MASON STEVENS
ASSET MANAGEMENT

Quarterly performance report

31 March 2019

Mason Stevens Australian Fixed Income Model Portfolio

The Mason Stevens Australian Fixed Income Model Portfolio is offered via a Managed Discretionary Account (also known as a Separately Managed Account).

Performance as at 31 March 2019

	1mth (%)	3mths (%)	6mths (%)	1yr (%)	3 yrs (%pa)	5yrs (%pa)	Sinc incep (%pa)
Portfolio return[1]	**0.91**	**1.28**	**2.14**	**5.39**	**5.52**	**n/a**	**5.58**
Benchmark return	0.13	0.37	0.75	1.51	1.55	n/a	1.55
Excess return	0.78	0.91	1.39	3.88	3.97	n/a	4.03

Returns are net of all fees and include the value of franking credits.
Past performance is not a reliable indicator of future performance and may not be achieved in the future.

Portfolio statistics[2]

Yield to call	4.112%
Trading margin	2.301%
Running yield	4.187%
Term to call/maturity	3.79yrs
Expected next quarterly distribution ($100,000)	$929.20

Performance and portfolio review

The Model Portfolio delivered a 0.91% net return for the month of March. This follows on from the positive performance for the investment mandate since the start of the calendar year, taking the quarterly returns to 1.28% net. This quarterly performance return comfortably outperformed the investment mandate's benchmark but underperformed the Bloomberg AusBond Master 0+ Yr Index which continued to benefit from the ongoing fall in interest rates.

The investment mandate executed two switches during the quarter. The mandate elected to roll its existing holdings in the NABPA hybrid security into the NABPF hybrid security. While investing in the security lengthened both the credit duration and term to maturity, this was offset by the organic reduction in tenor of the overall investment portfolio. The investment mandate also sort to realise capital gains on its investment in the Royal Women's Hospital index annuity bond and reinvested the proceed into the newly retail eligible Liberty Financial senior fixed rate April 2021 bond. We continue to position the portfolio conservatively from a duration perspective, with the focusses on capital preservation and maintaining consistent income flow.

Market overview

Despite some volatility in equities as heightened risks of recession began to impact investor sentiment during the month of March, the ASX200 still had its best quarterly performance for 9 years, rising 9.5%. Global central banks, including the RBA, continue to downgrade their economic growth forecasts and in response monetary policy communications has shifted from rate hikes to a more neutral hold and monitor strategy. This more accommodative central bank position was seen as a positive to equity markets.

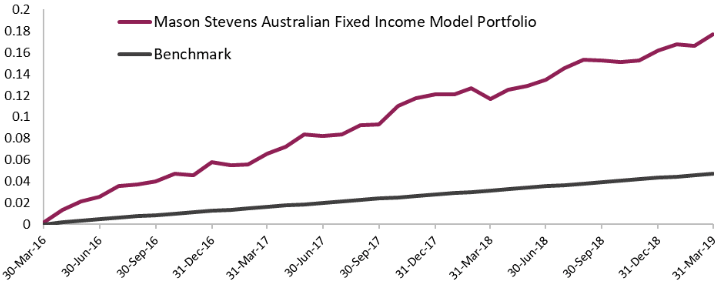
During March quarter, financial markets were characterised by a rally in bonds, as interest rate curves continued to flatten globally, including the Australian interest rate curve. Ongoing downward revisions to global growth left major central banks becoming more neutral to supportive regarding forward guidance communications on monetary policy. So much so, that financial markets have priced in a high probability that the RBA will cut interest rates during the year. However with a Federal election looming, timing of this rate cut is not expected until the 4th quarter.

Credit spread performance for March was mixed with cash bond credit spreads continuing to perform well. However, there was dislocation for credit default swap (CDS) spreads as they moved wider on growing fears of recession. The primary reason for this dislocation was driven by a strong primary issuance market, from mid-February. Strong demand for new issuance led to a supportive environment for credit spreads for bonds as demand continues to exceed supply. That is, cash bond performance was led by technical demand-supply dynamics and CDS spreads were more focused on economic indicators.

1 The Model Portfolio Benchmark is the RBA Cash Rate. Returns are calculated net of management, performance, administration/custody and transaction fees, but excluding any adviser fees from the Model Portfolio's inception date of 30/03/16, and assumes reinvestment of all income (but not franking credits). Returns are based on the theoretical performance of a portfolio which implemented the Model Portfolio based on simplifying assumptions and stock weightings. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, contributions and withdrawals, fees and any customisations. Past performance is not a reliable indicator of future performance and may not be achieved in the future. Each client should also take into account their own taxation situations. All information provided in this Report is correct as at the date of this Report.

2 Weighted averages based on current market prices and target portfolio weights as at 31 March 2019. Running yield includes any applicable franking credits. Expected cash distribution assume 31 March 2019 model portfolio weights are held for the entire quarter and do not include any franking credits – projected coupons are cash only, based on a notional $100,000 investment at market prices on 31 March 2019. The portfolio is actively managed, and as such actual outcomes will vary with changes made to positions in the portfolio, which may occur at any time. Portfolio statistics are for illustrative purposes only.

Cumulative performance since incep



Investment objective & strategy

The objective of the Mason Stevens Australian Fixed Income Model Portfolio (Model Portfolio) is to invest in a portfolio of AUD denominated investment grade securities that display strong risk adjusted return profiles, while delivering regular cash flow streams via income from coupons with minimal capital volatility.

The Model Portfolio is constructed and regularly reviewed so as to appropriately reflect the current views and strategies of the investment team. The investment process includes consideration of a number of qualitative, quantitative, portfolio 'fit' and market technical factors at the macroeconomic, issuer and security level. On top of the 'in house' capabilities, the investment team will draw upon external market research and portfolio management tools available to them.

All securities in the portfolio will be either seasoned or issued with retail disclosure documentation under Section 6D of the Australian Corporations Act. Securities may be unlisted or listed on an exchange.

Portfolio management

The Model Portfolio is managed by Mason Stevens Asset Management Pty Limited (MSAM) as the Program Adviser. MSAM is part of the Mason Stevens group of companies.

Investment decisions are governed by an Investment Committee that ensures the appropriate discipline and rigour is applied to the investment process.

More information

Further information about the Portfolio, including fees and costs, is outlined in the Mason Stevens Concentrated Global Equity Model Portfolio.

Investment team

Alwyn Hung, Portfolio Manager

Other members of the team include: Vincent Hua, Chief Investment Officer; Leanne Leong, Managing Director – Finance & Credit, Annie Zhao, Director – Fixed Income; Peter Liau, Head of Strategy, Performance and Analytics.

Key features & details

Investment universe	AUD denominated fixed income securities, including: Bonds (corporate, bank, government), Subordinated Debt Securities, Hybrids, Residential Mortgage-Backed Securities (RMBS), Asset Backed Securities (ABS), Floating Rate Notes (FRN), Cash Deposits and Term Deposits. Securities may be unlisted, or listed on an exchange.
Benchmark	RBA Cash
Target return	RBA Cash +2.00% pa, after fees
Number of investments	5+
Min security rating	BBB- / Baa3 by a reputable rating agency
Min investment amount	$100,000 (or as agreed by the Program Adviser)
Suggested timeframe	3-5 years +

About Mason Stevens

Mason Stevens provides a multi- asset and multi-currency investment administration and managed account service to help produce tailored investment outcomes for Advisers and their clients. Clients benefit from efficient portfolio administration, secure online access to their investments, as well as comprehensive reporting.

Contact

Investors

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to your adviser

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