in the long term (10 years).</li> <li>• may be comfortable with a high exposure to listed shares.</li> <li>• may be comfortable with exposure to a high-risk investment option with more short-term volatility than Balanced Growth given its higher allocation to listed markets.</li> <li>• would ideally invest in the option for 5 to 7 years. (but can move in and out of this option at any time).</li> </ul>
<b>Sustainable Growth</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking to invest in shares, property, private equity with some debt, and cash investments</li> <li>• are seeking investments that are selected and managed in accordance with specific ESG requirements, that take into consideration the preferences of members, with a focus on ESG risks and opportunities</li> <li>• are seeking to outperform the rate of inflation as measured by the CPI, by 3.0% in the long term (10 years)</li> <li>• may be comfortable with a higher exposure to growth assets.</li> <li>• may be comfortable with exposure to a high-risk investment with possible short-term volatility that may be greater than Balanced Growth given its higher allocation to listed markets</li> <li>• would ideally invest in the option for 5 to 7 years. (but can move in and out of this option at any time).</li> </ul>

<b>High Growth</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>○ are seeking to invest in a wide range of primarily Australian and international shares, and private equity, along with some exposure to alternatives, property, infrastructure, debt and cash</li> <li>○ are seeking to outperform the rate of inflation as measured by the CPI, by 4.0% in the long term (10 years)</li> <li>○ may be comfortable with high exposure to growth assets through the highest allocation to shares across our Ready-Made options</li> <li>○ may be comfortable with exposure to a very high-risk investment option with short-term volatility that may be greater than Balanced Growth</li> <li>○ would ideally invest in the option for 7 to 10 years. (but can move in and out of this option at any time).</li> </ul>
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The following Your Choice options are designed to meet the needs of members who are seeking to create a diversified portfolio or would like specific exposure to a certain asset class or asset classes to suit their financial needs and objectives:

<b>Cash and Term Deposits</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to cash, cash products and short-dated term deposits</li> <li>• are seeking over the long term, to earn an after-tax return, after investment fees and costs, equivalent to or higher than the return (net of tax) of the Bloomberg Ausbond Bank Bill Index</li> <li>• are comfortable with an exposure to a very low risk investment asset class, acknowledging current interest rates are low, with the potential for negative rates that would lead to a small negative return</li> <li>• would ideally invest in the option for less than 1 year (but can move in and out of this option at any time).</li> </ul>
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<b>Diversified Bonds</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to, Australian and international government bonds and other debt</li> <li>• seeking over the long term, to earn an after-tax return, after investment fees and costs, equivalent to or higher than the return (net of tax) of the combination of: <ul style="list-style-type: none"> <li>○ 50% Bloomberg AusBond Composite 0+ Year Index</li> <li>○ 50% Barclays Capital Global Aggregate ex Australia Index Hedged to \$A</li> </ul> </li> <li>• are comfortable with an exposure to a lower volatility asset class, however acknowledging that currently interest rates are very low and, in some countries, negative. This means the chance of interest rates rising from current levels is higher. If this happens investors should expect a small to moderate loss</li> <li>• would ideally invest in the option for 1 to 3 years (but can move in and out of this option at any time).</li> </ul>
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<b>Property and Infrastructure</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to, Australian and global property and infrastructure, along with a smaller allocation to cash</li> <li>• are seeking over the long term, to earn an after-tax return after investment fees and costs, equivalent to or higher than CPI + 3.0%</li> <li>• are comfortable with exposure to a medium-risk investment, which is expected to earn a better return than cash and global debt but may be more volatile</li> <li>• would ideally invest in the option for 3 to 5 years (but can move in and out of this option at any time).</li> </ul>
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<b>International Shares</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to, a range of companies listed on the stock exchanges around the world</li> <li>• are seeking over the long term, to earn an after-tax return, after investment fees and costs, equivalent to or higher than the return (net of tax) of the combination of: <ul style="list-style-type: none"> <li>○ 77.5% MSCI World ex Australia Index in \$A Net Dividends Reinvested</li> <li>○ 22.5% MSCI Emerging Markets Index in \$A Net Dividends Reinvested</li> <li>○ 50/50 \$A Hedged/Unhedged</li> </ul> </li> <li>• are comfortable with exposure to a very high-risk investment, with higher volatility relative to other investment options</li> <li>• would ideally invest in the option for 7 to 10 years (but can move in and out of this option at any time).</li> </ul>
<b>Australian Shares</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to, a range of companies listed on the Australian stock exchange as well as a few that are not</li> <li>• are seeking over the long term, to earn after investment fees and costs, equivalent to or higher than the return (net of tax) of the S&amp;P/ASX 300 Accumulation Index</li> <li>• are comfortable with exposure to a very high-risk investment, with higher volatility relative to other investment options</li> <li>• would ideally invest in the option for 7 to 10 years (but can switch in and out of this option at any time).</li> </ul>

### **Consistency between target market and the product**

The HESTA TTR Income Stream is likely to be consistent with the likely objectives, financial situation and needs of the type of members in the target market.

To ensure this, HESTA regularly reviews:

- our investment options to provide members with the opportunity for competitive, risk-adjusted net long-term returns (returns after fees and costs)
- member engagement across the suite of investment options offered to ensure the appropriateness and need for a broad range of investment options appropriate for differing levels of risk tolerance and investment horizons of members
- administration fees, including benchmarking against similar leading super funds
- the design of our product to ensure it is not complex and allows for a high degree of self-servicing through online account accessibility.

## **4. How this product is to be distributed**

### **Distribution channels**

The HESTA TTR Income Stream has been designed to be distributed directly with members and also on an advised basis through the following means:

- through representatives of the fund trustee
- directly through online or physical application form
- through third-party financial advisers other regulated persons (holding an AFSL) who engage in retail product distribution.

### **Distribution conditions**

This product should only be distributed under the following circumstances:

- where a member has met the eligibility conditions (reached preservation age); and

- a member has more than \$50,000 held within complying superannuation or rollover funds; and
- where a member wants to choose their investment option.

The HESTA TTR Income Stream is not for distribution in jurisdictions outside of Australia.

### **Adequacy of distribution conditions and restrictions**

The HESTA TTR Income Stream distribution conditions and restrictions ensure that only members who meet eligibility conditions enter into this product:

- the join process incorporates questions relating to eligibility and suitability of the product
- upon first making an investment selection, questions are presented to minimise the likelihood of distribution being inconsistent with the target market
- contact centre and member facing employees are trained on the product, including the product eligibility.

The trustee has determined that the distribution conditions and restrictions will make it likely that members who join the product are in the target market for which it has been designed.

## **5. Reviewing this TMD**

The trustee will review this TMD in accordance with the below:

<b>Initial review</b>	5 October 2022
<b>Periodic reviews</b>	Annually in April/May of each year (after initial review)
<b>Review events</b>	<p>Any event or circumstances arises that would suggest the TMD is no longer appropriate. This may include (but is not limited):</p> <ul style="list-style-type: none"> <li>• significant changes in member engagement that suggest the target market is no longer appropriate.</li> <li>• material change to the design or distribution of the product, including related documentation.</li> <li>• occurrence of any significant dealings having considered reportable incidents, defined below, as notified by product distributors.</li> <li>• external events such as adverse media coverage or regulatory attention triggered through media reports on instances, social media interactions or regulatory scrutiny of product.</li> <li>• persistent member complaints about investment options or the product in general.</li> <li>• Indications that the distribution conditions do not make it likely that the members who acquire the product are in the target market.</li> <li>• outcomes from Member Outcomes assessments and Business Performance Reviews, which indicate the product is not meeting stated member outcomes.</li> </ul>

Where a review trigger has occurred, this TMD will be reviewed within 10 business days.

## **6. Reporting and monitoring this target market determination**

It is an obligation for a distributor of this product to provide the following information in relation to this TMD.

This information must be sent to HESTA via email at **product@hesta.com.au**

<b>Complaints</b>	<p>Distributors must report monthly (within 10 business days following the end of the month) the number of complaints received in relation to the product covered by this TMD.</p> <p>This will include the substance of complaints and general feedback relating to the product and its performance.</p>
<b>Reportable Incidents</b>	<p>Distributors will report incidents relating to the following circumstances, within 10 business days, to assist the trustee in their assessment of any significant dealings in relation to this TMD.</p> <p>Circumstances where:</p> <ul style="list-style-type: none"><li>• a proportion of members who have acquired the product are not in the target market</li><li>• a proportion of members who have acquired the product have characteristics that are specifically excluded from the target market</li><li>• distribution conditions have regularly not been met</li><li>• there is a consistent feature that identifies when or how a member outside the target market acquire the product (e.g. at a particular time period; consistently from a particular adviser).</li></ul>

Issued by H.E.S.T. Australia Ltd ABN 66 006 818 695 AFSL 235249, the Trustee of Health Employees Superannuation Trust Australia (HESTA) ABN 64 971 749 321. This information is of a general nature. It does not take into account your objectives, financial situation or specific needs so you should look at your own financial position and requirements before making a decision. You may wish to consult an adviser when doing this. The target market determination for HESTA products can be found at **hesta.com.au/tmd** Before making a decision about HESTA products, you should read the relevant Product Disclosure Statement (call 1800 813 327 or visit **hesta.com.au** for a copy) and consider any relevant risk (**visit the HESTA website** for more information).

09/21