

Quarterly performance report

Mason Stevens Credit Fund

June 2019

Fund performance as at 30 June 2019¹

	1mnth	3mnths	6mnths	1yr	3 yrs	5yrs	Sinc incep
	(%)	(%)	(%)	(%)	(%pa)	(%pa)	(%pa)
Fund	0.80	1.89	4.76	5.07	4.82	5.26	6.03
Benchmark	0.10	0.36	0.73	1.49	1.51	1.78	1.92
+/- Return	0.70	1.53	4.03	3.58	3.31	3.48	4.11

Pricing

NAV	\$1.0161
Entry price	\$1.0212
Exit price	\$1.0110
Distribution	1.8593
(30 Jun 19)	cpu

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 Credit Fund (Fund) ended the financial year strongly, delivering a positive return of 0.80% for the month of June. This follows on from a positive quarterly performance of 1.89% and 6 monthly performance of 4.76%.

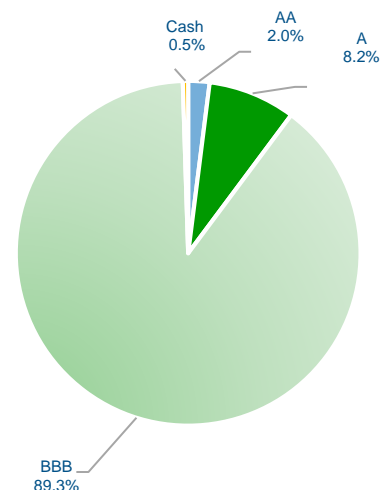
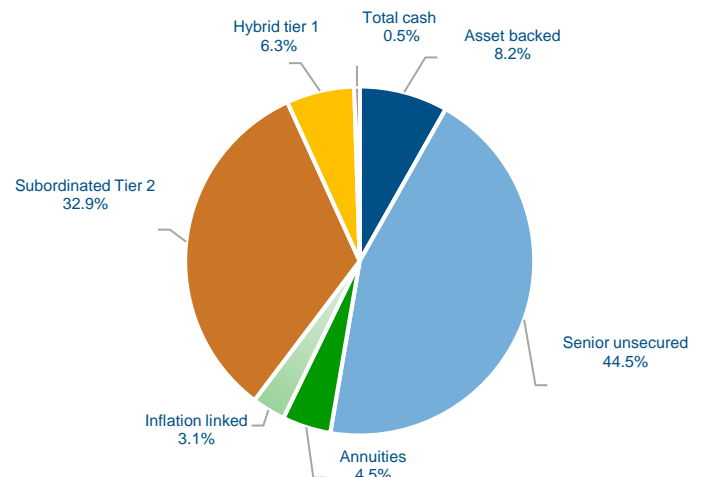
We are pleased to inform you that the Fund has declared a quarterly distribution of 1.8593c per unit for the period ending 30 June 2019. The total annual distributions paid for the 2019 financial year is 4.8593c per unit.

Portfolio and market review

The month of June saw another strong rally in fixed income both domestically and globally. Domestically, the RBA delivered on a widely expected move on interest rates during the June meeting, cutting official cash rates by 0.25%. This was followed up by a further rate cut of another 0.25% in the most recent RBA meeting in July. The RBA official interest rate now sits at a very low 1.00% with the Australian central bank issuing a stark warning that from here, the impact of monetary policy on a weakening economic environment is limited without the support of fiscal stimulus.

Internationally, the strong interest rate rally was primarily driven by both the growing market expectations that a co-ordinated response by central banks to weakening global macroeconomic fundamentals is expected and a temporary trade war truce between USA and China at the most recent G20 conference.

Portfolio composition



Industry rated



4.82% pa¹
3-year return



Regular income
Targeting capital
preservation

Portfolio and market review (cont)

Easy and co-ordinated global central bank monetary policy led to buoyant global share markets during the month, with a number of indexes hitting record highs. Generally, global investment grade credit spreads also performed well during the month, with BBB investment grade rated credits being the best performer across all credit ratings buckets.

Domestic corporate and financial bond issuance for the month of June was strong. However, demand for well-priced issues also was very strong, with a number of deals being bid for multiples of total issue size. Notable new issues included Standard Chartered Plc issuing an inaugural AUD TLAC senior bond, Barclays Plc issuing a multi-tranche 5yr and 10yr AUD TLAC senior bond, Vicinity Centres pricing a new fixed and floating issue and BNP Paribas SA issuing, in early July, an inaugural AUD fixed rate Tier 1 perpetual security.

The Fund was well positioned to take advantage of the fixed income and credit market conditions. The Fund increased its interest rate duration profile during the month and benefitted from the falling interest rate environment. However, the Fund was also able to reallocate and deploy excess cash to capitalise on and gain meaningful exposure to a number of well performing primary issues that were priced during the month. The investment team continues to keep a close eye on global and domestic macroeconomic fundamentals with interest rate duration and credit spread views remaining on the conservative side.

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
Kristie Hua	Analyst

Statistics

Interest rate duration (years)	0.47
Spread duration (yrs)	4.04
Current yield to maturity (pa)	3.83%
Official cash rate (pa)	1.25%
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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