Mason Stevens Wholesale Cash Enhanced Managed Portfolio Performance Report as at 31 March 2024

Investment objective and strategy

The investment objective of the Managed Portfolio is to provide a return of 40-65 basis points p.a. above the Benchmark (after fees) over a rolling 1-3 year period.

The portfolio seeks to optimise running yield, with minimal credit, interest rate duration and credit spread duration risk; to generate superior risk adjusted returns, that are in line with the investment objectives.

Portfolio performance as at 29 February 2024[1]

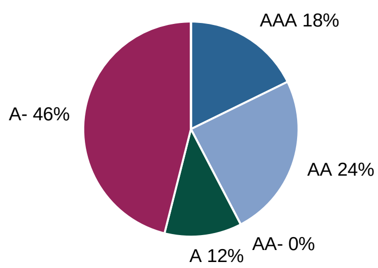
	1 month	3 months	6 months	1 year	Since inception (% p.a.)
Portfolio	**0.46%**	**1.32%**	**2.66%**	**n/a**	**5.34%**
Benchmark	0.37%	1.09%	2.18%	n/a	4.24%
Excess Return	0.09%	0.23%	0.48%	n/a	1.10%

Portfolio statistics and composition

Portfolio Statistics*	
Yield to call[2]	4.98%
Running yield[3]	5.67%
Term to call/maturity[4]	0.59
Interest Rate Duration	0.11
Average Rating	A+

*Ex cash

Rating



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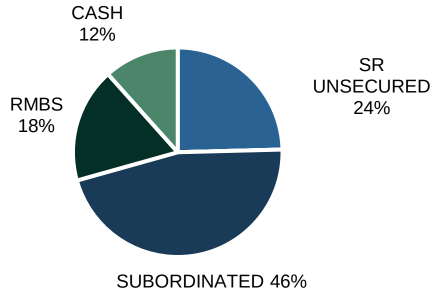
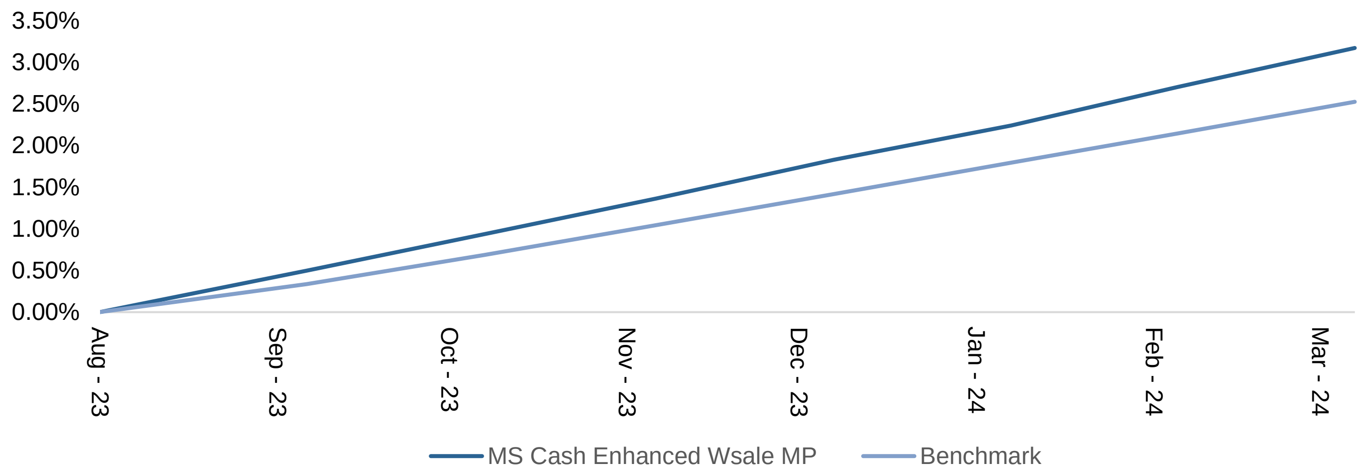


Performance since inception



Past performance is not a reliable indicator of future performance.

1 Benchmark is RBA Cash Rate. Returns are calculated net of management, performance, administration/custody and transaction fees, but excluding any adviser fees from the Managed Portfolio's inception date of 25/08/2023 and, assumes reinvestment of all income (but not franking credits). Where performance is greater than one year, performance returns are annualised. Returns are based on the theoretical performance of a portfolio which implemented the Managed Portfolio from the inception date, based on simplifying assumptions and security weightings. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, contributions and withdrawals, fees and any customisations. Each client should also take into account their own taxation situations. All information provided in this report is correct as at the date of this report.

2 Yield to call is the estimated annual rate of return of a bond if held until its call date

3 Annual income on a bond divided by its current market value. Includes any applicable franking credits and expected cash distribution.

4 Average weighted length of time bond maturity or call date. As at the date of this report: weighted averages are based on current market prices and target portfolio weights. The portfolio is actively managed, and as such actual "outcomes will vary with changes made to positions in the portfolio, which may occur at any time. Portfolio statistics are for illustrative purposes only.

Performance and portfolio overview

The portfolio returned 0.46% (after fees) during the month, with long end rates and credit offsetting each other in muted moves either way. The RBA remained on hold and communicated a data dependent process with no real indication of a move lower or higher in coming months. RBA projections indicated one to two cuts by the end of the year, however markets were seeing barely one cut at time of writing. Credit spreads continued to tighten albeit appeared to have reached a period of consolidation towards the end of the month. Investor demand remains quite strong with new bond issues, as has been the case since the beginning of the year.

The portfolio performed ahead of its benchmark for the month with carry and minor capital gains contributing to performance. Interest rate duration was relatively unchanged and remains low at 0.11 with a weighted average credit duration of 0.59.

Trades during the month included additions to the portfolio for SAPP A2 notes and Westpac Senior at attractive yields. We will continue to build out the portfolio as opportunities arise.

Market outlook

Disinflationary growth is unambiguously bullish for risk assets. Consequently, credit and equities markets have started the year strongly. Although globally this is reflective of a view by investors that activity momentum is in the process of bottoming out, and that earnings growth is set to accelerate this year and beyond. More locally stronger unemployment data was offset by weaker consumer confidence and retail sales which helped rates in the long end stay relatively contained. Even though rate markets have seen a push back on the narrative of the Federal Reserve (Fed) cutting this year in the US, the extent of the increase in yields was not seen in Australia. Consequently, the local fixed income market outperformed the US experience for the month.

The Fed and other G10 central banks have ample room to ease policy, and rate cuts can serve as a safeguard against a severe recession.

With inflation having fallen, despite the recent bumps, but the unemployment rate creeping higher, Fed policy has begun to tilt from being focused squarely on fighting inflation to a more balanced approach that stresses both price stability and "maximum employment". What is important is that the Chair of the Fed, Jerome Powell, has telegraphed a new message: by lifting both inflation and GDP projections for 2024, the Fed has lowered the bar for its planned policy easing.

Broad consensus has emerged that both the Fed and the European Central Bank could start cutting rates this year, barring any major unexpected developments in the data, while the Bank of England would likely begin the easing journey later due to relatively 'stickier' inflation. The Bank of Japan exited negative rates with the first hike since 2007, only a couple of days before the Swiss National Bank kicked-off their easing cycle with a 25-bps cut. Strong data in the US has finally given Powell to pause on the idea of a rate cut for June this year, however the Fed still sees the first move as down given historically high real rates and long and variable lags of policy.

Whilst the Reserve Bank of Australia (RBA) is somewhat behind the Fed, RBA Governor Bullock's shift to a neutral stance lays the groundwork for a potential rate cut or more later in the year. Bullock reiterated that the RBA is "not ruling anything in or anything out" and characterised this incrementally dovish language as a "response to some data that makes us more confident about the path we are on".

Key features

Investment universe	Bonds (financial, government, corporates), Residential Backed Securities (RMBS), Asset Backed Securities (ABS), Floating Rate Notes (FRN), Major Bank T2 and Cash Deposits. Securities may be listed on an exchange or unlisted.
Benchmark	RBA Cash Rate
Target Return	RBA Cash Rate + 40-65 basis points, after fees
Minimum number of investments	5
Maximum number of investments	30
Min investment	$25,000 (or as agreed by the Investment-Sub Adviser)
Suggested timeframe	3-5 years +
Portfolio Manager	**Lloyd Mitchell** – Head of Fixed Income & Markets, Mason Stevens
Portfolio management	The Managed Portfolio is managed by Mason Stevens Asset Management Pty Limited (MSAM) as Portfolio Manager. MSAM is part of the Mason Stevens group of companies.

The Managed Portfolio is managed by Mason Stevens Asset Management Pty Limited (MSAM) ABN 92 141 447 654, as the Investment Sub- Adviser. MSAM is a Corporate Authorised Representative (CAR 461312) of Mason Stevens Limited. Investment decisions are governed by an Investment Committee that ensures the appropriate discipline and rigour is applied to the investment process.

More information
Further information about the Portfolio, including fees and costs, is outlined in the Mason Stevens Cash Enhanced Managed Portfolio Investment Mandate available at masonstevens.com.au

About Mason Stevens
Mason Stevens is a specialist wealth platform provider that focuses on Managed Account (MA) solutions. The company offers Outsourced CIO (Chief Investment Office) services that complement the platform and MA solutions. Established in 2010, Mason Stevens is led by some of Australia's most experienced finance and investment professionals. With offices in Sydney and Melbourne, Mason Stevens has a dedicated team of over 80 professionals committed to providing exceptional services nationwide.

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