POLAR FINANCE

Target Market Determination

Product name: Polar S SMSF

Product Issuer: Source Funding Pty Ltd ACN 622 815 294 AFSL and Australian Credit Licence 510226

What is a Target Market Determination?

A Target Market Determination (or **TMD**) describes the class of consumers that this product is targeted at (the **Target Market**) and matters relating to the product's distribution and review.

This TMD also describes the situation where we are required to review this TMD, which are called Review Triggers.

Why does Source Funding need to have a TMD?

Source Funding is required by law to have a TMD.

The purpose of the TMD is to instil discipline in the design and distribution of financial product, such as this loan, to ensure that the product is appropriately designed for the Target Market or conversely to address the circumstances where this product is not appropriate for the Target Market.

This TMD is not a substitute for the products terms and conditions and other disclosure documents required under the National Consumer Credit Protection Act 2009 (Cth) and applicable regulations (the **National Credit Laws**). Neither is this TMD intended to provide financial advice. When making a decision about this product, you also need to read the products terms and conditions including:

- Source Funding Pty Ltd Loan Agreement (including the loan general terms and conditions)
- The Mortgage (including the Mortgage Common Provisions).
- The SMSF Holding Trustee Guarantee and indemnity
- The SMSF Member Guarantee and indemnity

TMD Version: 1.5

TMD Effective Date: 09 August 2026

TMD Next Review Date: 16 April 2027

TMD Review Period: At least every 12 months from the start date of this TMD

1. About this TMD

This TMD provides information about the Target Market for the product. It outlines the likely objectives, financial situation and needs of the Target Market as well as the key attributes of the product.

2. Eligibility Criteria for the product

To hold this product, customers will need to satisfy our lending eligibility criteria including:

This product is a specialty credit product available to self-managed superannuation fund (**SMSF**) borrowers seeking to:

- refinance an existing compliant SMSF residential property loan; or
- finance the purchase by an SMSF of residential property where the relevant contract of sale was entered into before 10 August 2026.

For a refinance, the transaction must maintain or refinance the pre-existing compliant borrowing arrangement and must not involve changes that would cause the transaction to constitute a new limited recourse borrowing arrangement outside the applicable transitional provisions.

The borrower must have an SMSF structure that complies with the SIS Act. This includes, where applicable, ensuring that the borrowing is structured as a compliant limited recourse borrowing arrangement and satisfies all relevant requirements applying to the acquisition, holding and financing of the property.

- Proposed SMSF borrower obtains independent financial services advice regarding the suitability of their purchase / refinance before proceeding (we do not give financial services advice);
- SMSF members being an individual/s 18 years or older at the time of application;
- SMSF members being a citizen or permanent resident visa holder of Australia and must meet the residency rules of the Superannuation Industry Supervision Act 1993 (SIS Act);
- Meets our lending eligibility criteria;
- Providing sufficient security in accordance with our credit assessment criteria including:
  - acceptable residential mortgage; and
  - in a suitable structure to satisfy our lending criteria and the SIS Act, which regulates SMSF loans in Australia; and
  - guarantors who support the loan by providing additional security, subject to the SIS Act.

**Business real property* is defined in s 66 of the SIS Act as (relevantly) any freehold interest in real property where the real property is used wholly and exclusively in one or more businesses (whether carried on by the entity or not). The borrower will need to obtain appropriate legal advice in relation to the asset identification to ensure compliance with the SIS Act.

3. Product description and key attributes

Product feature	Description

Repayment Options	Principal and interest loan repayments including option for interest only up to 5 years (conditions apply)
Interest Rate Type	Variable interest rate only
Loan Term	Between 1 years up to a maximum of 30 years
Redraw facility	No – not available
Offset facility	Yes – an offset facility is available to reduce the interest on the loan (conditions apply) (please refer to the note* in the 'Target Market' section below for important information regarding the offset facility)
Loan to Value Ratio (LVR)	Between 1 % LVR up to maximum of 90% LVR
Equity access	No – not available.
Minimum loan amount	$50,000
Maximum loan amount	$3,000,000 (subject to maximum LVR)

Fees and charges apply and you should refer to the Source Funding Pty Ltd Loan Agreement for further detail regarding these fees and charges.

The maximum term, loan size and LVR will vary depending on the customer's circumstances including, the income from rent, other assets of the SMSF as well as member contributions needed to meet the minimum required repayments over the term of the loan. The credit history of the trustee of the SMSF and its members may also be relevant factors in assessing these matters.

4. Target Market

The table below is intended to pair the product attributes and features with the objectives and needs of the Target Market. Source Funding has assessed that the product including its key attributes and features as likely to be consistent with the objectives and needs of the Target Market.

Objectives and needs	Product attributes and features
Need a loan with the ability to repay early but retain flexibility.	The loan has a variable interest rate. Whilst variable the interest rate may fluctuate, the borrower can make early prepayments / additional repayments ahead of schedule without charge. It is important to note that redraw of the early prepayments is not permitted for SMSF loans.
Need a loan with the ability to reduce the amount of interest that might otherwise be paid on the loan.	The loan has a variable interest rate. Whilst variable the interest rate may fluctuate, the borrower can deposit funds into a loan offset facility* (to reduce the interest payable on the loan) or directly into the loan account (to reduce the loan balance and the interest payable on the loan) in order to reduce interest payable on the loan. **Source Funding is not a bank and the offset facility account is not a bank account linked to a loan account. As a result the mortgage loan offset facility (and any amount in the loan offset facility) is not*

	covered by the government's financial claims guarantee scheme should the credit provider fail. The amount in the loan offset facility cannot exceed the loan amount and if it does we will ask you to transfer the excess amount to your nominated *SMSF bank account. If the credit provider failed, the amount recorded in the loan offset facility may be applied against the outstanding loan balance.* *Transfers from the mortgage loan offset facility can only be made to the your nominated SMSF bank account (you cannot transfer funds from the mortgage loan offset facility to a third party account/payee).*
Ability to switch from principal and interest repayments to interest only repayments	Switching is not permitted. This product must comply with the SIS Act, which generally restricts lending variations (i.e. such as security substitution, principal increases, repayment type changes.)
Need a SMSF loan for any of the following reasons:	
• Refinance of existing SMSF loan for residential property; or • Finance for the purchase of eligible residential property where the relevant contract of sale was entered into before 10 August 2026. No other loan purpose is acceptable for this product	This product allows the SMSF to refinance a SMSF loan for residential property, or finance the purchase of an eligible residential property where the contract of sale was entered into before 10 August 2026. This product is generally appropriate for an SMSF borrower that will receive and use income from rent, other assets of the fund and member contributions to meet the minimum required repayments over the term of the loan.

The features of this product, including its key attributes have been assessed as <u>not</u> meeting the likely objectives, financial situation and needs of a customer:

- That does not comply with the requirements of the SIS Act
- the Trustee/s of the SMSF are individuals. (This product requires the Trustee/s of the SMSF to be an Australian registered company.)
- that needs to borrow less than 1% LVR or more than 90% of the LVR;
- that requires a loan term less than 1 years or more than 30 years;
- that requires a fixed interest rate loan;
- that requires a line of credit facility;
- that requires redraw or equity access;
- that requires a loan for construction / renovations for SMSF property;
- to fund the purchase of any real property (such as for example, residential property) that is not *business real property* as defined in s 66 of the SIS Act.

5. Financial situation

The features of this product, including its key attributes have been assessed as meeting the likely objectives, financial situation and needs of consumers who:

- meet our lending eligibility and credit assessment criteria, which includes receiving sufficient and consistent income to be able to service the loan;
- demonstrates capacity to make the required repayments to repay the loan without incurring substantial hardship;
- where determined by Source Funding to be required (based on the applicant and loan attributes), has an acceptable guarantor.

When a customer makes an application, an assessment will be made of the customer's ability to service the loan, to make the required repayments and to repay the loan without incurring substantial hardship. This process will mean that the product will likely be consistent with the financial situation of the Target Market.

6. How this product is to be distributed

Distribution channels and conditions

Source Funding has oversight over how this product is distributed. The following channels have been assessed as being appropriate to direct the distribution of the product to the Target Market in accordance with our process requirements:

Distribution channel	Product distribution
Mortgage Managers and their accredited mortgage brokers (subject to their best interest duty obligations of the accredited mortgage brokers)	• Source Funding only permits Mortgage Managers to distribute the product that are appointed by Source Funding under a written mortgage management agreement. • Source Funding only permits mortgage brokers of the Mortgage Manager who are first accredited by Source Funding to distribute the product. Mortgage brokers must comply with their best interest duty obligation when dealing with this product. • A Mortgage Manager and each accredited mortgage broker must hold an Australian Credit License or be an authorised Credit Representative of an Australian Credit Licensee (under the National Credit Laws) acceptable to Source Funding. • In addition the Mortgage Manager and each accredited mortgage broker must hold appropriate qualifications, industry membership and authorisations to engage in credit activities. • If Mortgage Managers and their accredited mortgage brokers fail to comply with the above requirements, it may result in Source Funding terminating their authority to distribute this product.

	These conditions ensure distributors are appropriately qualified and authorised to distribute this product.

7. Review Triggers

If any of the below review triggers occur, or if an event or circumstance has occurred that would reasonably suggest that the TMD may no longer be appropriate, Source Funding will undertake a review of this TMD within 10 business days.

Information Type	Description
Customer outcomes	• unexpected trends in consumer outcomes which are significantly inconsistent with the intended product performance; • unexpected early-stage arrears are detected; • a significant number of defaults occur; • a significant number of late repayments are being recorded; and • evidence that the product or distributor conduct are significantly different to the Target Market.
Complaints	A significant number of material complaints are received from consumers in relation to the product
Incident Data	A material incident or significant number of incidents in relation to the product's design or distribution that identify breaches of our legal or regulatory obligations.
Significant Dealings	A significant dealing of the product to consumers outside the Target Market occurs.
Notification from ASIC	The recipient of a product intervention power order from ASIC requiring us to immediately cease retail product distribution conduct in respect of the product.
Changes to the product / Target Market	Source Funding makes any material change to the product or product terms and conditions (such as adding or removing or changing a key product attribute or a significant change to the distribution channel or strategy) or the Target Market.

Where a review trigger has occurred, this TMD will be reviewed within 10 business days. Meanwhile, we will cease to offer this product to customers until the review concludes and any necessary change to the product and / or this TMD (including distribution methods), are made.

8. Distributor reporting and monitoring

The following information must be provided by Mortgage Managers and their accredited mortgage brokers in relation to the product

Distributors should provide all reporting to info@sourcefunding.com.au

Type of Information	Description	Reporting Period
Complaints received in relation to the product, Source Funding Pty Ltd or the distributor	Written details of the complaint, including the product, the relevant accredited broker that distributed the product, the name and contact details of complainant and full details of the complaint.	As soon as practicable and in any case within 10 business days of receipt of the complaint.
Significant dealings	Any significant dealing which is not consistent with this TMD / outside the Target Market.	As soon as practicable, and in any case within 10 business days after becoming aware
Feedback	Details of any suggested feedback and improvements.	As soon as practicable and in any case within 10 Business Days after become aware
Information Requested	Any other information required by Source Funding.	As soon as practicable and in any case within 10 Business Days after receiving such request.