

Target Market Determination – Keystone Capital Ltd – KC Diversified Income Fund

Introduction

This Target Market Determination (TMD) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). This TMD describes the class of consumers that comprises the target market for the financial product and matters relevant to the product’s distribution and review (specifically, distribution conditions, review triggers and periods, and reporting requirements). Distributors must take reasonable steps that will, or are reasonably likely to, result in distribution of the product being consistent with the most recent TMD (unless the distribution is excluded conduct).

This document is **not** a product disclosure statement (**PDS**) and is **not** a complete summary of the product features or terms of the product. This document does not take into account any person’s individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the PDS for the KC Diversified Income Fund before making a decision whether to buy this product.

Important terms used in this TMD are defined in the TMD Definitions which supplement this document. Capitalised terms have the meaning given to them in the product’s PDS, unless otherwise defined. The PDS can be obtained by contacting us on +61 8 7231 8777 or invest@keystonecapital.com.au or on our website www.keystonecapital.com.au.

Target Market Summary

This product is intended to be used as a minor allocation for a consumer who is seeking income yield, is comfortable with no capital growth and has a medium risk and return profile for that portion of their investment portfolio. It is likely to be consistent with the financial situation and needs of a consumer with a medium or long investment timeframe, who needs limited access to capital.

Fund and Issuer identifiers

Issuer	Keystone Capital Ltd
Issuer ABN	80 163 616 064
Issuer AFSL	439327
TMD contact details	Lachlan Perks 02 8960 9180 lperks@keystonecapital.com.au

Fund name	KC Diversified Income Fund
ARSN	615 690 876
TMD issue date	16 APRIL 2024
TMD Version	1.3
Distribution status of fund	Available

Description of Target Market

TMD indicator key

The Consumer Attributes for which the product is likely to be appropriate have been assessed using a red and green rating methodology:

In target market	Not considered in target market
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Instructions

In the tables below, Column 1, Consumer Attributes, indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering this product. Column 2, TMD indicator, indicates whether a consumer meeting the attribute in column 1 is likely to be in the target market for this product.

Appropriateness

The Issuer has assessed the product and formed the view that the product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market, as the features of this product in Column 3 of the table below are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2.

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 seek 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).

Consumer Attributes [A description of the likely objectives, financial situation and needs of the class of consumers in the target market]	TMD indicator	Product description including key attributes
Consumer's investment objective	TMD indicator	Product description including key attributes
Capital Growth	Not considered in target market	The Fund does not have the ability to provide capital growth. The Issuer does not guarantee repayment of capital.
Capital Preservation	In target market	It is intended that investors will receive all of their capital upon redemption, although as noted above this is not guaranteed. The Issuer aims to mitigate this risk of capital loss by strictly applying its credit and due diligence assessments and regularly monitoring and actively managing its loan investments.
Income Distribution	In target market	The Fund is designed to provide investors with monthly income distributions, which will primarily depend on the net return the Fund receives from loans, cash and other mortgage funds interests held by the Fund. There is no guarantee of the frequency or volume of income distributions and there is a risk of volatility of income distributions to investors. Monies invested in cash will normally generate a lower return to the Fund than those invested in loans and other mortgage funds. Distributions will be variable and will be paid monthly in arrears. The income of the Fund is determined daily by calculating the total interest and other income received or accrued on all investments, if any, and deducting amounts paid or accrued for authorised expenses. The income of the Fund may vary from day to day as the composition of the Funds investment assets fluctuates and/or total funds invested in the Fund changes. This income distribution attribute therefore aligns with an investor with a medium Risk (ability to bear loss) and Return profile (refer to section below called "Risk profile (ability to bear loss) and Return profile" for the definitions of Risk (ability to bear loss) and Return profile).

Consumer's intended product use (% of Investible Assets)	TMD indicator	Product description including key attributes
Solution/Standalone (up to 100%)	Not considered in target market	<p>The Fund's investment objective is to generate returns for investors through investing in a diversified portfolio of loans (directly and indirectly) and cash which will provide income over the investment term. Direct loans will be secured by a first registered mortgage over real property.</p> <p>The consumer intends to hold the investment as a smaller part of their total portfolio, as an indication it would be suitable for up to 25% of their total investable assets.</p>
Major allocation (up to 75%)	Not considered in target market	
Core Component (up to 50%)	Not considered in target market	
Minor allocation (up to 25%)	In target market	
Satellite allocation (up to 10%)	In target market	
Consumer's investment timeframe	TMD indicator	Product description including key attributes
Minimum investment time frame	2 years	<p>No set minimum investment time frame however we recommend that investors hold their investment for a minimum [2 years] and that the Fund is suitable for an investor with a medium to long investment timeframe.</p> <p>See below 'Consumer's need to access capital' for information on the Fund's withdrawal mechanics..</p>
Consumer's Risk (ability to bear loss) and Return profile	TMD indicator	Product description including key attributes
Low	Not in target market	<p>The Fund will only invest (directly or indirectly) in loans secured by registered 1st mortgages with a maximum loan to valuation ratio of 70%. It is intended that investors will receive income distribution during the term of their investment in the Fund and all of their capital upon redemption although it is not guaranteed.</p> <p>Whilst the Issuer does not guarantee the amount of payment of the monthly distribution or capital repayment, the type of Fund assets align with a consumer who is medium risk in nature.</p>
Medium	In target market	
High	Not considered in target market	
Very high	Not considered in target market	
Extremely high	Not considered in target market	
Consumer's need to access capital	TMD indicator	Product description including key attributes

Within one week of request	Not considered in target market	The Fund operates as a non-liquid managed investment scheme. Investors will only be able to withdraw their investment in the Fund when the Issuer makes (under ordinary circumstances) quarterly withdrawal offers and only where they are an eligible investor. To be an eligible investor the investor needs to have submitted a withdrawal request form at least 3 months prior to the withdrawal offer opening date. This means under normal circumstances there may be up to a 7 month lag between an investor submitting a withdrawal request and receiving their redemption capital. Details on the withdrawal process are contained on pages 22 and 23 of the PDS.
Within one month of request	Not considered in target market	
Within three months of request	Not considered in target market	
Within one year of request	In target market	Despite withdrawal offering being subject to liquidity and on a best endeavours basis, it is intended in ordinary circumstances that investors will receive all of their capital upon redemption, although as noted above it is not guaranteed. The Issuer does not guarantee that eligible investors who have submitted a withdrawal request will be able to be fully or partially satisfied and will be subject to several factors and risks.
Within 5 years of request	In target market	
Within 10 years of request		
10 years or more		
At issuer's discretion		

Distribution conditions/restrictions

The Issuer is both the issuer and sole distributor of the Fund.

The Issuer distributes the PDS for the Fund electronically through its own website or in hard copy in response to requests made directly to the Issuer. The Application Form to the PDS includes filtering questions to assist the Issuer determine whether a potential investor is likely to be in the target market for the Fund. If necessary and in addition to the filtering questions an experienced Issuer representative will ask potential investors a series of further questions in order for the Issuer to understand, at a high level, whether the potential investor may be within the target market.

Only selected representatives of the Issuer that have undergone internal training in respect of the Fund and the Fund's target market and who have demonstrated knowledge, competence and experience in respect of the Fund and the Fund's target market are able to promote and distribute this product.

The Issuer does not provide financial advice. The Issuer ensures that its representatives provide investors with factual information only, and make no recommendation or suggestion that they invest in the Issuer's products or in any other investment, and that any investment should be made on the basis of the PDS and any independent financial advice the investor may seek.

The Issuer does not employ any third party distribution channels.

It has been determined that the distribution conditions and restrictions will make it likely that consumers who purchase the product are in the class of consumers for whom it has been designed. The Issuer considers that the distribution conditions are appropriate and will assist distribution in being directed towards the target market for whom the product has been designed.

Review triggers

The Issuer will monitor and review the outcomes produced by the design and distribution of the Fund and consider whether any changes are required to the Fund, to the way the Fund is distributed and to whom it is being sold (**Review**).

The Issuer will review this TMD within 10 business days of the occurrence of any of the following Review triggers:

Material change to key attributes, Fund investment objective and/or fees.
Material deviation from benchmark / objective over sustained period.
Key attributes have not performed as disclosed by a material degree and for a material period.
Determination by the Issuer of an ASIC reportable Significant Dealing
Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the Fund or distribution of the Fund.
The use of Product Intervention Powers, regulator orders or directions that affects the Fund.

Mandatory TMD review periods

Review period	Maximum period for review
Initial review	N/A – initial review has already occurred
Subsequent review	1 year and 3 months

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 product. The distributor should provide all the content of the complaint, having regard to privacy.	As soon as practicable but no later than 10 business days following end of calendar quarter	All distributors
Significant dealing outside of target market, under section 994F(6) of the Act. See Definitions for further detail.	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.	All distributors

Definitions

In some instances, examples have been provided below. These examples are indicative only and not exhaustive.

Term	Definition
Consumer's investment objective	
Capital Growth	The consumer seeks to invest in a product designed or expected to generate capital return over the investment timeframe. The consumer prefers exposure to growth assets or otherwise seeks an investment return above the current inflation rate.
Capital Preservation	The consumer seeks to invest in a product designed or expected to have low volatility and minimise capital loss. The consumer prefers exposure to defensive assets that are generally lower in risk and less volatile than growth investments (this may include cash or fixed income securities).
Regular Income	The consumer seeks to invest in a product designed or expected to generate regular investor income. The consumer prefers income-generating assets (this may include, high dividend-yielding equities, fixed income securities and money market instruments).
Consumer's intended product use (% of Investible Assets)	
Solution/Standalone (up to 100%)	The consumer may hold the investment up to 100% of their total <i>investible assets</i> . The consumer is likely to seek a product with <i>very high</i> portfolio diversification.
Major allocation (up to 75%)	The consumer may hold the investment as up to 75% of their total <i>investible assets</i> . The consumer is likely to seek a product with at least <i>high</i> portfolio diversification.
Core Component (up to 50%)	The consumer may hold the investment as up to 50% of their total <i>investible assets</i> . The consumer is likely to seek a product with at least <i>medium</i> portfolio diversification.
Minor allocation (up to 25%)	The consumer may hold the investment up to 25% of their total <i>investible assets</i> . The consumer is likely to seek a product with at least <i>low</i> portfolio diversification.
Satellite allocation (up to 10%)	The consumer may hold the investment as up to 10% of their total <i>investible assets</i> . The consumer may seek a product with a <i>very low</i> portfolio diversification. Products classified as <i>extremely high</i> risk are likely to meet this category only.
<i>Investable Assets</i>	Those assets that the investor has available for investment, excluding the family home.

Portfolio diversification (for completing the key product attribute section of consumer's intended product use)	
Note: exposures to cash and cash-like instruments may sit outside the diversification framework below.	
Very low	The product provides exposure to a single asset (for example, a commercial property) or a niche asset class (for example, minor commodities, crypto-assets or collectibles).
Low	The product provides exposure to a small number of holdings (for example, fewer than 25 securities) or a narrow asset class, sector or geographic market (for example, a single major commodity (e.g. gold) or equities from a single emerging market economy).
Medium	The product provides exposure to a moderate number of holdings (for example, up to 50 securities) in at least one broad asset class, sector or geographic market (for example, Australian fixed income securities or global natural resources).
High	The product provides exposure to a large number of holdings (for example, over 50 securities) in multiple broad asset classes, sectors or geographic markets (for example, global equities).
Very high	The product provides exposure to a large number of holdings across a broad range of asset classes, sectors <u>and</u> geographic markets with limited correlation to each other.
Consumer's intended investment timeframe	
Minimum	The minimum suggested timeframe for holding the product. Typically, this is the rolling period over which the investment objective of the product is likely to be achieved.
Consumer's Risk (ability to bear loss) and Return profile	
<p>This TMD uses the Standard Risk Measure (SRM) to estimate the likely number of negative annual returns for this product over a 20 year period, using the guidance and methodology outlined in the <i>Standard Risk Measure Guidance Paper For Trustees</i> (note the bands in the SRM guidance differ from the bands used in this TMD). However, SRM is not a complete assessment of risk and potential loss. For example, it does not detail important issues such as the potential size of a negative return (including under conditions of market stress) or that a positive return could still be less than a consumer requires to meet their investment objectives/needs. The SRM methodology may be supplemented by other risk factors. For example, some products may use leverage, derivatives or short selling; may have liquidity or withdrawal limitations; may have underlying investments with valuation risks or risks of capital loss; or otherwise may have a complex structure or increased investment risks, which should be documented together with the SRM to substantiate the product risk rating.</p> <p>A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.</p>	
Low	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a conservative or low risk appetite, • seeks to minimise volatility and potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period (SRM 1 to 2)), and

	<ul style="list-style-type: none"> • is comfortable with a low target return profile. <p>The consumer typically prefers stable, defensive assets (such as cash).</p>
Medium	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a moderate or medium risk appetite, • seeks low volatility and potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5)), and • is comfortable with a moderate target return profile. <p>The consumer typically prefers defensive assets (for example, fixed income).</p>
High	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a high risk appetite, • can accept high volatility and potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 5 or 6)), and • seeks high returns (typically over a medium or long timeframe). <p>The consumer typically prefers growth assets (for example, shares and property).</p>
Very high	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> • has a very high risk appetite, • can accept very high volatility and potential losses (e.g. has the ability to bear 6 to 7 more negative returns over a 20 year period (SRM 6 or 7)), and • Seeks to maximise returns (typically over a medium or long timeframe). <p>The consumer typically prefers high growth assets (such as high conviction portfolios, hedge funds, and alternative investments).</p>
Extremely high	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> • has an extremely high risk appetite, • can accept significant volatility and losses, and • seeks to obtain accelerated returns (potentially in a short timeframe). <p>The consumer seeks extremely high risk, speculative or complex products which may have features such as significant use of derivatives, leverage or short positions or may be in emerging or niche asset classes (for example, crypto-assets or collectibles).</p>
Consumer's need to access capital	
<p>This consumer attribute addresses the likely period of time between the making of a request for redemption/withdrawal (or access to investment proceeds more generally) and the receipt of proceeds from this request under ordinary circumstances. Issuers should consider both the frequency for accepting the request and the length of time to accept, process and distribute the proceeds of such a request. To the extent that the liquidity of the underlying</p>	

investments or possible liquidity constraints (e.g. ability to stagger or delay redemptions) could impact this, this is to be taken into consideration in aligning the product to the consumer’s need to access capital. Where a product is held on investment platforms, distributors also need to factor in the length of time platforms take to process requests for redemption for underlying investments. Where access to investment proceeds from the product is likely to occur through a secondary market, the liquidity of the market for the product should be considered..

Distributor Reporting	
Term	Definition
Significant dealings	<p>Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is ‘significant’ and distributors have discretion to apply its ordinary meaning.</p> <p>The issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.</p> <p>Dealings outside this TMD may be significant because:</p> <ul style="list-style-type: none"> • they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or • they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer). <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> • the nature and risk profile of the product (which may be indicated by the product’s risk rating or withdrawal timeframes), • the actual or potential harm to a consumer (which may be indicated by the value of the consumer’s investment, their intended product use or their ability to bear loss), and • the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red and/or amber ratings attributed to the consumer). <p>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:</p> <ul style="list-style-type: none"> • it constitutes more than half of the distributor’s total retail product distribution conduct in relation to the product over the quarter, • the consumer’s intended product use is <i>solution / standalone</i>, or • the consumer’s intended product use is <i>core component</i> or higher and the consumer’s risk/return profile is <i>low</i>, or <p>the relevant product has a green rating for consumers seeking <i>extremely high</i> risk/return.</p>