

Target Market Determination – Keystone Capital Ltd – KC Select 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 Select Income Fund before making a decision whether to buy this product.

Important terms used in this TMD are defined in the TMD Definition which supplement this document. Capitalised terms have the meaning given to 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 for use as a satellite allocation for a consumer who is seeking income yield, is comfortable with no capital growth and has a medium / high 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 an investment timeframe of 12 months to 2 years (depending on the investment term of the relevant Investment Sub-Scheme) who needs no access to capital during the Investment Sub-Scheme investment term.

Fund and Issuer identifiers

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|----------------------------|---|
| 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 Select Income Fund |

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|------------------------------------|---------------|
| ARSN | 615 690 732 |
| 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 |
|------------------|---------------------------------|

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 described above, 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 consumer) may intent to hold a product as a part of a diversified portfolio (for example, with 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 each Investment Sub-Scheme. |
| Income Distribution | In target market | The Fund is designed to provide investors with monthly income distributions which will primarily depend on the net returns from the applicable Investment Sub-Scheme and/or the Transitional Cash Account. There is no guarantee of the frequency or volume of interest income and there is a risk of volatility of income distributions to investors. Monies invested in the Transitional Cash Account will normally generate a lower return to the Fund than those invested in an Investment Sub-Scheme. Distributions from the Transitional Cash Account units will be variable and will be paid monthly in arrears. Distributions from Investment Sub-Schemes are linked to the individual loan underlying each investment. In most cases the distributions will be fixed and will be paid monthly in arrears. This income distribution attribute therefore aligns with an investor with a medium to high 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) depending on the particular loan parameters of their chosen Investment Sub-Scheme. |

| Consumer's intended product use (% of Investable Assets) | TMD indicator for product | Product description including key attributes |
|--|--|--|
| Solution/Standalone (up to 100%) | Not considered in target market | Each Investment Sub-Scheme will generally have very low diversification as its investment is in one loan secured over real property. Therefore the consumer intends to hold an Investment Sub-Scheme as a satellite allocation of their investment portfolio (up to 10% of their total investable assets). |
| 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%) | Not in target market | |
| Satellite allocation (up to 10%) | In target market | |
| Consumer's investment timeframe | TMD indicator | |
| Minimum investment timeframe | 12 months to 2 years (as set out in each Investment Sub-Scheme's SPDS) | Investment time frame – 12 months to 2 years for a typical Investment Sub-Scheme. The investment term of each Investment Sub-Scheme will be set out in each SPDS. Investors actively choose the Investment Sub-Scheme they wish to invest in. Investors can invest in more than one Investment Sub-Scheme. See below 'Consumer's need to access capital' for information on withdrawals. |
| Consumer's Risk (ability to bear loss) and Return profile | TMD indicator | Product description including key attributes |
| Low | Not considered in target market | Investors will vary in their risk appetite from those with a higher risk/return profile to those with a lower risk/return profile. The Fund's different Investment Sub-Schemes will generally be considered to have medium to high risk attributes (i.e. Loan to Valuation Ratio, 1 st vs 2 nd mortgage). Each Investment Sub-Scheme's SPDS will detail the specific investment parameters of the underlying loan the subject of that Investment Sub-Scheme. Whilst the Issuer does not guarantee the payment of regular income or capital repayment, the type of Fund assets align with a consumer who is medium to high risk in nature. |
| Medium | In target market | |
| High | 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 | |

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| During the term of the Investment Sub-Scheme | Not considered in target market | <p>Whilst funds are invested in an Investment Sub-Scheme, there is no right to withdraw during the term of the underlying loan of each Investment Sub-Scheme. A return of capital will only be available if / when:</p> <ul style="list-style-type: none"> • The loan underlying the Investment Sub-Scheme is repaid by the Borrower; • The Issuer is able to source a buyer (in limited circumstances) of your interests in the Investment Sub-Scheme. <p>There may be a delay in being able to withdraw where the underlying Borrower has defaulted.</p> <p>At the end of an Investment Sub-Scheme's investment term (and assuming no defaults by the underlying Borrower) redemptions will generally be paid to the investor within 5 Business Days.</p> |
| At the end of the term of the Investment Sub-Scheme | In target market | |

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 for particular Investment Sub-Schemes as applicable and in accordance with the risk parameters described in each SPDS.

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:

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| 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 product or distribution of the product. |
| The use of Product Intervention Powers, regulator orders or directions that affects the product. |

Mandatory TMD review periods

| Review period | Maximum period for review |
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| 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 |
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| 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 |

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| Significant dealing outside of target market, undersection 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 |
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Definitions

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

| Term | Definition |
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| 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 in a market down-turn. 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). |
| Income Distribution | The consumer seeks to invest in a product designed or expected to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (this may include high dividend-yielding equities, fixed income securities and money market instruments) |
| Consumer's intended product use | |
| Solution/Standalone (up to 100%) | The consumer may hold the investment as up to 100% of their total <i>investable 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 a major component, up to 75%, of their total <i>investable 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>investable 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 as up to 25% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least <i>low</i> portfolio diversification. |

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| Satellite allocation (up to 10%) | The consumer may hold the investment as up to 10% of the total <i>investable assets</i> . The consumer may seek a product with <i>very low</i> portfolio diversification Products classified as <i>extremely high risk</i> 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 and 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 | |
| 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. | |
| Low | For the relevant part of the consumer's portfolio, the consumer: |

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| | <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 • 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 • sees 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 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 | |

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 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 |
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| 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 |

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| | <ul style="list-style-type: none">• the relevant product has a green rating for consumers seeking <i>extremely high</i> risk/return. |
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