

Monthly performance report

Mason Stevens Credit Fund

May 2019

Fund performance as at 31 May 2019¹

	1mnth	3mnths	6mnths	1yr	3 yrs	5yrs	Sinc incep
	(%)	(%)	(%)	(%)	(%pa)	(%pa)	(%pa)
Fund	0.27	1.48	3.53	4.24	4.74	5.30	5.98
Benchmark	0.13	0.38	0.75	1.51	1.53	1.80	1.93
+/- Return	0.15	1.10	2.78	2.73	3.21	3.50	4.05

Pricing

NAV	\$1.0264
Entry price	\$1.0315
Exit price	\$1.0213
Distribution	\$0.01
(31 Mar 19)	per unit

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

¹ The Benchmark is the RBA cash rate. 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.

Performance

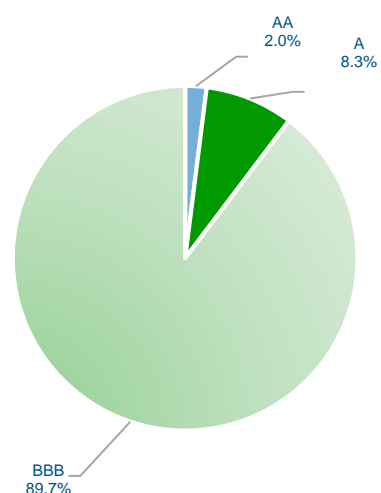
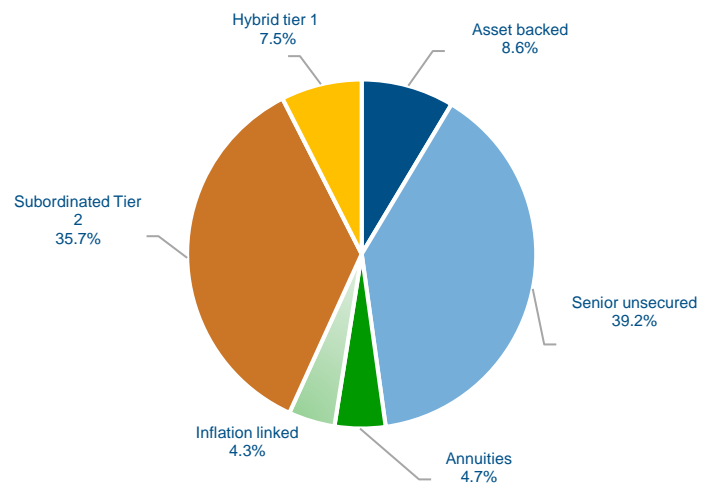
The fund delivered another positive return of 0.27% for the month of May. This follows on from the positive performance for the Fund since the start of the calendar year, taking the 5 months, year-to-date return to 3.87%.

Portfolio and market review

During the month of May, the ongoing trade wars between the US and China and, in fact, the US and a number of other countries shifted up a gear or two. US economic data releases in May are pointing towards weaker growth, as the positive effects from the Trump administration fiscal stimulus began to wane. As such, the US Fed reinforced its 'dovish' economic view with a number of governors becoming more worried about the economic impact of a broadening trade war net. This has prompted the market to place a high probability of an interest rate cut at the next US FOMC meeting.

Weakening global growth forecasts saw bonds rally during the month and interest rate curves continuing to maintain a very flat shape for most of the major developed countries/regions. A coordinated response by global central banks to keep monetary policy easy has also been the favoured back drop for equity markets to continue to remain buoyant. However, financial and equity markets did experience a rise in volatility over the course of the month as headline news, trade wars and Brexit, together with soft economic data has resulted in markets continuing to be optimistically wary.

Portfolio composition



Industry rated



4.74% pa¹
3-year return



Regular income
Targeting capital
preservation

Portfolio and market returns (cont)

Domestically, we had the federal election in mid-May with a surprise return to government for the Coalition party. The RBA had remained quiet up until the election result was known. However, post-result, the RBA decided to announce a 0.25% interest rate cut during the June meeting. On weakening economic data, it also flagged that the likelihood of official interest rates being cut to 1% or below is a highly likely. Government bonds rallied and the ASX200 hit a new historical high in response to more accommodative monetary policy by the RBA over the short-to-medium term.

Credit spreads remained resilient despite the weakening economic backdrop and negative headline news. Primary pipeline was lower than expected, primarily driven by a number of international public holidays and some market volatility and repricing.

The investment team continued to position the Fund's portfolio to deliver on strong income generation. This was supported by the active management of a few investments in new primary bond deals and the Fund being positioned to take advantage of spread tightening experienced in the financial tier 2 subordinated debt space.

Investment objective and strategy

The Mason Stevens Credit Fund aims to generate returns in excess of 2.5% pa above the RBA Cash rate after fees and expenses. The Fund invests 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, primarily investment grade, with no more than 5% of the assets being comprised of securities that are below investment grade. The securities must be rated by a reputable rating agency.

Platform access

Mason Stevens ✓

uXchange ✓

Investment team

Vincent Hua Chief Investment Officer

Alwyn Hung Senior Portfolio Manager

Annie Zhao Portfolio Manager

Statistics

Interest rate duration (years) 0.00

Spread duration 3.89

Current yield to maturity 4.39%

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%

Rated by



Quantitative



Qualitative

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