MASON STEVENS CREDIT FUND

FUND FEATURES

Global Investment Grade Bonds

Diversified Fixed Income portfolio

Regular income

Capital stability

RATED BY

Superior

Fund performance as at 31 March 2020[1]

	1mnth (%)	3mnths (%)	6mnths (%)	1yr (%)	3 yrs (%pa)	5yrs (%pa)	Since incep (%pa)
Fund	-5.09	-3.90	-2.66	0.77	2.65	3.48	5.18
Benchmark	0.04	0.16	0.35	0.96	1.33	1.53	1.80
Excess Return	-5.13	-4.06	-3.01	-0.19	1.32	1.95	3.38

Pricing	
NAV	$0.9755
Entry price	$0.9804
Exit price	$0.9706
Distribution	$0.01

Past performance is not a reliable indicator of future performance.

[1] Fund 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. The Benchmark is the RBA cash rate. Excess return equals fund returns minus the benchmark. Target return is 2.5% + RBA cash rate after fees and expenses. Individual returns will vary depending on date of initial investment.

PORTFOLIO REVIEW

The Fund delivered a net return of -5.09% for the month of March, taking the 1-year return to 0.77%.

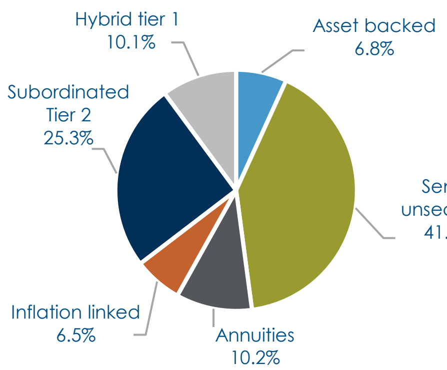
The negative return for the month of March was primarily the result of market illiquidity, with no significant declines in the credit quality of the 56 Investment Grade (IG) bonds held in the Fund. The largest contributing factor to the month's negative performance was the impact of widening of credit spreads for bond holdings with longer credit duration profiles.

We are of the view that market volatility in IG bonds will be short term in nature, given massive monetary intervention and liquidity-support injected by global central banks to ensure that credit markets function properly.

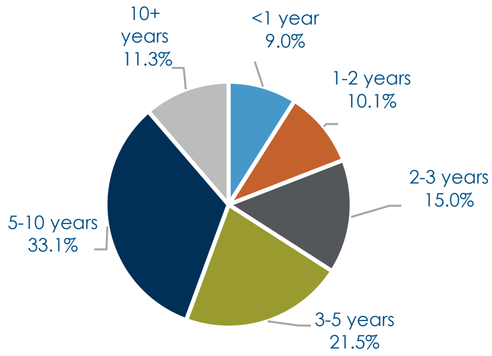
We are pleased to inform you that the Fund has declared a distribution of 1c per unit for the quarterly period ending 31 March 2020. The setting of the Fund's distribution rate is based on the underlying yield of the portfolio. This differs from what drove the monthly performance of the Fund, which was the mark-to-market portfolio value changes from short term market volatility.

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

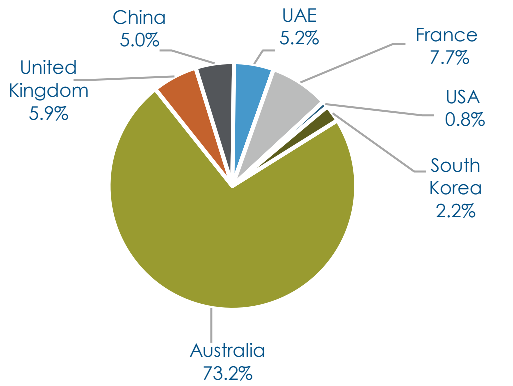
PORTFOLIO COMPOSITION



EXPECTED MATURITY[2]

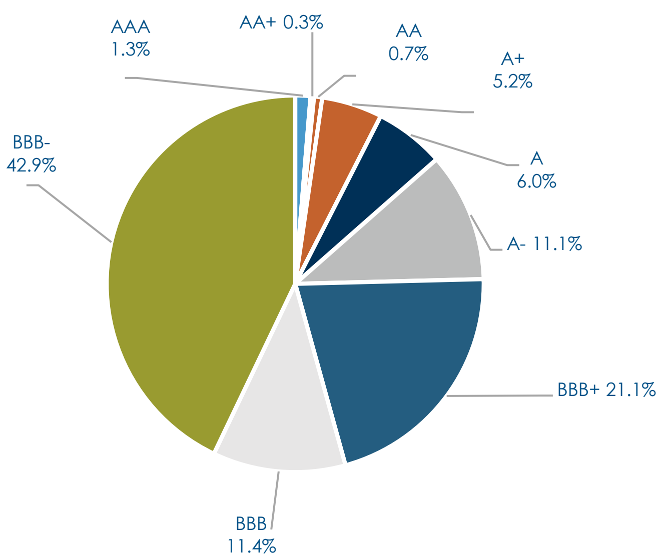


GEOGRAPHICAL EXPOSURE[3]

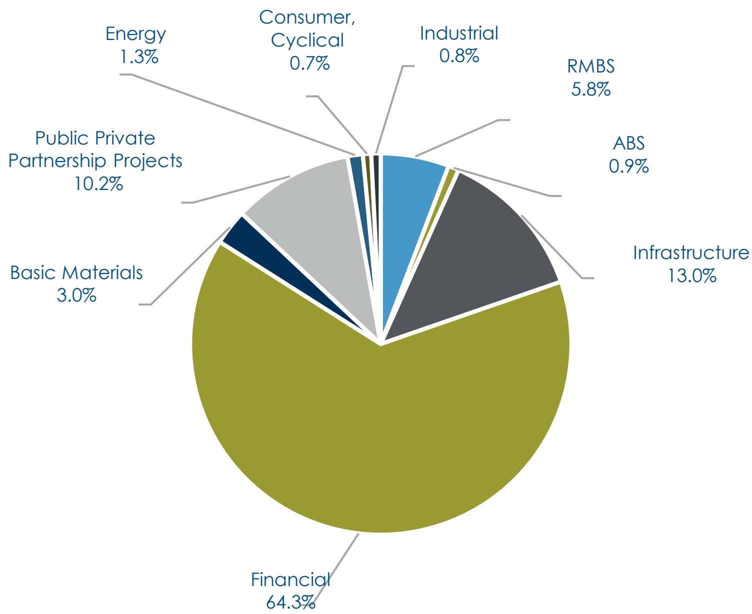


[2] Expected maturity calculated through using the next call date, or if unavailable, the legal maturity date.
[3] Geographic exposure sourced from Bloomberg issuer location.

RATING



INDUSTRY



MARKET REVIEW

The COVID-19 pandemic has created numerous economic uncertainties, leading to considerable pricing volatility within equity and credit markets during the March quarter of 2020.

Massive global central bank interventions have put a price floor on IG bonds

So far, central banks have introduced extensive liquidity support and asset purchase programs to ensure credit markets are functioning properly. These measures have begun to work and have calmed markets. Asset purchase programs conducted by global central banks have helped to put an effective price floor on high investment grade (IG) bonds. Credit spreads on these securities are gradually recovering from the height of the crisis.

However, market volatility will likely remain until positive developments regarding containment measures and vaccines emerge. Recent data on Australian infection rates is encouraging, with a relative flattening in infection rates. Should this trend continue, we will likely see a severe but short correction in Australia's economy.

The Fund has held up relatively well to-date, reflecting the "defensive" nature of the portfolio with financial, public private partnership projects and infrastructure bonds comprising of approximately 87.48% of total holdings. These sectors are very resilient and defensive in nature, given they have historically received government support when required, due to the essential services these companies provide.

The contrast between fixed income and equity asset classes cannot get any clearer. Investment grade fixed income investment portfolios have in general demonstrated more stable returns than the highly volatile share investment portfolio. This has been supported by historical data in the previous three financial crises, as well as market performance in the past quarter.

Performance of major credit and equity indices

Market Indices	Price (31/3/20)	March Performance (%)	March Qtr Performance (%)	12-Month Performance (%)
ASX200	5076.83	-21.2	-24.0	-17.9
AusBond Credit FRN[4]	2721.32	-0.9	-0.6	+1.1
AUD/USD	0.6131	-5.9	-12.7	-13.6
ISHARES US IG ETF[5]	123.51	-6.6	-3.5	3.7
ISHARES US HY ETF[6]	77.07	-10.4	-12.4	-10.9

[4] Bloomberg Ausbond Credit Floating Rate Notes 0+ Yr Index

[5] iShares IBoxx $ Investment Grade Corporate Bond ETF

[6] iShares IBoxx $ High Yield Corporate Bond ETF

The key risks associated with fixed income investments are the default risks associated with extending credit. Investors do not suffer losses if the bonds are re-paid in full at maturity. It is important to note that according to Moody's Investors Service, during the most recent global financial crisis (2007-08), the average credit loss rate for IG bonds was approximately 2%.

Government fiscal stimulus helps to cushion credit deterioration

Although the bonds in the portfolio have been subject to market volatility and illiquidity, none were downgraded during the March quarter. So far in the month of March, we have witnessed very few ratings downgrades to Australian IG issuers. Most negative rating actions in IG bonds have been related to rating outlook changes and reviews for possible rating downgrades.

To-date, negative rating actions have been tempered by significant RBA intervention and government fiscal support, as well as the intrinsic financial strength and flexibilities of the IG issuers. In addition, selected corporates have begun to raise equity to strengthen their balance sheet. These market developments are positive from an IG bond perspective.

Issuer ratings impacted by COVID-19 pandemic by region and rating actions

	Asia Pacific	Europe, the Middle East and Africa	Latin America	North America	Total
Credit watch negative	31	30	11	105	**177**
Downgrade	5	66	34	164	**269**
Downgrade & credit watch	2	26	12	68	**108**
Outlook revision	30	60	18	118	**226**
Total	**68**	**182**	**75**	**455**	**780**

Source: Moody's S&P

Outlook and Strategy

While it is difficult to predict the magnitude and length of the fall-out from the coronavirus pandemic, markets will likely recover once there are positive developments on COVID-19 global infection rates and clinical trials for vaccines. We are keeping a watchful eye but remain confident that the likelihood of default for the bonds held in the Fund is remote.

We have also seen improvements in the liquidity of high investment grade bonds and expect further improvements in liquidity premiums for IG bonds in the June quarter. We will continue to manage the Fund through this market volatility by positioning the Fund in issuers which are resilient to the impact of the COVID-19 pandemic and those which have intrinsic financial flexibilities to sustain further credit deterioration.

INVESTMENT OBJECTIVE & 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.

CONTACT

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Read our PDS

FUND STATISTICS	
Interest rate duration[7] (years)	0.06
Spread duration[8] (yrs)	4.39
Current yield to maturity[9] (pa)	4.19%
Official cash rate (pa)	0.25%
Average credit rating[10]	BBB+

KEY FEATURES	
Minimum investment	$25,000
Applications & redemptions	Monthly
Management costs	0.94% pa
Distributions	Quarterly
Buy/sell spread[11]	+0.50%/-0.50%

PLATFORM ACCESS	
Mason Stevens	✓
uXchange	✓

[7] Interest rate duration refers to the sensitivity of the price of the bond portfolio to changes in interest rate
[8] Spread duration refers to the sensitivity of the price of the bond portfolio to changes in the bond spread
[9] Yield to maturity is the estimated annual rate of return of a bond if held until maturity.
[10] Average portfolio credit rating is calculated through a weighted average of available average debt ratings from Moody's, S&P's and Fitch
[11] Buy/sell spread is retained in the fund to cover transaction costs associated with entry/exit to the fund. For further information please refer to the PDS.