

MASON STEVENS CREDIT FUND

FUND FEATURES

Global Investment Grade Bonds
Diversified Fixed Income portfolio
Regular income
Capital stability

RATED BY



| Fund performance as at 31 March 2020 ¹ | | | | | | | |
|---|-------|--------|--------|-------|-------|-------|-------------|
| | 1mth | 3mnths | 6mnths | 1 yr | 3 yrs | 5yrs | Since incep |
| | (%) | (%) | (%) | (%) | (%pa) | (%pa) | (%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.

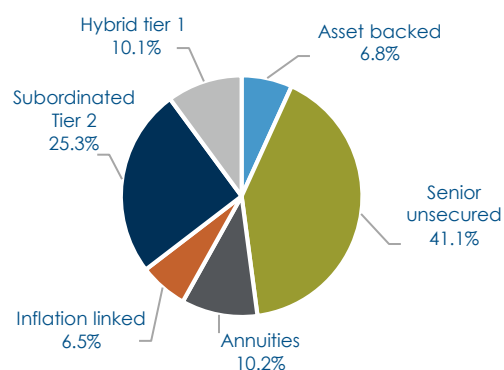
We are of the view that market volatility in IG bonds will be short term in nature, given massive monetary intervention and liquidity-support injected by global central banks to ensure that credit markets function properly.

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.

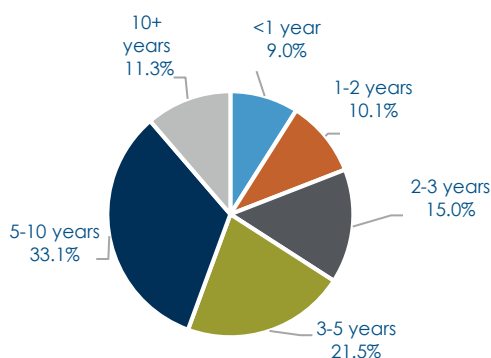
We would like to take this opportunity to thank you for your continued commitment to the Fund.

Morningstar: Mason Stevens Credit Fund received a 5 Star Overall Morningstar Rating™ out of 60 Multi-Strategy Income Funds as of 31/03/2020. © 2020 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. **SQM:** The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme

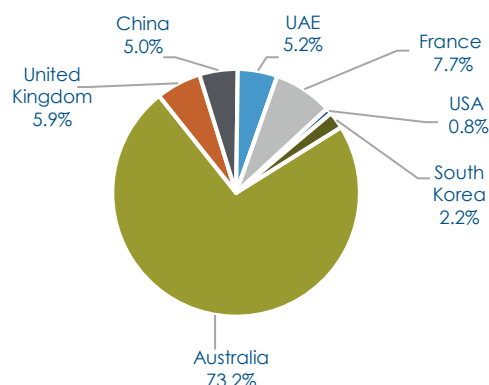
PORTFOLIO COMPOSITION



EXPECTED MATURITY²



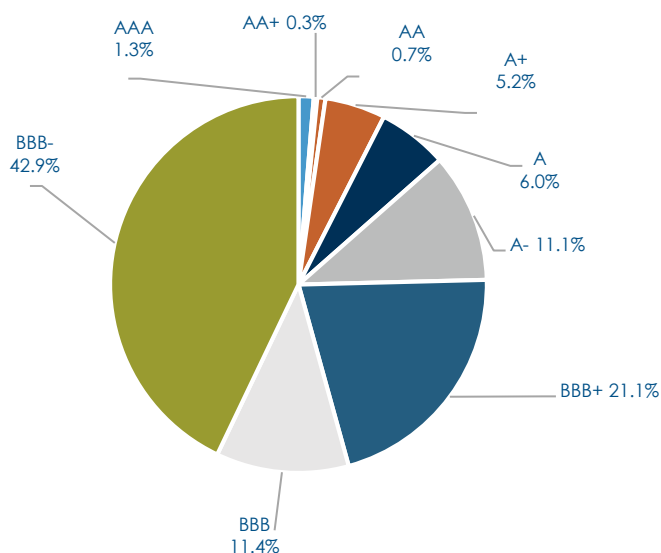
GEOGRAPHICAL EXPOSURE³



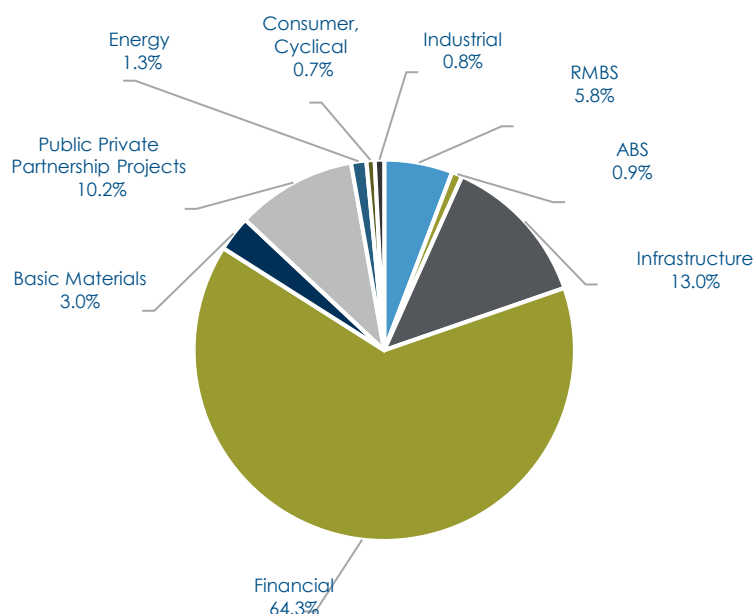
² Expected maturity calculated through using the next call date, or if unavailable, the legal maturity date.

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

T 1300 988 878
E info@msam.com.au
W www.masonstevens.com.au/credit-fund

[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.