Macquarie Subordinated Debt Active ETF

Target Market Determination – 10 June 2025 (Version 2)

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APIR code MAQ5289AU

ASX code MQSD

Issuer: Macquarie Investment Management Australia Limited
ABN 55 092 552 611 AFSL No. 238321

Important note

This Target Market Determination (**TMD**) describes the class of consumers that comprise the target market for the Fund, along with the distribution conditions, the review triggers and periods, and certain other information. It forms part of Macquarie Investment Management Australia Limited's design and distribution framework. Distributors must take reasonable steps that will, or are reasonably likely to, result in distribution of the Fund being consistent with the most recent TMD (unless the distribution is excluded conduct).

This document is not a product disclosure statement and is not a complete summary of the Fund's features or terms. This document does not take into account the investment objectives, financial situation or needs of any person. In deciding whether to acquire or continue to hold an investment in the Fund, a consumer should consider the Fund's product disclosure statement, available on our website at **macquarie.com/mam/pds** or by contacting us on 1800 814 523. This information is intended for recipients in Australia only.

Important terms used in this TMD are defined in the 'TMD Definitions' available at **macquarie.com/mam/tmd**. Capitalised terms have the meaning given to them in the Fund's product disclosure statement, unless otherwise defined. References to **the Act** are to the Corporations Act 2001 (Cth).

Other than Macquarie Bank Limited ABN 46 008 583 542 (**Macquarie Bank**), any Macquarie Group entity noted in this material is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these other Macquarie Group entities do not represent deposits or other liabilities of Macquarie Bank. Macquarie Bank does not guarantee or otherwise provide assurance in respect of the obligations of these other Macquarie Group entities. In addition, (a) the investor is subject to investment risk including possible delays in repayment and loss of income and principal invested, and (b) none of Macquarie Bank or any other Macquarie Group entity guarantees any particular rate of return on or the performance of the investment, nor do they guarantee repayment of capital in respect of the investment.

TARGET MARKET SUMMARY

The Fund is designed for consumers who:

- are seeking capital preservation and income distribution
- are intending to use the Fund as a minor allocation or satellite allocation within a portfolio
- have a minimum investment timeframe of three years
- have a medium to high risk/return profile for that portion of their investment portfolio, and
- require the ability to have access to capital within one week of request.

TMD indicator key

The consumer attributes for which the Fund is likely to be appropriate have been assessed using a red and green rating methodology with appropriate colour coding.

In target market	Not in target market

Consumer attribute definitions

Consumers should refer to the 'TMD definitions' available at **macquarie.com/mam/tmd** for the definitions of the consumer attributes (that is, the terms used in the 'Consumer attributes' column in the table below).

Appropriateness

The issuer has assessed the Fund and formed the view that the Fund is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market as described below. The attributes of the Fund in the 'Description of Fund including key attributes' column of the table below are consistent with the corresponding consumer attributes identified with a green rating (in the 'TMD indicator for Fund' column).

Investment products and diversification

A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio (for example, with an intended product use of minor allocation). 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 wish 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 may be consistent with the consumer's objectives for that minor allocation, notwithstanding that the risk/return profile of the consumer, as a whole, is medium. In making this assessment, distributors should consider all features of a product (including its key attributes). Please note that the 'Consumer's intended Fund use', which sets out the percentage of investable assets, is based on **all of the assets** that the consumer has available for investment (excluding the family home) and not, for example, only the relevant portion of assets the consumer is currently intending to invest.

DESCRIPTION OF TARGET MARKET OF FUND

Consumer attributes Please refer to **macquarie.com/mam/tmd** for definitions.	**TMD indicator for Fund**	**Description of Fund including key attributes**
Consumer's investment objective		
Capital growth	**Not in target market**	The Fund aims to outperform the Bloomberg AusBond Bank Bill Index (**Index**) over a rolling three-year basis (before fees). It aims to provide regular monthly distributions with some potential for growth. The Fund provides exposure to a diversified portfolio of subordinated bonds, which may offer higher levels of yield than cash or other investment grade bonds. Subordinated bonds are typically unsecured debt securities that rank higher than equity but below senior debt securities with respect to a repayment in the event of a default. The Fund will primarily invest in subordinated bonds issued by Australian entities or denominated in Australian dollars, with significant exposure expected to be to those issued by Australian major banks and other financial institutions. The Fund aims to exploit market inefficiencies through careful security selection based on our fundamental research and relative value analysis. The Fund may also have exposure to bonds issued by foreign entities and a small opportunistic allocation to hybrids. The Fund has the following key attributes: • An actively managed strategy designed to deliver attractive returns and income, generated from the full opportunity set of subordinated debt. • Although the Fund will generally seek to distribute any net income on a monthly basis, consumers should be aware that the amount of each distribution may vary or no distribution may be payable in a distribution period. • Potential for capital preservation through exposure to a diversified portfolio of subordinated bonds. However, there is no guarantee that the Fund will be able to preserve the capital in the future and the level of any capital preservation may vary materially, particularly for a consumer with a shorter investment timeframe than what the Fund has been designed for.
Capital preservation	**In target market**	
Income distribution	**In target market**	
Consumer's intended Fund use **(as percentage of assets available for investment excluding family home)**		
Solution/Standalone **(Up to 100%)** May hold investment as up to 100% of total investable assets	**Not in target market**	The Fund provides exposure to a diversified portfolio of subordinated bonds, which may offer higher levels of yield than cash or other investment grade bonds. Subordinated bonds are typically unsecured debt securities that rank higher than equity but below senior debt securities with respect to a repayment in the event of a default. The Fund will primarily invest in subordinated bonds issued by Australian entities or denominated in Australian dollars, with significant exposure expected to be to those issued by Australian major banks and other financial institutions. The Fund aims to exploit market inefficiencies through careful security selection based on our fundamental research and relative value analysis. The Fund may also have exposure to bonds issued by foreign entities and a small opportunistic allocation to hybrids.
Major allocation **(Up to 75%)** May hold investment as up to 75% of total investable assets	**Not in target market**	
Core component **(Up to 50%)** May hold investment as up to 50% of total investable assets	**Not in target market**	

Minor allocation **(Up to 25%)** May hold investment as up to 25% of total investable assets	**In target market**	**Asset allocation[1]** Subordinated bonds[2] 0% – 100% Cash and investment grade 0% – 100% Hybrids[2] 0% – 15% 1 The above ranges are indicative only. The Fund will be rebalanced within a reasonable period of time should the exposure move outside these ranges. 2 May include holdings of sub-investment grade instruments. The Fund's portfolio diversification has been assessed as 'Low' as it provides exposure to a narrow asset class, being a diversified portfolio of subordinated bonds. Please refer to **macquarieim.com/MAM/TMD** for definitions.
Satellite allocation **(Up to 10%)** May hold investment as up to 10% of total investable assets	**In target market**	

Consumer's investment timeframe		
Minimum investment timeframe	**Three years**	Suggested minimum investment timeframe for Fund: Three years

Consumer's risk (ability to bear loss) and return profile

The Fund's risk profile is assessed by taking into consideration the Standard Risk Measure (**SRM**) for the Fund, as disclosed in Section 2 of the Fund's product disclosure statement, and other indicators of risks which consider the potential frequency and size of negative returns.

Please refer to Section 4 of the Fund's product disclosure statement for more information on the risks of an investment in the Fund.

Low	**Not in target market**	The Fund aims to outperform the Index over a rolling three-year basis (before fees). The Fund has a medium risk and return profile. For the relevant part of the consumer's portfolio, the consumer: • has a moderate or medium risk appetite • seeks low volatility and potential losses, and • is comfortable with a moderate target return profile. The Fund has been assigned an SRM of 3; that is, it is estimated to experience 1 to less than 2 negative annual returns over any given 20-year period.
Medium	**In target market**	
High	**In target market**	
Very high	**Not in target market**	

Consumer's need to access capital		
Within one week of request	**In target market**	The Fund is an exchange-traded fund that is quoted on the ASX. Units in the Fund can be traded on the ASX during ASX opening hours on ASX trading days under normal circumstances. A sale of units in the Fund will settle two ASX trading days after the date of the sale trade under normal market circumstances. Please note that the ASX may, under certain circumstances, suspend trading of units in the Fund. Investors will not be able to buy or sell units in the Fund on the ASX during any period when trading of units in the Fund is suspended. Trading of units may also be suspended in other circumstances, such as around the end of a distribution period, where the issue and redemption of units to Authorised Participants is suspended or restricted or where factors prevent the accurate calculation of unit prices.
Within one month of request	**In target market**	
Within three months or more of request	**In target market**	
At issuer's discretion	**In target market**	

DISTRIBUTION CONDITIONS

Channel	Distribution condition
Platform providers	Only available for distribution through a platform if the platform provider: • has an arrangement with the issuer governing their relationship with the issuer • only allows consumers to acquire units in the Fund following the provision of personal advice to the consumer, or • only provides execution-only broking services.
Advisers	Only available for distribution with the assistance of a dealer group and/or an adviser if the dealer group and/or adviser has satisfied themselves that the Fund, or a portfolio that the Fund would form part of, is suitable for the consumer.
Brokers	Only available for distribution through the Exchange by a broker if the broker is registered with the ASX and, with the exception of execution-only brokers, has satisfied themselves that the Fund, or a portfolio that the Fund would form part of, is suitable for the consumer.
All	The Issuer has controls that seek to ensure its marketing and communication materials, which may influence consumers to acquire the Fund, are consistent with the TMD for the Fund, noting that exchange-traded-funds are commonly acquired by consumers through online brokers in an execution-only context.

REVIEW TRIGGERS

• Material change made to the Fund's key attributes, investment objective and/or fees	• Material deviation from the Fund's benchmark/objective over sustained period
• Fund's key attributes have not performed as disclosed by a material degree and for a material period	• Issuer determines a significant dealing in the Fund outside of the target market has occurred
• Issuer receives a material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the Fund or its distribution	• Use of Product Intervention Powers, regulator orders or directions that affect the Fund

MANDATORY TMD REVIEW PERIODS

Review period	Maximum period for review
Initial review	Twelve months from date of issue
Subsequent review	Annually

DISTRIBUTOR REPORTING REQUIREMENTS

Reporting requirement	Reporting period	Which distributors this requirement applies to
Complaints (as defined in section 994A(1) of the Act) relating to the Fund. The distributor should provide all the content of the complaint, having regard to privacy.	As soon as practicable but no later than ten business days following end of calendar quarter	All distributors
Details of any significant dealing in the Fund outside of the target market (where a significant inconsistent dealing is determined in the same way as for section 994F(6) of the Act). Please refer to **macquarie.com/mam/tmd** for further detail.	As soon as practicable but no later than ten business days after distributor becomes aware of the significant dealing outside of the target market	All distributors other than execution-only brokers
Any information the issuer reasonably requires in order to assess the distributor's arrangements for compliance with Part 7.8A of the Act and/or to identify promptly whether a review trigger or other similar event or circumstance has occurred.	Within ten business days after distributor receives notice of the required information	All distributors

Distributors must report required information to Macquarie Investment Management Australia Limited by email to MAMDDO@macquarie.com.

For more information, call us on 1800 814 523, email mam.clientservice@macquarie.com or visit macquarie.com/mam/tmd.