

Quarterly performance report

Mason Stevens Select Opportunities Fund

March 2019

Investment objective & strategy

The Mason Stevens Select Opportunities 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.

Fund performance as at 31 March 2019

	1mnth	3mnths	6mnths	1yr	Incep (Ann)	Inception (Cum)
	(%)	(%)	(%)	(%)	(%)	(%)
Fund return¹	0.41	1.69	-3.54	-0.90	3.48	7.13
Benchmark return ²	0.13	0.37	0.75	1.51	1.51	3.06
Excess return	0.28	1.32	-4.29	-2.41	1.97	4.07

Pricing

NAV	\$1.0688
Entry price	\$1.0720
Exit price	\$1.0656

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.

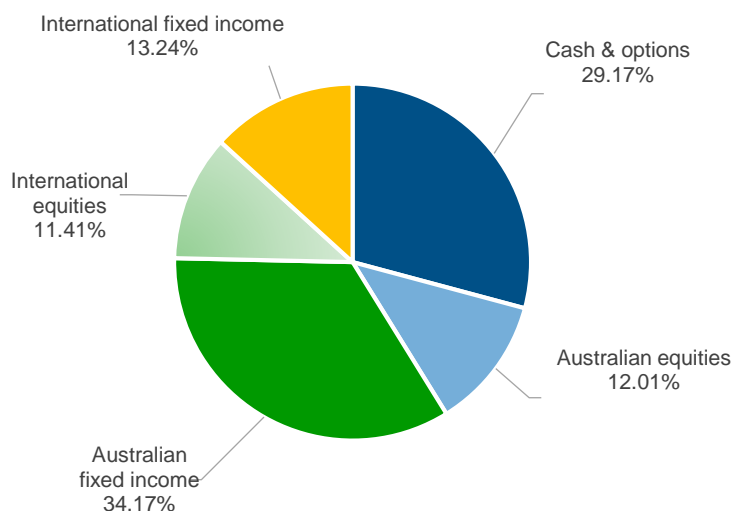
² The Benchmark is the RBA cash rate.

Market commentary

The first quarter of the 2019 Calendar year has largely seen more positive sentiment return, with equity and credit markets bouncing strongly, reflecting a more positive take on US interest rates, US/China Trade negotiations and European issues.

Whilst the current sentiment is broadly much more positive, it is worth noting that sentiment can reverse just as quickly. Of some interest to the bears this quarter was the inversion of the yield curve in US Treasuries. That prompted much comment suggesting a recession was imminent. We are well aware that history tells us an inverse curve may signal a near term recession, and possible equity market falls. However, we need to balance a range of factors in assessing the potential for such an event, and the potential impact that could have on asset prices. There are countless commentators with a view, and in my experience the bulls tend to remain bullish and the bears bearish regardless of the backdrop. That is, there is always something to be concerned about and always something to be positive about. As we often say 'a broken clock tells the right time twice a day'. The challenge is to navigate the constant information flow amidst a changing environment.

Fund performance



Our approach to managing the fund continues to focus on achieving the target return. Given the challenges that existed toward the end of the last calendar year, we believe we are on track. Over the quarter the return on an annualised basis is now exceeding the target and we are confident this can continue.

During the quarter we continued to add to our fixed income positions, now totalling just under 50% of the fund assets. The average rate of return on our current holdings, held in AUD and USD, is now approaching 8%pa and this goes a long way to assisting us in managing volatility and achieving our targeted return.

Whilst we reduced our allocation to equities in the third and fourth calendar quarters last year, we maintain key holdings and continue with the domestic and international covered call writing strategy. We have also added some new positions and remain very positive on the long term prospects for ride hailing companies we own, Didi (China) and Grab (SE Asia). The recent LYFT IPO looks to be a positive for the sector and we are keen observers as UBER looks likely to follow soon.

We do anticipate some new deal flow in the coming weeks and months and the cashflow generation of our portfolio holdings has additional upside. One key risk, both positive and negative, is the currency. We remain of the view that the AUD can fall, perhaps substantially from current levels. Should the reverse happen, all other things being equal, that would be a drag on fund performance, as there is no hedging of the fund's US assets.

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Top five holdings

1	Cash
2	REDS 2018-1 Mortgage Tranche E
3	SOFTBANK GROUP CORP: 6.875% - 19/06/2164
4	MACQUARIE BANK LONDON: 6.125%
5	ADANI ABBOT POINT TERMIN: 4.45% - 15/12/2022

Portfolio statistics

Equity holdings	17
Fixed income positions	26
Open option positions	15
Fixed income holdings – interest rate duration (yrs)	1.3

Key features

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

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