

# Monthly performance report

**Mason Stevens Credit Fund**

October 2019

## Fund performance as at 31 October 2019<sup>1</sup>

	1mnth	3mnths	6mnths	1yr	3 yrs	5yrs	Sinc incep
	(%)	(%)	(%)	(%)	(%pa)	(%pa)	(%pa)
<b>Fund</b>	0.45	1.18	3.16	5.80	4.48	5.13	6.05
Benchmark	0.06	0.23	0.55	1.30	1.44	1.68	1.87
+/- Return	0.39	0.95	2.61	4.50	3.04	3.45	4.18

## Pricing

NAV	\$1.0269
Entry price	\$1.0320
Exit price	\$1.0218
Distribution	\$0.0000

Past performance is not a reliable indicator of future performance.

<sup>1</sup> 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

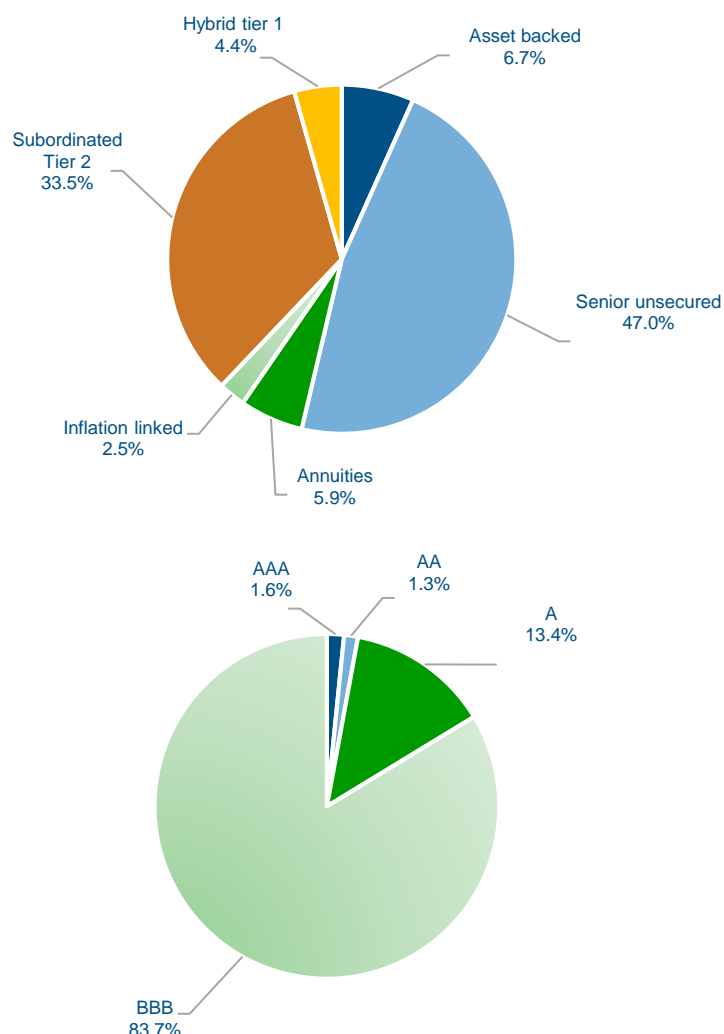
We are pleased to inform you that the Fund delivered a net return of 0.45% for the month of October. This continues the ongoing positive performance of the Fund with an outperformance of 4.50% over the Fund's benchmark for the past year.

## Portfolio and market review

Fixed income markets displayed another month of positive performance, despite ongoing negative headlines. This performance was mainly driven by firmer credit spreads and a strong primary bond market. Both the RBA and US Fed cut their respective official cash rates during the month by 0.25%. Economic data, especially from the US, was not as negative as economists forecast.

Interest rates displayed some volatility intra-month. However, from start to finish, yields were little changed. US interest rate curves steepened by 0.02% over the month. The race to zero percent interest rates continues unabated globally. We continue to expect the direction for interest rates to be skewed to the downside over the short- to medium- term. However, we do expect periods of volatility to continue.

## Portfolio composition



**Industry rated**



**4.48% pa<sup>1</sup>**  
3-year return



**Regular income**  
Targeting capital preservation

## Portfolio and market review (cont)

A low interest rate environment has been conducive to credit spread performance over recent months and the month of October was no different. US investment grade credit spreads ground tighter by 0.10% and Australian investment grade credit spreads tightened by over 0.13% over the month, referring to respective CDS indices.

Primary market volume has been very strong. Issuers continue to take advantage of cheaper debt funding with record issuance volumes year-to-date. Domestically of note, we saw a number of corporates come to market during the month, including Origin Energy, Endeavour Energy and an inaugural fixed income deal from Coles. RMBS issuance pipeline also appears to be strong with CBA, through its Medallion RMBS program, being the first ADI to announce that they will launch a new RMBS deal referencing the AONIA rate (Australian Interbank Overnight Cash Rate) rather than the more traditional BBSW rate (Bank Bill Swap Rate).

The Fund continues to remain well-positioned to take advantage of the firmer credit market conditions and robust new issuance volume. The Fund performed well, as it benefited from investing in several well-performing new issues. The increase in interest rate duration at the end of the month was primarily driven from the outright investment in longer dated fixed rate securities, which was the preference by both corporate issuers and investors alike. However, we continue to manage interest rate duration on a conservative basis in response to expected volatility.

## 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	
<b>Vincent Hua</b>	Chief Investment Officer
<b>Alwyn Hung</b>	Senior Portfolio Manager
<b>Annie Zhao</b>	Portfolio Manager
<b>Kristie Hua</b>	Analyst
Statistics	
Interest rate duration (years)	1.72
Spread duration (yrs)	4.27
Current yield to maturity (pa)	3.55%
Official cash rate (pa)	0.75%
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



Quantitative



Qualitative

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us

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