

Investing In Mortgages

Which Structure Is Right For You?

Keystone Capital Ltd (“Keystone”) is a specialist fund manager that has been involved in the management of mortgage investments since 2013. Keystone currently manages two mortgage funds: The KC Select Income Fund - A contributory mortgage fund that was established in 2013; and the KC Diversified Income Fund - A pooled mortgage fund that was established in 2017. Since inception, neither of the Keystone managed funds have experienced any loss of investor principal.

The single biggest difference between a pooled mortgage fund and a contributory mortgage fund is that in a pooled mortgage fund an investor’s capital and income return is tied collectively to the performance of a diversified pool of mortgages whereas in a contributory mortgage fund an investor’s capital and income return is tied exclusively to the performance of the specific loan (or loans) in which they select to invest.

The table below outlines some of the differences between Keystone's two mortgage funds.

	KC Diversified Income Fund	KC Select Income Fund
Investment Type	Pooled mortgage fund.	Contributory mortgage fund.
Mortgage Types	First mortgages loans only.	First or second mortgages loans.
Investor Suitability	This Fund is designed for investors who want a passive investment experience with their funds invested in a diversified pool of first mortgage loans.	This Fund is designed for investors who want to take an active and self-directed interest in which underlying first or second mortgage loan(s) their funds are invested.
Risk / Return	All investor share equally, according to their relative proportional interest in the Fund, to all of the mortgages within the pool.	As an investor in the fund your income return as well as return of capital are directly linked to the specific loan(s) that you select.
Minimum Investment	\$25,000 in the fund.	\$25,000 in the fund, \$25,000 per loan.
Income Distributions	Income distributions are generally paid monthly in arrears to either a nominated bank account or reinvested as additional units in the fund.	Income distributions are paid in accordance with the terms of the underlying loan as outlined in the Supplementary Product Disclosure Statement related to the specific mortgage investment.
Expected Income Distribution Return	The expected income distribution return of the Fund is between 7.50% and 8.50% p.a. The income distributions from the Fund are variable and subject to changes in the Funds underlying asset base and the income received by the Fund each month.	The expected income distribution return of the Fund depends on the loan(s) selected by an individual investor and the relevant borrowers meeting their repayment obligations. Typically this will be between 7.50% and 8.50% p.a. on first mortgage investments and 13.00% and 15.00% p.a. on second mortgage investments.
Investment Term	There is no minimum term, however the investment term is subject to Keystone making a withdrawal offer as outlined in the Product Disclosure Statement.	Generally 6 months to 2 years. The investment term is directly linked to the underlying loan term of the particular mortgage investment. The term is outlined in the Supplementary Product Disclosure Statement related to the mortgage investment.
Withdrawal of Capital	Subject to liquidity, Keystone intends to make quarterly withdrawal offers to eligible investors. When a withdrawal offer is made, eligible investors in the Fund are entitled to apply for withdrawal of all or some of their funds. Further details of the withdrawal arrangements are contained within the Product Disclosure Statement.	When invested in the Transitional Cash Account, investors can withdraw their funds with 5 working days' notice. When invested in a specific mortgage investment, investors cannot withdraw their funds until the loan is repaid.

To find out more or to obtain a Product Disclosure Statement please either:

- › Visit our website at www.keystonecapital.com.au;
- › Email us at invest@keystonecapital.com.au; or
- › Call one of our offices on (08) 7231 8777 (Adelaide) or (02) 8960 9180 (Sydney).

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Experience