

Mason Stevens Credit Fund

ARSN 162 055 512

Interim financial statements

For the half-year ended 31 December 2019

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These interim financial statements cover the Mason Stevens Credit Fund as an individual entity.

The Responsible Entity of the Mason Stevens Credit Fund is Mason Stevens Limited (ABN 91 141 447 207). The Responsible Entity's registered office is Level 21, 9 Castlereagh Street, Sydney NSW 2000.

Directors' report

The directors of Mason Stevens Limited, the Responsible Entity ("the Responsible Entity") of the Mason Stevens Credit Fund, present their report together with the interim financial statements of the Mason Stevens Credit Fund (the "Fund"), for the half-year ended 31 December 2019.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia that was constituted on 21 January 2013 and commenced operations on 31 May 2013.

The Fund seeks to generate returns in excess of the RBA Cash Rate ("Benchmark") by 2.5% per annum after fees and expenses over a period of 3-5 years. The Fund seeks to do this by investing in fixed income securities that are expected to deliver income and yield.

The Fund typically invests in interest rate securities such as corporate debt, hybrid securities and structured debt securities including residential mortgage backed securities and asset backed securities.

The Fund did not have any employees during the half-year.

Directors

The following persons held office as directors of Mason Stevens Limited during the half-year or since the end of the half-year and up to the date of this report:

Thomas Mason Bignill
Ronald Robert Erdos
Stephen Rickwood
Vincent Hua
Roger Patrick Handley
Leanne Lee Huay Leong

Review and results of operations

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended	
	31 December 2019	31 December 2018
	\$	\$
Net operating profit before financing costs attributable to unitholders	3,165,991	495,314
Distribution paid and payable	2,264,621	2,695,249
Distribution (cents per unit)	2.00	2.00

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial half-year under review.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

Directors' report (continued)

Indemnification and insurance of officers and auditors

No insurance premiums are paid out of the Fund in regards of insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund.

So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are not indemnified out of the assets of the Fund.

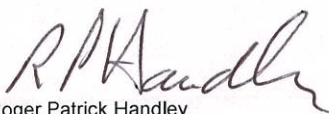
Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors of Mason Stevens Limited.



Roger Patrick Handley
Director
Mason Stevens Limited

Sydney
12 March 2020

Auditor's Independence Declaration

To the Directors of the Responsible Entity of Mason Stevens Credit Fund

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Mason Stevens Credit Fund for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;
and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Grant Layland
Director – Audit & Assurance

Sydney, 12 March 2020

Statement of profit or loss and other comprehensive income

		Half-year ended	
	Notes	31 December 2019	31 December 2018
		\$	\$
Investment income			
Interest income		2,396,876	3,272,174
Net gains/(losses) on financial instruments at fair value through profit or loss		2,128,134	(1,701,108)
Net gains/(losses) on foreign exchange		(550,542)	(343,494)
Other operating income		1,811	458
Total net investment income		3,976,279	1,228,030
Expenses			
Management fees		548,157	670,035
Transaction costs		1,621	7,526
Interest expense		258,555	52,025
Other operating expenses		1,955	3,130
Total operating expenses		810,288	732,716
Operating profit		3,165,991	495,314
Finance costs attributable to unitholders			
Distributions to unitholders	3	(2,264,621)	(2,695,249)
Decrease/(increase) in net assets attributable to unitholders	2	(901,370)	2,199,935

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

		As at	
	Notes	31 December 2019 \$	30 June 2019 \$
Assets			
Cash and cash equivalents		78,364	670,752
Receivables		1,822,707	760,726
Financial assets at fair value through profit or loss	4	130,120,263	124,717,363
Due from brokers		-	5,010,480
Total assets		132,021,334	131,159,321
Liabilities			
Bank overdraft		11,297,021	14,415,090
Payables		938,269	2,320,901
Distributions payable		1,156,258	2,084,819
Financial liabilities at fair value through profit or loss	5	-	461,703
Total liabilities (excluding net assets attributable to unitholders)		13,391,548	19,282,513
Net assets attributable to unitholders - liability	2	118,629,786	111,876,808

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in net assets attributable to unitholders

		Half-year ended	
	Notes	31 December 2019	31 December 2018
		\$	\$
Opening balance		111,876,808	162,872,992
Applications	2	11,372,050	4,169,979
Redemptions	2	(5,520,442)	(42,512,381)
Operating profit		3,165,991	495,314
Distributions paid	3	(2,264,621)	(2,695,249)
Ending balance at 31 December 2019	2	118,629,786	122,330,655

The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes.

Statement of cash flows

	Half-year ended	
	31 December	31 December
	2019	2018
	\$	\$
Cash flows from operating activities		
Proceeds from sales of financial instruments at fair value through profit or loss	84,552,552	100,820,767
Purchase of financial instruments at fair value through profit or loss	(83,278,541)	(51,580,293)
Interest received	2,057,441	3,708,294
Other income received	1,811	458
Net payments on foreign exchange activities	(533,777)	(170,580)
Transaction costs paid	(1,621)	(7,526)
Management fees paid	(542,146)	(695,528)
RITC (paid)/received	(174)	4,292
Other operating expenses paid	(1,248)	(6,129)
Net cash inflow/(outflow) from operating activities	2,254,297	52,073,755
Cash flows from financing activities		
Proceeds from applications by unitholders	9,424,034	2,831,216
Payments for redemptions by unitholders	(6,909,792)	(42,512,381)
Proceeds from borrowings/(borrowings paid)	(3,118,069)	(6,819,596)
Interest paid	(258,555)	(52,025)
Distributions paid net of reinvestment	(1,967,538)	(1,735,815)
Net cash inflow/(outflow) from financing activities	(2,829,920)	(48,288,601)
Net increase/(decrease) in cash and cash equivalents	(575,623)	3,785,154
Cash and cash equivalents at the beginning of the half-year	670,752	3,037,025
Effect of exchange rate fluctuations on cash	(16,765)	(172,914)
Cash and cash equivalents at the end of the half-year	78,364	6,649,265
Non-cash financing activities	1,225,644	1,338,763

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of half-year financial statements

These general purpose financial statements for the half-year ended 31 December 2019 have been prepared in accordance with *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2019 and any public announcements made in respect of the Mason Stevens Credit Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial statements were authorised for issue by the directors on 12 March 2020. The directors of the Responsible Entity have the power to amend the interim financial statements after they have been issued.

(a) Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2019.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2019 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations does not anticipate material impact on the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

2 Net assets attributable to unitholders

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund (subject to applicable ASIC relief).

Movements in number of units and net assets attributable to unitholders during the period were as follows:

	Half-year ended 31 December 2019		Half-year ended 31 December 2018	
	\$	No. of units	\$	No. of units
Opening balance	111,876,808	110,093,969	162,872,992	160,580,901
Applications	10,146,406	9,787,039	2,831,216	2,768,166
Redemptions	(5,520,442)	(5,407,998)	(42,512,381)	(42,019,362)
Units issued upon reinvestment of distributions	1,225,644	1,203,681	1,338,763	1,318,269
Increase/(decrease) in net assets attributable to unitholders	901,370	-	(2,199,935)	-
Closing balance	118,629,786	115,676,691	122,330,655	122,647,974

Capital risk management

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The Fund monitors the level of applications and redemptions relative to the liquid assets in the Fund. Liquid assets include cash and cash equivalents and listed equities. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to defer or adjust a redemption of units, if the exercise of such discretion is in the best interests of unitholders.

3 Distributions to unitholders

The distributions were paid/payable as follows:

	Half-year ended 31 December 2019		Half-year ended 31 December 2018	
	\$	CPU	\$	CPU
Distributions				
30 September	1,108,363	1.00	1,468,769	1.00
31 December	1,156,258	1.00	1,226,480	1.00
	2,264,621	2.00	2,695,249	2.00

4 Financial assets at fair value through profit or loss

	As at 31 December 2019 \$	30 June 2019 \$
Financial assets		
Domestic fixed interest securities	37,747,558	21,765,051
International fixed interest securities	22,263,472	26,946,060
Domestic floating rate notes	56,094,653	62,519,480
International floating rate notes	4,065,008	3,100,338
Mortgage backed securities	9,506,369	10,346,881
Forward currency contract	405,005	39,553
Futures	38,198	-
Total financial assets at fair value through profit or loss	130,120,263	124,717,363

5 Financial liabilities at fair value through profit or loss

	As at 31 December 2019 \$	30 June 2019 \$
Financial liabilities		
Futures	-	461,703
Total financial liabilities at fair value through profit or loss	-	461,703

6 Fair value measurement of financial instruments

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

Level 1 - quoted prices (listed or through broker markets) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The Fund's financial assets and financial liabilities measured and recognised at fair value at 31 December 2019 and 30 June 2019 on a recurring basis are as follows:

As at 31 December 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Domestic fixed interest securities	37,747,558	-	-	37,747,558
International fixed interest securities	22,263,472	-	-	22,263,472
Domestic floating rate notes	56,094,653	-	-	56,094,653
International floating rate notes	4,065,008	-	-	4,065,008
Mortgage backed securities	9,506,369	-	-	9,506,369
Forward currency contracts	405,005	-	-	405,005
Futures	38,198	-	-	38,198
Total financial assets at fair value through profit or loss	130,120,263	-	-	130,120,263

6 Fair value measurement of financial instruments (continued)

As at 30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Domestic fixed interest securities	21,765,051	-	-	21,765,051
International fixed interest securities	26,946,060	-	-	26,946,060
Domestic floating rate notes	62,519,480	-	-	62,519,480
International floating rate notes	3,100,338	-	-	3,100,338
Mortgage backed securities	10,346,881	-	-	10,346,881
Forward currency contracts	39,553	-	-	39,553
Total financial assets at fair value through profit or loss	124,717,363	-	-	124,717,363
Financial liabilities				
Futures	461,703	-	-	461,703
Total financial liabilities at fair value through profit or loss	461,703	-	-	461,703

7 Events occurring after the reporting period

No significant events have occurred since the reporting period up to the date of approval of these interim financial statements which would impact on the financial position of the Fund disclosed in the statement of financial position as at 31 December 2019 or on the results and cash flows on the Fund for the half-year ended on that date.

8 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2019 and 30 June 2019.

Directors' declaration

The directors of Mason Stevens Limited the Responsible Entity of Mason Stevens Credit Fund, declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statement and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standard AASB 134 *Interim Financial Reporting* and giving a true and fair view of the financial position and performance of the Fund for the half-year ended on the date.

This declaration is made in accordance with a resolution of the directors of Mason Stevens Limited.



Roger Patrick Handley
Director
Mason Stevens Limited

Sydney
12 March 2020

Independent Auditor's Report

To the Members of Mason Stevens Credit Fund

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Mason Stevens Credit Fund (the Fund) which comprises the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Mason Stevens Credit Fund does not give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

The Directors of the Responsible Entity of the Fund are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors of the Responsible Entity determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mason Stevens Credit Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Grant Layland
Director – Audit & Assurance

Sydney, 12 March 2020