

KC Diversified Income Fund

RG45 - ASIC BENCHMARK DISCLOSURE

ARSN 615 690 876

31 DECEMBER 2023

These ASIC Benchmarks are aimed at assisting investors understand the risks of investing in mortgage funds and whether those investments are suitable for them. Each Benchmark and a brief explanation are detailed below.

For the purpose of keeping investors informed about any significant changes to the Fund's continuing ability to respond to the Benchmarks, Keystone will, as required, update the Benchmark Report on its website www.keystonecapital.com.au periodically (usually half yearly) which will be electronically accessible by investors. For those investors who cannot access our website, a paper copy of an updated Benchmark Report can be given to you (free of charge) by telephoning Keystone.

ASIC's Regulatory Guide 45 Mortgage schemes: Improving disclosure for retail investors requires a PDS for an unlisted mortgage scheme to include additional disclosure against the benchmarks set out in that Regulatory Guide. For these purposes, a 'mortgage scheme' is a managed investment scheme that has or is likely to have at least 50% of its non-cash assets invested in mortgage loans, unlisted mortgage schemes or both. Mortgage loans are loans secured by a mortgage over real property.

ASIC Benchmark and Disclosure Principle Description	Benchmark met (Y/N or Not Applicable) and Explanation
<p>ASIC Benchmark and Disclosure Principle 1: Liquidity</p> <p>The responsible entity should have cash flow estimates for the scheme that:</p> <ul style="list-style-type: none"> (a) demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months; (b) are updated at least every three months and reflect any material changes; and (c) are approved by the directors of the responsible entity at least every three months. <p>For pooled mortgage schemes, the responsible entity should disclose information about:</p> <ul style="list-style-type: none"> (a) the current and future prospects of liquidity of the scheme; (b) any significant risk factors that may affect the liquidity of the scheme; and (c) the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities. 	<p>Yes.</p> <p>Keystone meets this Benchmark.</p> <p>Keystone monitors the Fund's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months and updates that forecast at least every three months to reflect material changes.</p> <p>The directors of Keystone approve the cash flow forecast at least every three months.</p> <p>The Fund operates as a non-liquid fund, withdrawals from the Fund can only be made after a Withdrawal Offer is made (subject to eligibility and availability). Refer to Section 4 of the PDS dated 1 November 2022 for further information about withdrawing from the Fund.</p> <p>Section 4 of the PDS dated 1 November 2022 lists risk factors which may affect the liquidity of the Fund and Keystone's policy on balancing the maturity of Fund assets and liabilities.</p> <p>Section 7 of the PDS dated 1 November 2022 summarises the risks of investing in the Fund generally.</p>
<p>ASIC Benchmark and Disclosure Principle 2: Scheme borrowing</p> <p>The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.</p>	<p>Yes.</p> <p>Keystone meets this Benchmark.</p> <p>Keystone does not and does not intend to borrow on behalf of the Fund.</p>

ASIC Benchmark and Disclosure Principle Description	Benchmark met (Y/N or Not Applicable) and Explanation
<p>ASIC Benchmark and Disclosure Principle 3:</p> <p>Portfolio diversification</p> <p>The pooled mortgage scheme should disclose:</p> <p>(a) portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;</p> <p>(b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;</p> <p>(c) the scheme has no single borrower who exceeds 5% of the scheme assets; and</p> <p>(d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).</p>	<p>No.</p> <p>Refer to Section 5 of the PDS dated 1 November 2022 for information about the Fund's investments and processes including key lending parameters, security and valuation policies.</p> <p>Refer to Appendix 1 of this ASIC Benchmark Disclosure report for the current portfolio snapshot.</p>
<p>ASIC Benchmark and Disclosure Principle 4:</p> <p>Related party transactions</p> <p>The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.</p>	<p>Yes.</p> <p>Keystone meets this Benchmark.</p> <p>Keystone maintains and complies with a written policy that governs related party transactions and the management of real and potential conflicts of interest.</p> <p>The policy strictly forbids lending to Keystone or any related entity.</p> <p>Refer to Section 12 of the PDS dated 1 November 2022.</p>
<p>ASIC Benchmark and Disclosure Principle 5:</p> <p>Valuation policy</p> <p>In relation to valuations of mortgage assets and their security property, the board of the responsible entity requires:</p> <p>(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;</p> <p>(b) a valuer to be independent;</p> <p>(c) procedures to be followed for dealing with any conflict of interest;</p> <p>(d) the rotation and diversity of valuers;</p> <p>(e) in relation to security property for a loan, an independent valuation to be obtained:</p>	<p>Yes.</p> <p>Keystone meets this Benchmark.</p> <p>Details of Keystone's valuation policy are set out in Section 5 of the PDS dated 1 November 2022.</p>

ASIC Benchmark and Disclosure Principle Description	Benchmark met (Y/N or Not Applicable) and Explanation
<ul style="list-style-type: none"> (i) before the issue of a loan and on renewal: <ul style="list-style-type: none"> (A) for development property, on both an 'as is' and 'as if complete' basis; and (B) for all other property, on an 'as is' basis; and (ii) within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant 	
<p>ASIC Benchmark and Disclosure Principle 6: Lending principles – Loan to Valuation ratios (LVR)</p> <p>If the scheme directly holds mortgage assets:</p> <ul style="list-style-type: none"> (a) where the loan relates to property development - funds are provided to the borrower in stages based on independent evidence of the progress of the development; (b) where the loan relates to property development - the scheme does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and (c) in all other cases - the scheme does not lend more than 80% on the basis of the latest market valuation of property over which security is provided. 	<p>Yes.</p> <p>Keystone meets this Benchmark.</p> <p>Refer to Section 5 of the PDS dated 1 November 2022 for information about the Fund's lending policies.</p>
<p>ASIC Benchmark and Disclosure Principle 7: Distribution practices</p> <p>The responsible entity will not pay current distributions from scheme borrowings.</p>	<p>Yes.</p> <p>Keystone meets this Benchmark.</p> <p>The payment of distributions is dependent on the Borrowers meeting their interest and repayment obligations on time and in full.</p> <p>Refer to Section 4 of the PDS dated 1 November 2022.</p>

ASIC Benchmark and Disclosure Principle Description	Benchmark met (Y/N or Not Applicable) and Explanation
<p>ASIC Benchmark and Disclosure Principle 8:</p> <p>Withdrawal arrangements</p> <p>Non-liquid schemes</p> <p>For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.</p>	<p>Yes.</p> <p>Keystone intends to make quarterly withdrawal offers to Eligible Investors as described in Section 4 of the PDS dated 1 November 2022.</p>

Appendix 1 - Portfolio Snapshot

As at 31 December 2023

31-Dec-23

Key Fund Statistics

Funds Under Management	127,054,667
Return for Month	8.20% p.a.
Average Return Since Inception	8.30% p.a.

Investment Portfolio

Investment Number	Investment Name	Investment Type	Investment Value	Commence LVR	Mortgage Type	Borrower Rate	Loan Purpose	Security Property Type	State	Location	Loan Expiry	Status (refer to notes)
1	AMI00223	Indirect	3,265,000	65.00%	1st	8.95%	Site Acq	Res Dev Site	NSW	Regional	20/05/2024	Current
2	AMI00226	Indirect	2,380,000	65.00%	1st	8.95%	Equity Release	Res Dev Site	NSW	Regional	2/06/2024	Current
3	AMI00227	Indirect	914,900	70.00%	1st	8.95%	Site Acq	Res Dev Site	NSW	Regional	17/06/2024	Current
4	AMI00238	Indirect	1,250,000	31.25%	1st	9.75%	Refinance	Farm / Agri	SA	Rural	14/09/2024	Current
5	AMI00244	Indirect	2,500,000	65.00%	1st	9.75%	Refinance	Comm Dev Site	SA	CBD	15/09/2023	Tech Default
6	AMI00247	Indirect	728,000	65.00%	1st	9.75%	Site Acq	Comm Dev Site	SA	Metro	28/09/2023	Tech Default
7	AMI00250	Indirect	975,000	65.00%	1st	9.95%	Site Acq	Residential	QLD	Rural	30/09/2023	Tech Default
8	AMI00253	Indirect	218,075	65.00%	1st	10.75%	Site Acq	Commercial	SA	Metro	4/11/2023	Tech Default
9	AMI00256	Indirect	3,230,000	58.73%	1st	10.25%	Construction	Comm Dev Site	NSW	Regional	24/11/2023	Tech Default
10	AMI00261	Indirect	675,000	65.00%	1st	10.75%	Refinance	Res Dev Site	SA	Metro	16/12/2023	Tech Default
11	AMI00262	Indirect	266,500	65.00%	1st	10.75%	Site Acq	Res Dev Site	VIC	Regional	22/12/2023	Tech Default
12	AMI00258	Indirect	1,316,250	65.00%	1st	10.75%	Site Acq	Res Dev Site	NSW	Regional	22/12/2023	Tech Default
13	AMI00263	Indirect	344,500	65.00%	1st	10.75%	Site Acq	Res Dev Site	VIC	Regional	22/12/2023	Tech Default
14	AMI00268	Indirect	4,192,500	65.00%	1st	10.85%	Site Acq	Res Dev Site	SA	Regional	20/01/2024	Current
15	AMI00269	Indirect	1,040,000	65.00%	1st	10.75%	Site Acq	Comm Dev Site	SA	Metro	23/01/2024	Current
16	AMI00270	Indirect	2,170,000	70.00%	1st	10.95%	Site Acq	Res Dev Site	SA	Metro	1/02/2024	Current
17	AMI00273	Indirect	230,703	65.00%	1st	10.85%	Refinance	Res Dev Site	QLD	Regional	9/02/2024	Current
18	AMI00276	Indirect	4,319,302	65.00%	1st	10.95%	Refinance	Residential	sa	Rural	14/03/2024	Current
19	AMI00275	Indirect	5,498,000	40.00%	1st	10.85%	Equity Release	Residential	NSW	Metro	16/03/2024	Current
20	AMI00279	Indirect	1,283,750	65.00%	1st	10.95%	Site Acq	Res Dev Site	SA	Regional	16/03/2024	Current
21	AMI00277	Indirect	1,072,500	65.00%	1st	10.95%	Refinance	Farm / Agri	NSW	Regional	17/03/2024	Current
22	AMI00278	Indirect	2,500,000	42.37%	1st	10.85%	Refinance	Res Dev Site	NSW	Regional	28/03/2024	Current
23	AMI00281	Indirect	842,500	67.50%	1st	10.65%	Refinance	Comm Dev Site	VIC	Metro	5/04/2024	Current
24	AMI00284	Indirect	1,220,000	55.00%	1st	10.95%	Site Acq	Res Dev Site	NSW	Regional	1/05/2024	Current
25	AMI00282	Indirect	3,721,350	65.00%	1st	10.85%	Site Acq	Comm Dev Site	SA	Regional	8/05/2024	Current
26	AMI00287	Indirect	1,470,000	70.00%	1st	10.95%	Site Acq	Res Dev Site	SA	Metro	25/05/2024	Current
27	AMI00290	Indirect	1,740,000	60.00%	1st	10.95%	Site Acq	Res Dev Site	SA	Metro	14/06/2024	Current
28	AMI00295	Indirect	2,050,000	60.00%	1st	10.95%	Refinance	Res Dev Site	SA	Regional	30/06/2024	Current
29	AMI00289	Indirect	696,800	65.00%	1st	10.95%	Refinance	Residential	NSW	Regional	3/07/2024	Current
30	AMI00297	Indirect	666,250	65.00%	1st	10.95%	Site Acq	Res Dev Site	NSW	Rural	7/07/2024	Current
31	AMI00291	Indirect	4,592,650	60.00%	1st	10.95%	Refinance	Comm Dev Site	SA	Regional	12/07/2024	Current
32	AMI00288	Indirect	1,750,000	60.00%	1st	11.15%	Refinance	Farm / Agri	NSW	Rural	12/07/2024	Current

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33	AMI00298	Indirect	1,202,500	65.00%	1st	10.95%	Refinance	Res Dev Site	QLD	Regional	31/07/2024	Current
34	AMI00274	Indirect	364,000	65.00%	1st	10.85%	Site Acq	Res Dev Site	TAS	Regional	27/02/2024	Current
35	AMI00308	Indirect	572,143	47.10%	1st	11.00%	Site Acq	Res Dev Site	NSW	Metro	24/05/2024	Current
36	AMI00304	Indirect	1,950,000	65.00%	1st	10.95%	Site Acq	Res Dev Site	SA	Metro	4/08/2024	Current
37	AMI00296	Indirect	1,453,900	62.00%	1st	10.95%	Refinance	Commercial	NT	Metro	10/08/2024	Current
38	AMI00305	Indirect	1,640,000	60.00%	1st	11.15%	Site Acq	Res Dev Site	QLD	Regional	18/08/2024	Current
39	AMI00306	Indirect	1,710,000	60.00%	1st	10.95%	Site Acq	Res Dev Site	NSW	Regional	24/08/2024	Current
40	AMI00310	Indirect	4,480,000	65.00%	1st	10.75%	Refinance	Commercial	VIC	Regional	15/09/2024	Current
41	AMI00314	Indirect	2,567,500	65.00%	1st	10.95%	Site Acq	Industrial	VIC	Regional	18/09/2024	Current
42	AMI00316	Indirect	1,532,500	50.00%	1st	10.95%	Refinance	Res Dev Site	NSW	Regional	18/09/2024	Current
43	AMI00319	Indirect	7,530,000	67.50%	1st	10.95%	Refinance	Res Dev Site	NSW	Metro	21/09/2024	Current
44	AMI00315	Indirect	2,970,000	53.50%	1st	11.20%	Refinance	Commercial	QLD	Regional	27/09/2024	Current
45	AMI00320	Indirect	1,111,397	54.00%	1st	10.95%	Refinance	Res Dev Site	NSW	Rural	29/09/2024	Current
46	AMI00321	Indirect	1,200,000	60.00%	1st	10.95%	Refinance	Commercial	SA	Metro	29/09/2024	Current
47	AMI00312	Indirect	1,370,000	60.00%	1st	10.95%	Refinance	Res Dev Site	NSW	Rural	7/03/2025	Current
48	AMI00330	Indirect	4,387,500	65.00%	1st	10.95%	Refinance	Res Dev Site	QLD	Metro	30/04/2024	Current
49	AMI00318	Indirect	380,000	41.00%	1st	10.95%	Equity Release	Res Dev Site	NSW	Regional	29/09/2024	Current
50	AMI00322	Indirect	707,488	25.22%	1st	11.15%	Refinance	Farm / Agri	NSW	Regional	16/10/2024	Current
51	AMI00327	Indirect	1,575,000	63.00%	1st	10.95%	Refinance	Res Dev Site	VIC	Regional	25/10/2024	Current
52	AMI00325	Indirect	1,000,000	40.00%	1st	10.95%	Equity Release	Res Dev Site	NSW	Regional	26/10/2024	Current
53	AMI00324	Indirect	3,877,000	55.00%	1st	10.95%	Equity Release	Commercial	QLD	Regional	26/10/2024	Current
54	AMI00326	Indirect	633,750	65.00%	1st	11.20%	Refinance	Res Dev Site	VIC	Regional	31/10/2024	Current
55	AMI00329	Indirect	276,250	65.00%	1st	11.20%	Refinance	Res Dev Site	NSW	Regional	31/10/2024	Current
56	AMI00323	Indirect	1,475,000	65.00%	1st	10.95%	Site Acq	Res Dev Site	VIC	Rural	20/04/2025	Current
57	AMI00331	Indirect	1,500,000	50.00%	1st	10.95%	Equity Release	Comm Dev Site	NSW	Rural	2/11/2024	Current
58	AMI00334	Indirect	1,397,500	65.00%	1st	11.20%	Refinance	Res Dev Site	QLD	Regional	3/11/2024	Current
59	AMI00328	Indirect	2,105,000	50.00%	1st	10.95%	Refinance	Res Dev Site	QLD	Metro	7/11/2024	Current
60	AMI00335	Indirect	5,722,500	55.00%	1st	11.20%	Refinance	Industrial	SA	Metro	16/11/2024	Current
61	AMI00336	Indirect	880,000	60.00%	1st	11.45%	Refinance	Res Dev Site	NSW	Regional	22/11/2024	Current
62	AMI00337	Indirect	1,180,000	59.00%	1st	11.45%	Refinance	Commercial	WA	Regional	22/11/2024	Current
63	AMI00340	Indirect	1,430,000	65.00%	1st	11.20%	Site Acq	Res Dev Site	QLD	Regional	19/06/2024	Current
64	AMI00341	Indirect	865,000	22.76%	1st	10.95%	Refinance	Residential	SA	Regional	15/12/2024	Current
65	AMI00342	Indirect	2,081,500	65.00%	1st	10.95%	Site Acq	Comm Dev Site	SA	CBD	20/09/2024	Current
66	AMI00343	Indirect	2,547,500	63.25%	1st	10.95%	Refinance	Commercial	NSW	Metro	22/12/2024	Current
67	AMI00344	Indirect	676,000	65.00%	1st	10.95%	Refinance	Comm Dev Site	SA	Regional	18/09/2024	Current

125,470,457

Investment Portfolio (continued)

<u>Cash Products</u>		
68	Cash At Bank	Direct <u>1,584,210</u>
		<u>1,584,210</u>
	<u>Total Portfolio</u>	<u>127,054,667</u>

Portfolio Breakdown

Loan To Value Ratio	Number	Value	Proportion
< 50% LVR	11	17,910,131	14.27%
50.01% to 55.00% LVR	5	14,900,897	11.88%
55.01% to 60.00% LVR	11	21,342,650	17.01%
60.01% to 65.00% LVR	35	58,389,380	46.54%
65.01% to 77.00% LVR	5	12,927,400	10.30%
> 77.01% LVR	-	-	0.00%
Total	67	125,470,457	100.00%

Weighted Average LVR **59.76%**

Location of Security Property (State)	Number	Value	Proportion
QLD	10	20,215,203	16.11%
NSW	25	45,626,978	36.36%
VIC	8	12,184,750	9.71%
SA	21	44,445,627	35.42%
WA	1	1,180,000	0.94%
ACT	-	-	0.00%
NT	1	1,453,900	1.16%
TAS	1	364,000	0.29%
Total	67	125,470,457	100.00%

Type of Security Property	Number	Value	Proportion
Commerical	8	17,926,475	14.29%
Commercial Development	10	20,912,000	16.67%
Residential	5	12,354,102	9.85%
Residential Development	38	61,207,892	48.78%
Farm / Agricultural	4	4,779,988	3.81%
Industrial	2	8,290,000	6.61%
Total	67	125,470,457	100.00%

Investment Type	Number	Value	Proportion
Direct Loan	-	-	0.00%
Indirect Loan (via the KCSIF)	67	125,470,457	98.75%
At Call / Term Deposits	1	1,584,210	1.25%
Total	68	127,054,667	100.00%

Borrower Rate (p.a.)	Number	Value	Proportion
< 9.00%	3	6,559,900	5.23%
9.01% to 9.50%	-	-	0.00%
9.51% to 10.00%	4	5,453,000	4.35%
10.01% to 10.50%	1	3,230,000	2.57%
10.51% to 11.00%	48	91,640,069	73.04%
11.01% to 11.50%	11	18,587,488	14.81%
Total	67	125,470,457	100.00%

Location of Security Property (Region)	Number	Value	Proportion
CBD	2	4,581,500	3.65%
Metro	18	41,850,118	33.35%
Regional	38	64,621,890	51.50%
Rural	9	14,416,949	11.49%
Total	67	125,470,457	100.00%

Loan Purpose	Number	Value	Proportion
Equity Release	6	14,635,000	11.66%
Site Acquisition	26	39,322,218	31.34%
Construction	1	3,230,000	2.57%
Refinance	34	68,283,239	54.42%
Working Capital	-	-	0.00%
Total	67	125,470,457	100.00%

Mortgage Type	Number	Value	Proportion
1st Mortgage	67	125,470,457	100.00%
2nd Mortgage	-	-	0.00%
Total	67	125,470,457	100.00%

Loan Expiry Profile	Number	Value	Proportion
<= 6 Mths	35	64,623,172	51.50%
> 6 Mths <= 12 Mths	30	58,002,285	46.23%
> 12 Mths <= 18 Mths	2	2,845,000	2.27%
> 18 Mths <= 24 Mths	-	-	0.00%
Total	67	125,470,457	100.00%

Loans to the Largest 10 Borrowers	Number	Value	Proportion
Borrower 1 (largest)	7	18,336,150	14.43%
Borrower 2	3	11,943,850	9.40%
Borrower 3	3	6,152,250	4.84%
Borrower 4	1	5,722,500	4.50%
Borrower 5	1	5,498,000	4.33%
Borrower 6	1	4,592,650	3.61%
Borrower 7	1	4,480,000	3.53%
Borrower 8	1	4,387,500	3.45%
Borrower 9	1	4,319,302	3.40%
Borrower 10	1	3,877,000	3.05%
	20	65,432,202	51.50%

Loan Status	Number	Value	Proportion
Current	58	115,217,132	91.83%
Default / Arrears (Refer to Additional Notes)	9	10,253,325	8.17%
Total	67	125,470,457	100.00%

Additional Notes:

- All loans are fully funded at the commencement of the loan.
- All loans pay interest monthly in arrears (i.e. no loans are capitalising interest).
- The KC Diversified Income Fund does not use derivatives.
- AMI00244: Repaid in full on 5th January 2024.
- AMI00247: Current in term of interest payments but loan term has expired. Refinance by another financier expected to be finalised by mid-January 2024.
- AMI00250: Current in term of interest payments but loan term has expired. Refinance by Keystone for an additional term expected to be finalised by late-January 2024.
- AMI00253: Current in term of interest payments but loan term has expired. Refinance by Keystone for an additional term expected to be finalised by late-January 2024.
- AMI00256: Current in term of interest payments but loan term has expired. Construction is complete and refinance by another lender expected by late-January 2024.
- AMI00258: Current in term of interest payments but loan term has expired. Refinance by Keystone for an additional term expected to be finalised by late-January 2024.
- AMI00261: Current in term of interest payments but loan term has expired. Refinance by Keystone for an additional term expected to be finalised by late-January 2024.
- AMI00262: Current in term of interest payments but loan term has expired. Refinance by another financier expected to be finalised by mid-January 2024.
- AMI00263: Current in term of interest payments but loan term has expired. Refinance by another financier expected to be finalised by mid-January 2024.

IMPORTANT NOTICE: Past performance is not a guide to future performance. The information contained in this document is not financial product advice. This document has been prepared without reference to your investment objectives, financial situation and particular needs. It is important that you read and consider the Keystone Capital Limited AFSL No. 439327 Product Disclosure Statement for the KC Diversified Income Fund ARSN 615 690 876 (refer to www.keystonecapital.com.au) in full before making any investment decision. If you are in any doubt, you should consult your adviser, stockbroker or other professional adviser.



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