Monthly performance report
Mason Stevens Credit Fund
August 2019

Fund performance as at 31 August 2019[1]

	1mnth (%)	3mnths (%)	6mnths (%)	1yr (%)	3 yrs (%pa)	5yrs (%pa)	Sinc incep (%pa)
Fund	0.18	1.86	3.37	5.17	4.39	5.05	6.04
Benchmark	0.08	0.28	0.66	1.41	1.48	1.73	1.90
+/- Return	0.10	1.58	2.71	3.76	2.91	3.32	4.14

Pricing

NAV	$1.0267
Entry price	$1.0318
Exit price	$1.0216
Distribution	$0.0000

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.
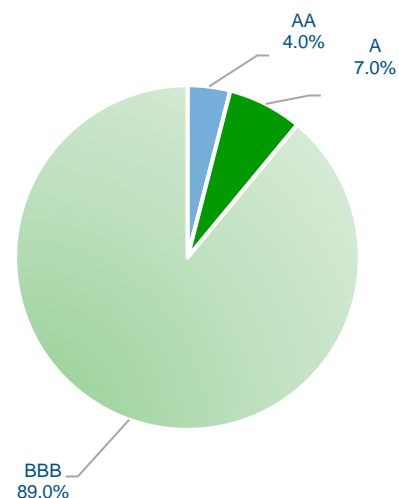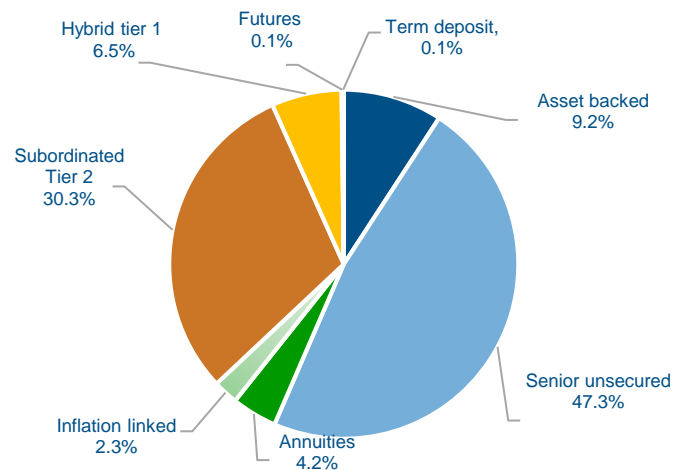
Performance

The Fund delivered a 0.18% return for the month of August. This continues on from the positive performance the Fund has experienced since the beginning of the year.

Portfolio and market review

Softening economic data and escalating central bank 'dovish' rhetoric led to some recessionary fears being priced into financial markets. Globally, 20 developed countries experienced rallies in their respective interest rates. The US interest rate curve continued to experience further flattening over the month of August. Calls from President Trump for the FOMC to cut rates by as much as 1.00% exacerbated the pressure on interest rates.

Equity market volatility returned during the month as investor sentiment was weighed down on mounting concerns over US trade-war with China. In Europe, Brexit still dominates headlines and uncertainty is playing into negative sentiment for the region and closer to home, ongoing Hong Kong protests on new proposed China extradition laws has resulted in material capital outflow from this global financial hub. As a result global credit was not immune to this negative news and investment grade credit spreads drifted wider over the month.

Portfolio composition

Hybrid tier 1 6.5%
Futures 0.1%
Term deposit, 0.1%
Asset backed 9.2%
Subordinated Tier 2 30.3%
Senior unsecured 47.3%
Inflation linked 2.3%
Annuities 4.2%

AA 4.0%
A 7.0%
BBB 89.0%

☑ **Industry rated**

4.39% pa[1] 3-year return

☑ **Regular income** Targeting capital preservation

Portfolio and market review (cont)

Domestically, softening domestic economic data and the impact of negative global sentiment resulted in both interest rates and credit spreads moving in line with global financial markets.

Despite market volatility over the month, primary bond issuance both domestically and globally was strong for financials and limited for corporates. However, now that reporting season is coming to an end, it is expected that corporate issuance is likely to come back online and be stronger into year end.

The Fund displayed resilience over a volatile month and benefitted from its positioning in both interest rate duration and credit distribution. The Fund also benefitted from the participation of a number of new primary issues and is expected to continue to do so given the robust primary pipeline. However, the Fund is wary of expected volatility and the broader portfolio continues to remain defensively positioned.

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)	0.72
Spread duration (yrs)	4.05
Current yield to maturity (pa)	3.63%
Official cash rate (pa)	1.00%
Average credit rating	BBB
Key features	
Minimum investment	$25,000
Applications & redemptions	Monthly
Management costs	0.94% pa
Distributions	Quarterly
Buy/sell spread	+0.50%/-0.50%

Rated by

MORNINGSTAR ★★★★★ ™
Quantitative

★★★★★ Superior SQM research ^^^
Qualitative

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Read our PDS