

Quarterly performance report

Mason Stevens Credit Fund

March 2019

Fund performance as at 31 March 2019

	1mnth	3mnths	6mnths	1yr	3 yrs	5yrs	Sinc incep
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Fund return¹	0.40	2.82	1.86	2.91	4.78	5.70	5.96
Benchmark return ²	0.13	0.37	0.75	1.51	1.55	1.84	1.94
Excess return	0.27	2.45	1.11	1.40	3.23	3.86	4.02

Pricing

NAV	\$1.0155
Entry price	\$1.0206
Exit price	\$1.0104
Distribution	\$0.0100
(31 Mar 19)	per unit

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 and 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.

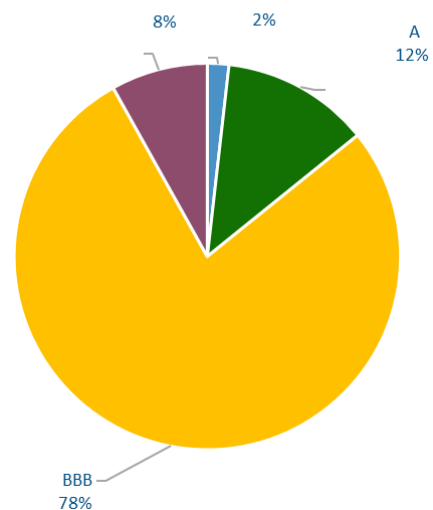
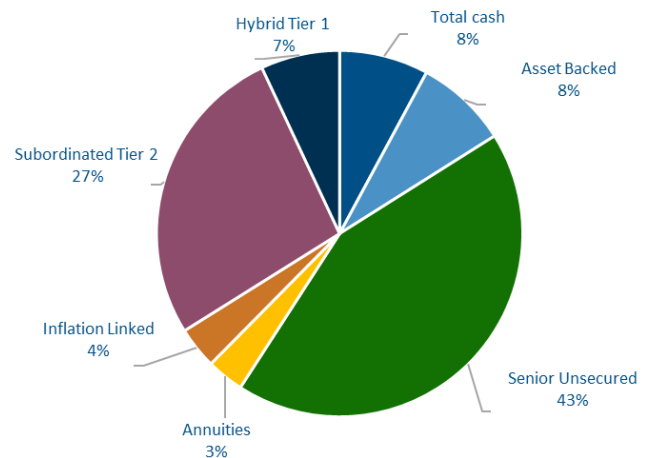
Portfolio and market returns

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, have shown a relaxation of hawkish monetary policy in response to a growing concern that global economic growth is beginning to falter. This central bank policy accommodation was seen as a positive to equity markets. During March, financial markets were characterised by a rally in bonds, as interest rate curves continued to flatten and for the US, the interest rate curve became inverted. Ongoing downward revisions to global growth left major central banks becoming more neutral to dovish on forward guidance communications to monetary policy, with the US Fed revising its 2019 rate hike guidance from 3 hikes to a neutral stance.

Domestically, the RBA's more recent dovish comments on the Australian economic outlook has led to financial markets pricing in a high probability of an interest rate cut. 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 CDS spreads as they moved wider as fears of recession began to grow. The primary reason for this dislocation was driven by a strong primary market in March. Strong demand for new issuance led to a supportive environment for credit spreads for bonds as demand continues to exceed supply.

Portfolio composition



Industry rated



4% pa¹
3-year return



Regular income
Targeting capital
preservation

Portfolio and market returns (cont)

The Fund's decision to position the investment portfolio more defensively during the latter months of 2018 has proven positive to performance. A higher weighting to cash permitted the Fund to be more active during the credit spread rally that was experienced during the March quarter. The month of March was marked by a strong AUD primary market and the Fund was able to invest in a number of well-priced transactions. This continues to limit its exposure to interest rates by maintaining a low interest rate duration profile

The Fund delivered a 0.40% return for the month of March. This follows on from the positive performance for the Fund since the start of the calendar year, taking the quarterly return to 2.81%.

We are pleased to inform you that the Fund has declared a quarterly distribution of 1c per unit for the period ending 31 March 2019. We thank you for the continued commitment to the Fund.

Investment objective and strategy

The Mason Stevens Credit Fund aims to generate 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.

Investment team

Vincent Hua Chief Investment Officer

Leanne Leong Portfolio Manager

Alwyn Hung Portfolio Manager

Contact us

T +61 2 8273 2000

E info@msam.com.au

W www.masonstevens.com.au/credit-fund

Read our [PDS](#)

Statistics

Interest rate duration (years)	-0.02
Spread duration	3.60
Current yield to maturity	4.58%
Official cash rate	1.50%
Average credit rating	BBB

Key features

Minimum investment	\$25,000
Applications & redemptions	Monthly
Management costs	0.95%pa
Distributions	Quarterly
Buy/sell spread	+0.50%/-0.50%

Platform access

Mason Stevens	✓
uXchange	✓

Rated by



This Report is provided by Mason Stevens Asset Management Pty Limited (ACN 141 447 654, ABN 92 141 447 654, Corporate Authorised Representative CAR 461312) (MSAM). Mason Stevens Limited (ACN 141 447 207 AFSL 351578) is the Responsible Entity and the issuer of the Mason Stevens Credit Fund product disclosure statement (PDS). Any content provided in this Report is for the purpose of providing general advice and information only. It does not take into account your or your client's personal objectives, financial situation and needs. Please seek financial advice before making a decision in relation to any investment. The information is provided in good faith and we do not make any representation or warranty as to its accuracy, reliability or completeness. To the extent permissible by law, we do not accept any responsibility for any error, omission, indirect or consequential loss or damages (whether arising in contract, tort, negligence or otherwise, in any case whether foreseeable or not). Please refer to the PDS for further information. Any information contained in this Report is subject to change without prior notice by MSAM and MSAM is not obliged to update any information. References made to any third party or their data is based on information that Mason Stevens believes to be true and accurate as at the date of this Report but without independent verification. All information provided in this Report is correct as at the date of this Report. **Morningstar:** Mason Stevens Credit Fund received a 4 Star Overall Morningstar Rating™ as at 30 April 2018. © 2018 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. 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. **SQM:** The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.