

Mason Stevens Credit Fund

ARSN 162 055 512

Interim financial statements

For the half-year ended 31 December 2017

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These interim financial statements cover the Mason Stevens Credit Fund as an individual entity.

The Responsible Entity of the Mason Stevens Credit Fund is Mason Stevens Limited (ABN 91 141 447 207). The Responsible Entity's registered office is Level 21, 9 Castlereagh Street, Sydney NSW 2000.

Directors' report

The directors of Mason Stevens Limited, the Responsible Entity ("the Responsible Entity") of the Mason Stevens Credit Fund, present their report together with the interim financial statements of the Mason Stevens Credit Fund (the "Fund"), for the half-year ended 31 December 2017.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia that was constituted on 21 January 2013 and commenced operations on 31 May 2013.

The Fund seeks to generate returns in excess of the RBA Cash Rate ("Benchmark") by 3.5% per annum after fees and expenses over a period of 3-5 years. The Fund seeks to do this by investing in fixed income securities that are expected to deliver income and yield.

The Fund typically invests in interest rate securities such as corporate debt, Hybrid Securities and Structured Debt Securities including residential mortgage backed securities and asset backed securities.

The Fund did not have any employees during the half-year.

Directors

The following persons held office as directors of Mason Stevens Limited during the half-year or since the end of the half-year and up to the date of this report:

Thomas Mason Bignill
Leanne Lee Huay Leong (appointed 1 January 2018)
Ronald Robert Erdos
Stephen James Rickwood
Vincent Hua
Roger Patrick Handley

Review and results of operations

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended 31 December 2017 \$	Half-year ended 31 December 2016 \$
Net operating profit before financing costs attributable to unitholders	3,818,736	2,733,832
Distribution paid and payable	2,958,207	1,893,230
Distribution (cents per unit)	2.00	2.00

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial half-year under review.

Directors' report (continued)

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Indemnification and insurance of officers and auditors

No insurance premiums are paid out of the assets of the Fund in regards of insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund.

So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are not indemnified out of the assets of the Fund.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors of Mason Stevens Limited.



Leanne Lee Huay Leong
Director
Mason Stevens Limited

Sydney
15 March 2018

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Independent Auditor's Review Report To the Unitholders of Mason Stevens Credit Fund

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Mason Stevens Credit Fund (the "Fund"), which comprises the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of the Fund does not give a true and fair view of the financial position of the Scheme as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Fund are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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Our Ref: L-181402-VP-MSCF ASRE 2410 Review Report.Docx

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Grant Thornton Audit Pty Ltd
Chartered Accountants



G S Layland
Director - Audit & Assurance

Sydney, 15 March 2018

Mason Stevens Credit Fund
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

Statement of profit or loss and other comprehensive income

	Notes	Half-year ended 31 December 2017 \$	Half-year ended 31 December 2016 \$
Investment income			
Interest income		2,990,788	2,163,825
Net (losses)/gains on financial instruments held at fair value through profit or loss		760,964	1,990,731
Net losses on financial instruments held for trading		(18,479)	187,476
Net gains/(losses) on foreign exchange		821,467	(1,103,396)
Other operating income		124	41,250
Total investment income		4,554,864	3,279,886
Expenses			
Management fees		701,350	465,708
Transaction costs		6,163	(3,358)
Interest expense		24,134	74,917
Other operating expenses		4,481	8,787
Total operating expenses		736,128	546,054
Operating profit		3,818,736	2,733,832
Finance costs attributable to unitholders			
Distributions to unitholders	3	(2,958,207)	(1,893,230)
Increase in net assets attributable to unitholders	2	(860,529)	(840,602)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at 31 December 2017 \$	As at 30 June 2017 \$
Assets			
Cash and cash equivalents		66,873,126	42,372,721
Receivables		1,219,921	615,597
Financial assets held at fair value through profit or loss	4	155,880,766	117,035,706
Total assets		223,973,813	160,024,024
Liabilities			
Bank overdraft		59,488,200	30,659,769
Payables		145,886	88,329
Due to brokers		-	12,448,583
Distributions payable		1,562,846	3,792,967
Total liabilities (excluding net assets attributable to unitholders)		61,196,932	46,989,648
Net assets attributable to unitholders - liability	2	162,776,881	113,034,376

The above statement of financial position should be read in conjunction with the accompanying notes.

Mason Stevens Credit Fund
Statement of changes in net assets attributable to unitholders
For the half-year ended 31 December 2017

Statement of changes in net assets attributable to unitholders

	Half-year ended 31 December 2017 \$	Half-year ended 31 December 2016 \$
Opening balance	113,034,376	96,152,504
Applications	58,879,026	10,815,489
Redemptions	(9,997,050)	(6,605,233)
Operating profit	3,818,736	2,733,832
Distributions paid	(2,958,207)	(1,893,230)
Ending balance at 31 December	<u>162,776,881</u>	<u>101,203,362</u>

The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes.

Statement of cash flows

Notes	Half-year ended 31 December 2017 \$	Half-year ended 31 December 2016 \$
Cash flows from operating activities		
Proceeds from sales of financial instruments designated at fair value through profit or loss	176,093,475	166,621,957
Proceeds from sales of financial instruments held for trading	(2,347)	(199)
Purchase of financial instruments designated at fair value through profit or loss	(226,357,807)	(177,432,858)
Purchase of financial instruments held for trading	(280,150)	(290,280)
Transaction costs paid	(6,163)	(3,358)
Interest received	2,411,462	2,109,223
Other income received	124	41,250
Net payments on foreign exchange activities	807,661	(686,838)
Management fees paid	(658,236)	(459,141)
RITC received/(paid)	(14,193)	(3,427)
Other operating expenses paid	(4,481)	(8,787)
Net cash outflow from operating activities	(48,010,655)	(10,112,458)
Cash flows from financing activities		
Proceeds from applications by unitholders	56,461,088	10,022,532
Payments for redemptions by unitholders	(9,997,050)	(6,605,233)
Proceeds from borrowings	28,828,431	22,550,716
Interest paid	(20,496)	(74,917)
Distributions paid net of reinvestment	(2,770,390)	(817,491)
Net cash inflow from financing activities	72,501,583	25,075,607
Net increase in cash and cash equivalents	24,490,928	14,963,149
Cash and cash equivalents at the beginning of the half-year	42,372,721	15,629,904
Effect of exchange rate fluctuations on cash	9,477	(416,558)
Cash and cash equivalents at the end of the half-year	66,873,126	30,176,495
Non-cash financing activities	2,417,938	792,957

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of half-year financial statements

These general purpose financial statements for the half-year ended 31 December 2017 have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2017 and any public announcements made in respect of the Mason Stevens Credit Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial statements were authorised for issue by the Directors on 15 March 2018. The Directors of the Responsible Entity have the power to amend the financial statements after they have been issued.

The accounting policies adopted are consistent with those of the previous financial year.

2 Net assets attributable to unitholders

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund (subject to applicable ASIC relief).

Movements in number of units and net assets attributable to unitholders during the period were as follows:

	Half-year ended 31 December 2017		Half-year ended 31 December 2016	
	\$	No. of units	\$	No. of units
Opening balance	113,034,376	109,596,487	96,152,504	93,732,784
Applications	56,461,088	53,947,493	10,022,532	9,555,735
Redemptions	(9,997,050)	(9,600,460)	(6,605,233)	(6,413,186)
Units issued upon reinvestment of distributions	2,417,938	2,341,136	792,957	765,157
Increase/(decrease) in net assets attributable to unitholders	860,529	-	840,602	-
Closing balance	162,776,881	156,284,656	101,203,362	97,640,490

Capital risk management

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The Fund monitors the level of applications and redemptions relative to the liquid assets in the Fund. Liquid assets include cash and cash equivalents and listed equities. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to defer or adjust a redemption of units, if the exercise of such discretion is in the best interests of unitholders.

3 Distribution to unitholders

The distributions were paid/payable as follows:

	Half-year ended 31 December 2017		Half-year ended 31 December 2016	
	\$	CPU	\$	CPU
30 September	1,395,361	1.00	916,825	1.00
31 December	1,562,846	1.00	976,405	1.00
	2,958,207	2.00	1,893,230	2.00

4 Financial assets held at fair value through profit or loss

	As at 31 December 2017 \$	As at 30 June 2017 \$
Financial assets		
<i>Designated at fair value through profit or loss</i>		
Fixed interest securities	109,985,743	80,056,751
Floating rate notes	34,098,279	22,040,504
Mortgage backed securities	10,982,987	11,116,737
Convertible Notes	423,176	3,692,572
Total financial assets designated at fair value through profit or loss	155,490,185	116,906,564
<i>Held for trading</i>		
Futures	390,581	129,142
	390,581	129,142
Total financial assets	155,880,766	117,035,706

5 Fair value measurement of financial instruments

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs)

The Fund's financial assets and financial liabilities measured and recognised at fair value at 31 December 2017 and 30 June 2017 on a recurring basis are as follows:

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

As at 31 December 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
<i>Designated at fair value through profit or loss</i>				
Fixed interest securities	109,985,743	-	-	109,985,743
Floating rate notes	34,098,279	-	-	34,098,279
Mortgage backed securities	10,982,987	-	-	10,982,987
Convertible Notes	423,176	-	-	423,176
<i>Held for trading</i>				
Futures	390,581	-	-	390,581
Total assets	155,880,766	-	-	155,880,766

5 Fair value measurement of financial instruments (continued)

As at 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
<i>Designated at fair value through profit or loss</i>				
Fixed interest securities	80,056,751	-	-	80,056,751
Floating rate notes	22,040,504	-	-	22,040,504
Mortgage backed securities	11,116,737	-	-	11,116,737
Convertible Notes	3,692,572	-	-	3,692,572
<i>Held for trading</i>				
Futures	129,142	-	-	129,142
Total assets	117,035,706	-	-	117,035,706

There have been no transfers between the levels of the fair value hierarchy during the six months to 31 December 2017.

6 Events occurring after the reporting period

No significant events have occurred since the reporting period up-to the date of approval of these interim financial statements which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 31 December 2017 or on the results and cash flows of the Fund for the half-year ended on that date.

7 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2017 and 30 June 2017.

Directors' declaration

The Directors of Mason Stevens Limited, the Responsible Entity of Mason Stevens Credit Fund, declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standard AASB 134 *Interim Financial Reporting* and giving a true and fair view of the financial position and performance of the Fund for the half-year ended on that date.

This declaration is made in accordance with a resolution of the Directors.



Director
Mason Stevens Limited

Sydney
15 March 2018

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Auditor's Independence Declaration to the Directors of Mason Stevens Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Mason Stevens Credit Fund for the half-year ended 31 December 2017. I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton Audit Pty Ltd
Chartered Accountants



G S Layland
Director – Audit & Assurance

Sydney, 15 March 2018

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