

Quarterly performance report

Mason Stevens Credit Fund

December 2019

Fund performance as at 31 December 2019¹

	1mnth	3mnths	6mnths	1yr	3 yrs	5yrs	Sinc incep
	(%)	(%)	(%)	(%)	(%pa)	(%pa)	(%pa)
Fund	0.05	1.29	2.91	7.81	4.80	4.93	6.02
Benchmark	0.06	0.19	0.44	1.18	1.40	1.62	1.84
+/- Return	-0.01	1.10	2.47	6.63	3.40	3.31	4.18

Pricing

NAV	\$1.0255
Entry price	\$1.0306
Exit price	\$1.0204
Distribution	1 c per unit

Past performance is not a reliable indicator of future performance.

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

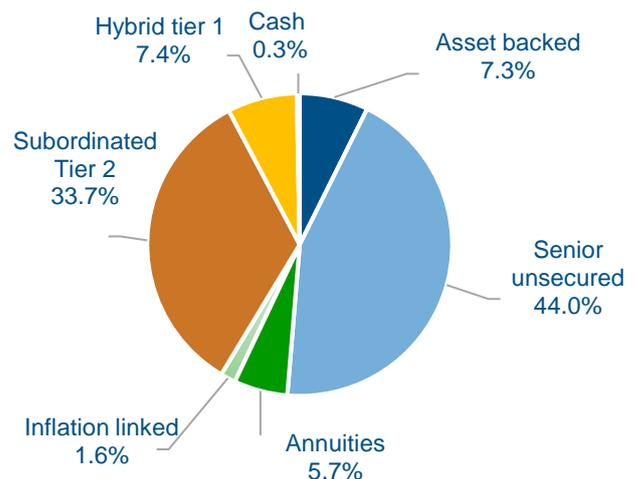
The Fund delivered a net return of 0.05% for the month of December, taking the 2019 calendar year performance for the Fund to 7.81% and the 12th consecutive month of positive performance. The Fund exceeded its target return by 4.07% over the past 12 months.

The Fund was well positioned to benefit from the rally in investment grade credit spreads experienced but remained defensively positioned to be immune from the steepening in the Australian interest rate curve, due to the sell off in 10yr government bond yields.

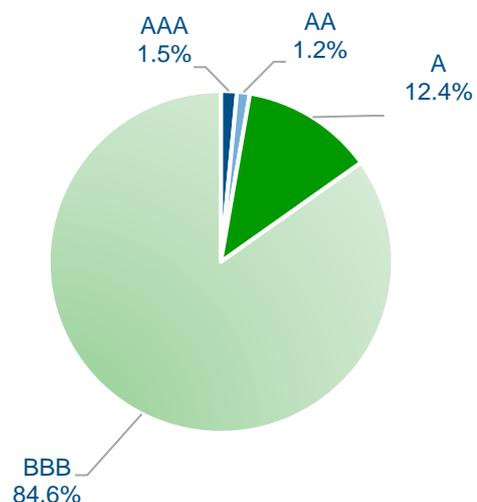
We are pleased to inform you that the Fund has declared a quarterly distribution of 1c per unit for the quarterly period ending 31 December 2019.

We would like to take this opportunity to thank you for your continued commitment to the Fund.

Portfolio composition



Ratings categories



Rated
by



Quantitative



Qualitative

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us

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[Read our PDS](#)



Industry rated



4.80% pa¹
3-year return



Regular income
Targeting capital
preservation

Portfolio and market review

Happy New Year to all our investors. Wishing you all a safe and prosperous 2020.

We are excited to announce that in December 2019, the Mason Stevens Credit Fund has received a Superior 4.25-star rating for the second year in a row from SQM Research. Once again being recognised for the Fund's ongoing positive performance and investment management, relative to its fixed income fund manager peers.

Headline news (US-China trade wars, Brexit, Hong Kong social unrest, etc) continued to provide uncertainty and market volatility during the period. However, the second half of 2019 was clearly marked by accommodative central bank monetary policy and in turn interest rate curves of major developed countries experienced very flat slopes, with a number of interest rate curves becoming inverted. Domestically, Australia's RBA has cut official cash rates three times since June 2019, to a new historical low of 0.75%, with an easing bias expected to continue into 2020. As a result, the Australian government 10yr bond yield is trading at 1.13% (8 Jan 20), with the 5yr Australian government bond yield only 0.035% higher than the RBA's official cash rate (at the time of writing).

Despite the negative economic implications associated with a number of headlines, easing monetary policy has led to risk assets continuing to rally with most major equity indices continuing to hit new historical highs. Global credit spreads continue to re-calibrate easing borrowing conditions and lower base rates and, as such, spreads have tightened to their lowest levels since the GFC.

All this has meant that fixed income yields have continued to compress over the course of the 2019 calendar year. This has led to strong primary bond issuance over the past 6 months as sovereign entities, corporates and financial institutions look to take advantage of cheap debt capital. However, demand for corporate and financial credit has also been sufficiently strong to absorb this spike in new issuance.

In December, investment grade credit spreads rallied, as displayed in the 9.4 basis point spread tightening in the iTraxx Aus CDS index. BBB rated credits continuing to outperform the other investment grade rating buckets, as investors continued to seek yield with their defensive asset allocations. This more than offset the volatility experienced in interest rates during the month. New issuance was seasonally lighter over the course of the month. However, of interest was NAB issuing a non-listed AT1 hybrid security. Cost savings and sufficient institutional demand, given the recent positive re-rating of Australian 'big 4' bank

AT1 hybrid securities to investment grade, appear to be the primary drivers for NAB electing to not list this security on the ASX.

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)	1.80
Spread duration (yrs)	4.49
Current yield to maturity (pa)	3.54
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%

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