



# DECEMBER 2017 QUARTERLY UPDATE

## AUSTRALIAN MASTERS YIELD FUND SERIES (AMYF SERIES) HIGHLIGHTS

FUND	DIVIDEND	FRANKED	TOTAL	CAPITAL RETURN	EXPECTED PAYMENT DATE
<b>AMYF#3</b>	–	–	–	–	–
<b>AMYF#4</b>	\$0.28	\$0.12	\$0.40	–	09 March 2018
<b>AMYF#5</b>	\$0.53	\$0.23	\$0.76	–	09 March 2018

During the fourth quarter (**Q4**) there were no capital returns from funds within the AMYF Series. AMYF4 and AMYF5 announced Q4 dividends on 5 February 2018.

During Q4, AMP Limited and Australian Mutual Investment Trust Series A, fixed income securities held in both AMYF3 and AMYF4, were called by their respective issuers. As these were the last remaining investments in AMYF3, following the next return of capital the Board will consider options including putting to Shareholders the option of a voluntary wind up. This approach is consistent with the process outlined in the AMYF3 Prospectus and Information Memorandum.

All existing fixed income securities held within the portfolios of the AMYF Series performed as expected. The Fund Manager is proactively managing the cash balances of the funds and will consider returning capital to shareholders when it is practical to do so.

## MARKET UPDATE

### Global markets:

- The US Federal Reserve (**The Fed**) increased the target range for its federal funds rate by 25 basis points (bps) to 1.25-1.50% at the December meeting of the Federal Open Market Committee (**FOMC**).
- The European Central Bank (**ECB**) left key policy rates unchanged at its October policy meeting. However, it announced a scale-back of its bond purchase program via a reduction in the monthly bond purchase rate to EUR30 billion (currently EUR60 billion per month) from January 2018 at least until September 2018. Policymakers were divided over the open-ended nature of the bond buying program. The ECB also raised 2017 growth forecasts by 0.2% to 2.4%.
- The 10-year US Treasury yield rose in Q4 from 2.33% to 2.41%, as low inflation figures were balanced against the Fed's monetary tightening and improved growth prospects post-passage of US tax reform legislation in December.

### Australian markets:

- The Reserve Bank of Australia (**RBA**) maintained its accommodative monetary policy position, leaving the cash rate unchanged at 1.5%.
- The 10-year Australian Government Bond yield declined, from 2.84% to 2.63%, reflecting a low inflation outlook and stable central bank policy.
- Corporate bond spreads narrowed as an uptick in third quarter (**Q3**) gross domestic product (**GDP**) growth drove higher levels of comfort in the broader economy.

## AUSTRALIAN BBB 5YR CORPORATE BOND YIELDS



## ITRAXX AUSTRALIAN CREDIT SPREADS



Source: Bloomberg. \*5YR Average has been calculated for the period from 2nd January 2013 to 21 December 2017. The iTraxx Australia Index is a liquid financial instrument generally used for hedging credit exposure. The Index is constructed of 25 evenly weighted Australian Credit Default Swaps (CDS), and is heavily represented by some of the largest and highest-rated issuers in the domestic market.

## INVESTMENT STRATEGY

The key objectives of the Funds are to provide investors an attractive rate of return and a consistent stream of franked dividends by investing in a diversified portfolio of fixed income products from issuers of sound credit quality. A capital management strategy is employed that provides the potential for capital returns throughout the life of each Fund.

## RISKS

Like all investments, an investment in the Fund carries risk and these risks are set out in detail of Section 5 of the PDS.



**AMYF#3**

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
<b>AMIT*</b>	09-Nov-22	9-Nov-17	\$4,000,000	\$4,000,000	Diversified Financials
<b>AMP BANK*</b>	21-Dec-22	21-Dec-17	\$7,500,000	\$7,500,000	Diversified Financials
<b>TOTAL</b>			\$11,500,000	\$11,500,000	

**COUPONS RECEIVED**

OCTOBER	NOVEMBER	DECEMBER
-		51,182
-	-	90,127
-	-	141,309

**AMYF#4**

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
<b>AMIT*</b>	09-Nov-22	9-Nov-17	\$3,500,000	\$3,500,000	Diversified Financials
<b>AMP Bank*</b>	21-Dec-22	21-Dec-17	\$4,500,000	\$4,500,000	Diversified Financials
<b>Morgan Stanley</b>	22-Feb-18		\$10,000,000	\$10,354,499	Diversified Financials
<b>Lend Lease<sup>A</sup></b>	13-May-20		\$15,000,000	\$14,985,150	Infrastructure
<b>Sydney Airports</b>	20-Nov-20		\$6,200,000	\$7,514,834	Airline Infrastructure
<b>TOTAL</b>			\$39,200,000	\$40,854,483	

**COUPONS RECEIVED**

OCTOBER	NOVEMBER	DECEMBER
-	-	45,648
-	-	54,076
-	-	-
-	375,000	-
-	80,700	-
-	455,700	99,725

**AMYE#5**

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
<b>Anglo American</b>	27-Sep-18		\$10,500,000	\$10,381,350	Mining
<b>IAG</b>	19-Mar-40	19-Mar-19	\$3,000,000	\$3,000,000	Diversified Financials
<b>Lend Lease<sup>A</sup></b>	13-May-20		\$25,000,000	\$24,975,250	Infrastructure
<b>PRAECO</b>	28-Jul-22	28-Jul-20	\$4,710,000	\$4,862,912	Private Public Project
<b>Mirvac Group Finance</b>	18-Sep-20		\$10,000,000	\$9,875,000	Real Estate
<b>Sydney Airports</b>	20-Nov-20		\$6,000,000	\$7,516,200	Airline Infrastructure
<b>TOTAL</b>			\$59,210,000	\$60,610,712	

\*Investment has been redeemed/sold.

<sup>A</sup>Partial redemption/sell down

Figures may not reconcile due to rounding

**COUPONS RECEIVED**

OCTOBER	NOVEMBER	DECEMBER
-	301,875	-
-	-	33,770
-	675,000	-
83,986	-	-
-	-	-
-	78,097	-
83,986	1,054,972	33,770

**DISCLAIMER**

This Quarterly Update (**Update**) has been prepared by Walsh & Company Asset Management, as Investment Manager of Australian Masters Yield Fund No.1 to 5 (**Company**). An investment in the Company is subject to various risks, many of which are beyond the control of the Investment Manager and the Company. The past performance of the Company is not a guarantee of the future performance of the Company. This Update contains statements, opinions, projections, forecasts and other material (forward looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. None of the Investment Manager and the Company, their officers, employees, agents, analysts nor any other person named in this Update makes any representation as to the accuracy or likelihood of fulfilment of the forward looking statements or any of the assumptions upon which they are based. This Update may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs, and consider obtaining advice from a financial advisor. You should obtain a copy of the relevant Prospectus or offer document before making any decisions to purchase the product.