

QUARTERLY PERFORMANCE REPORT – 31 DECEMBER 2018

MARKET COMMENTARY

At the start of 2018 the general market mood was buoyant and the catchphrase 'synchronised global growth' was gaining traction. At the end of the year, synchronised global market correction looked a more appropriate statement. In my view, the latter half of 2018 was the most difficult in terms of decision making since the end of 2011 when we were all glued to our TV screens to see if the Greek Parliament would vote to pass austerity measures. As history keeps telling us, many investors have short term memories...

The market sell off reached a crescendo on 24 December, when the S&P had retreated 14% in 24 days, although rallied back into the end of the month. And it wasn't just equity markets that suffered, credit spreads widened appreciably throughout the year, and credit markets become more illiquid as the year went on. In the USD AT1 market, some prices fell 15% over the 12 month period, caught in a perfect storm of negativity, with a steeper curve, trade tensions, European political uncertainty, Brexit etc.

For the fund to have navigated the last month with a positive return is pleasing, and can be attributed to the move in the USD, hedging strategies, strong carry in fixed income holdings, and a large weighting to cash, having reduced equity holdings substantially in late November.

We were extremely active throughout December, and right around Christmas given the large moves in markets. During December we invested in two asset backed securities paying 11.5%pa on average (between them totalling 4.3% of the fund assets) for a 15 month duration. We also bought some USD AT1 securities that have fallen substantially in value. Yields of over 8%pa with possible capital upside of 10% plus. Given the current levels that domestic listed AT1 hybrids are trading, the dichotomy between that market and similar holdings that trade Over The Counter (OTC) is stark in our view.

Given the return possibilities in select fixed income securities, we prefer to invest there than re-build higher equity stakes, albeit that share prices are now substantially lower. With higher levels of volatility our call writing strategies have reduced volatility and generated cashflow, and we will continue to implement such strategies if we see value in doing so.

We did reduce some of the index and stock hedge over the last week, and will assess their appropriateness in our portfolio construction, weighing up the cost against the potential benefit.

The fund will continue to invest in opportunities that can generate strong cashflow as well as maintaining caution and using risk management tools to navigate what I'm sure will continue to be a volatile environment.

Thank you to all investors who have supported us and we look forward to a stronger 2019.

Chris Alcott, Investment Manager

INVESTMENT OBJECTIVE & STRATEGY

The Fund targets returns in excess of 5.0% pa above the RBA cash rate (after fees and expenses) through an actively managed portfolio of domestic and international securities. It is for wholesale investors only.

KEY FEATURES

Feature	Detail
Minimum investment	A\$100,000
Additional minimum investment	A\$25,000
Suggested investment timeframe	3-5 years
Distributions	Annual

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MASON STEVENS SELECT OPPORTUNITIES FUND



PERFORMANCE

Period	Fund Return ¹	Benchmark ² Return	Excess Return
1 month	0.98%	0.13%	0.85%
3 months	-5.14%	0.38%	-5.52%
6 months	-4.62%	0.76%	-5.38%
1 year	-2.15%	1.51%	-3.66%
Inception (Annualised)	3.00%	1.51%	1.49%
Inception (Cumulative)	5.35%	2.68%	2.67%

Pricing	
NAV	\$1.0511
Entry Price	\$1.0543
Exit Price	\$1.0479
Distribution	0.5898cpu
(30 June 2018)	

Past performance is not a reliable indicator of future performance and may not be achieved in the future

¹ Returns are calculated using the exit price (including sell spread), net of fees, assuming reinvestment of distributions and excludes franking credits. Returns are calculated from the Fund's inception date of 27/3/17. Individual returns will vary depending on date of initial investment.

² The Benchmark is the RBA cash rate. Past performance is not a reliable indicator of future performance and may not be achieved in the future.

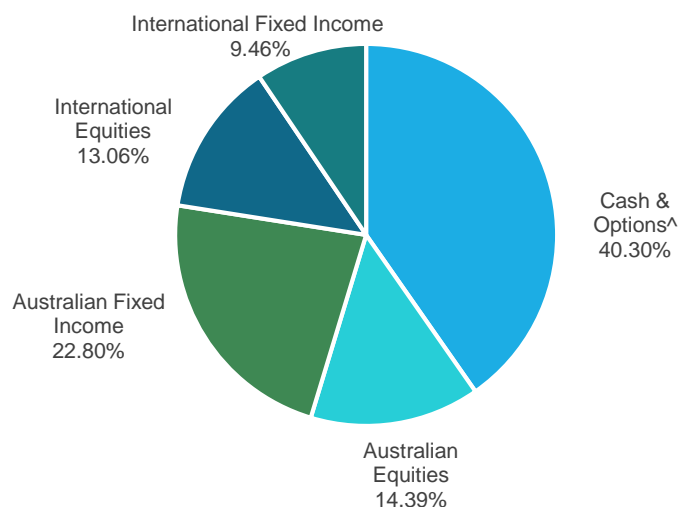
PORTFOLIO FACTS

Statistics

No of equity holdings	21
No of fixed income positions	21
No of open option positions	31
Interest rate duration (years) on fixed income holdings	1.02

Top 5 holdings

Cash
GMAC CAPITAL TRUST I 3MLibor+578.5bps Pfd (ALLY A)
Dual Currency Deposit
Xiaoju Kuaizhi (Didi)
FP Turbo Trust 2016-1 G Mortgage BBSW1M+10%



[^]Option positions are 0%

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