

MASON STEVENS CREDIT FUND

MONTHLY REPORT

28 February 2019



MARKET AND PORTFOLIO REVIEW

Financial and equity markets continued their positive start to 2019 into February, with rallies across most traded asset classes. This was primarily driven by changes in growth sentiment by domestic and global central banks, prompting changes in forward looking views towards interest rates. In the January FOMC minutes the US Fed took a more 'watch-and-act' tone to their statement, which was a major shift in tone to their more systematic policy of rate hikes. Domestically, the RBA also shifted its tone from late 2018 from a mildly hawkish to a dovish view. Weakening global growth expectations and the most recent weak GDP print (6 March 2019) for Australia has a number of economists publish revisions to their interest rate forecasts for 2019, with expectations of up to two cuts of 0.25% to the RBA's Official Cash Rate over the second half of the year.

The result of this change in tone by both the US Fed and RBA saw bond, credit and equity markets rally, both domestically and globally. Bonds rallied on weakening economic fundamentals and both credit and equity markets rallied on a more supportive cost of capital environment.

The primary debt market was quiet during the first half of February but showed strength across the credit ratings curve during the subsequent 2 weeks with noted highlights being the new NAB hybrid in the financials space and Virgin Australia, McDonalds and General Motors coming to the AUD market with new senior issues.

Following on from January's positive performance, the Fund delivered a 1.28% return for the month of February. The Fund's portfolio continues to be conservatively positioned, highlighting both its resilience to volatile periods as well as being able to perform during stronger months. The Fund's average credit rating continues to be BBB+, primarily driven through the continuing reduction of exposure to higher beta investments. The Fund has also elected to maintain a neutral interest rate duration profile.

The investment strategy is to maintain this conservatism and continue to be selective in the high beta credit opportunities. New issuance is expected to continue to ramp up over the month of March and the Fund will seek to add value through the identification of strong risk-returning opportunities



4.83%pa¹

3 year return



INDUSTRY RATED

Strong performance



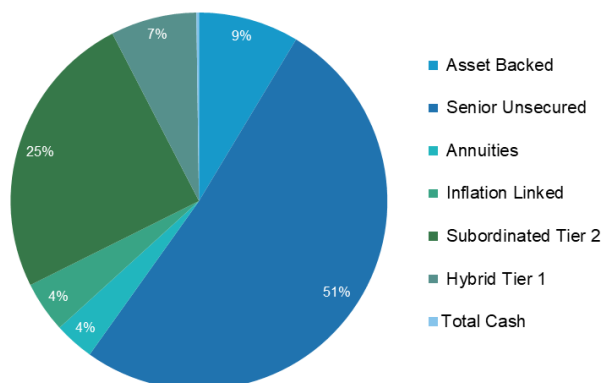
REGULAR INCOME

Targeting capital preservation

Period	Fund Return ¹	Benchmark ² Return	Excess Return
1 month	1.28%	0.12%	1.16%
3 months	2.02%	0.37%	1.65%
6 months	1.75%	0.75%	1.00%
1 year	1.69%	1.51%	0.18%
3 years (pa)	4.83%	1.56%	3.27%
5 years (pa)	5.74%	1.85%	3.89%
Since inception (pa)	5.97%	1.95%	4.02%

PRICING	
NAV	\$1.0214
Entry Price	\$1.0265
Exit Price	\$1.0163
Distribution	\$0.0100
(31 Dec 18)	per unit

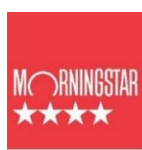
COMPOSITION	%
AAA	-
AA	2.1%
A	14.4%
BBB	83.2%
BB & lower	-
Cash	0.3%



STATISTICS	
Interest rate duration (years)	-0.06
Spread duration (years)	3.91
Current yield to maturity (pa)	4.82%
Official cash rate	1.50%
Average credit rating	BBB+

Rated by

Quantitative



Qualitative



¹ Returns are calculated using the exit price (including sell spread), net of fees, assuming reinvestment of distributions and excluding franking credits. Returns are calculated from the Fund's inception date of 31/05/13. Individual returns will vary depending on date of initial investment.

² The Benchmark is the RBA Cash Rate + 2.5%. Past performance is not a reliable indicator of future performance and may not be achieved in the future. All information provided in this Report is correct as at the date of this Report.

INVESTMENT OBJECTIVE & STRATEGY

The Mason Stevens Credit Fund ARSN 162 055 512 (Fund) is designed with the aim of generating returns in excess of 2.5% per annum above the RBA Cash Rate after fees and expenses by investing in an actively managed portfolio of interest rate securities. The securities will be denominated in any major currency and will generally be hedged back to the Australian dollar.

The Fund's investment strategy is to invest in a portfolio of interest rate securities that pay a fixed or floating rate of return. The Fund can invest in any interest rate securities including corporate debt, Hybrid Securities and Structured Debt Securities such as residential mortgage backed securities and asset backed securities.

KEY FEATURES	DETAIL
Target return	RBA Cash Rate + 2.50% pa
Minimum investment	\$25,000
Applications & redemptions	Monthly
Management costs	0.95%pa
Distributions	Quarterly
Suggested timeframe	3-5 years

INVESTMENT MANAGEMENT

The Fund is managed by Mason Stevens Asset Management Pty Limited. Mason Stevens Limited is the Responsible Entity of the Mason Stevens Credit Fund and the issuer of the Product Disclosure Statement.

The Investment Team consists of:

- Vincent Hua, Chief Investment Officer
- Alwyn Hung, Senior Portfolio Manager
- Annie Zhao, Portfolio Manager

Other members of the team include: Leanne Leong, Executive Director; Peter Liau, Head of Research; and Paul Wylie, Fixed Income Investment Strategist.

Additional governance is provided by the Investment Committee comprising Patrick Handley, Chairman of Mason Stevens and Patrick Eng, an Independent Member.

KEY BENEFITS

Aims to provide consistent and stable returns from fixed income securities

Dynamic management strategies to capture opportunities

Co-investing to align interests with investors.

4-Star Overall Morningstar Rating TM, a high rating for a managed fund based on performance (after adjusting for tax, in comparison to similar funds.

4.25 star 'Superior' rating* from SQM Research (which infers the fund outperforms, or is likely to), its peers and benchmark the majority of the time.

KEY RISKS

Interest rate risk

Market risk

Liquidity risk

Credit risk

CONTACT US

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The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision.