



# KC Select Income Fund

RG45 - ASIC BENCHMARK DISCLOSURE

ARSN 615 690 732

31 DECEMBER 2023

Responsible Entity & Investment Manager  
Keystone Capital Limited  
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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](http://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 scheme:** 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.

<b>ASIC Benchmark and Disclosure Principle Description</b>	<b>Benchmark met (Y/N or Not Applicable) and Explanation</b>
<p><b>ASIC Benchmark and Disclosure Principle 1:</b> <b>Liquidity</b></p> <p>The responsible entity should have cash flow estimates for the scheme that:</p> <ul style="list-style-type: none"> <li>(a) demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;</li> <li>(b) are updated at least every three months and reflect any material changes; and</li> <li>(c) are approved by the directors of the responsible entity at least every three months.</li> </ul>	<p>Not applicable (because the Fund is a contributory mortgage scheme).</p>
<p><b>ASIC Benchmark and Disclosure Principle 2:</b> <b>Scheme borrowing</b></p> <p>The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.</p>	<p>Yes. Keystone meets this Benchmark. Keystone does not and does not intend to borrow on behalf of the Fund.</p>

<b>ASIC Benchmark and Disclosure Principle Description</b>	<b>Benchmark met (Y/N or Not Applicable) and Explanation</b>
<p><b>ASIC Benchmark and Disclosure Principle 3:</b> <b>Portfolio diversification</b></p> <p>The pooled mortgage scheme should disclose:</p> <ul style="list-style-type: none"> <li>(a) portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;</li> <li>(b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;</li> <li>(c) the scheme has no single borrower who exceeds 5% of the scheme assets; and</li> <li>(d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).</li> </ul>	<p>Not applicable (because the Fund is a contributory mortgage scheme).</p>
<p><b>ASIC Benchmark and Disclosure Principle 4:</b> <b>Related party transactions</b></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><b>ASIC Benchmark and Disclosure Principle 5:</b> <b>Valuation policy</b></p> <p>In relation to valuations of mortgage assets and their security property, the board of the responsible entity requires:</p> <ul style="list-style-type: none"> <li>(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;</li> <li>(b) a valuer to be independent;</li> <li>(c) procedures to be followed for dealing with any conflict of interest;</li> <li>(d) the rotation and diversity of valuers;</li> <li>(e) in relation to security property for a loan, an independent valuation to be obtained: <ul style="list-style-type: none"> <li>(i) before the issue of a loan and on renewal:</li> </ul> </li> </ul>	<p>Yes.</p> <p>Keystone meets this Benchmark.</p> <p>Details of Keystone's valuation policy are set out in section 5 of the Funds PDS dated 1 November 2022.</p>

<b>ASIC Benchmark and Disclosure Principle Description</b>	<b>Benchmark met (Y/N or Not Applicable) and Explanation</b>
<p>(A) for development property, on both an 'as is' and 'as if complete' basis; and</p> <p>(B) for all other property, on an 'as is' basis; and</p> <p>(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>	
<p><b>ASIC Benchmark and Disclosure Principle 6:</b></p> <p><b>Lending principles</b></p> <p>If the scheme directly holds mortgage assets:</p> <p>(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;</p> <p>(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</p> <p>(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>	<p>No.</p> <p>Keystone does not meet this Benchmark.</p> <p>Keystone may for certain AMI's lend money where the loan to valuation ratio exceeds the Benchmark ratios. Where this is proposed it will be clearly explained in the SPDS.</p>
<p><b>ASIC Benchmark and Disclosure Principle 7:</b></p> <p><b>Distribution practices</b></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 who have been lent money meeting their repayment obligations on time and in full.</p>
<p><b>ASIC Benchmark and Disclosure Principle 8:</b></p> <p><b>Withdrawal arrangements</b></p> <p><b>Non-liquid schemes</b></p> <p>For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.</p>	<p>No.</p> <p>Keystone will not make quarterly withdrawal offers.</p> <p>Investors are not entitled to withdraw from the Fund until completion of the term of the relevant Sub-Scheme(s).</p> <p>Keystone will distribute income to investors in their respective AMI during the term of the investment as the Borrower makes interest payments on the loan and capital will be returned on repayment of the loan by the Borrower.</p>



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