

Mason Stevens Wholesale Fixed Income Managed Portfolio

Performance Report as at 29 February 2024



Investment objective and strategy

The investment objective of the Managed Portfolio is to provide investors with a pre-tax return that outperforms the RBA Cash Rate by 3% pa after fees over a time horizon greater than three years.

It will seek to achieve this objective by investing in a portfolio of predominantly investment grade fixed interest securities, government, semi-government and corporate bonds, subordinated debt securities, hybrid instruments (including converting preference shares, convertible notes, and income securities), residential mortgage-backed securities (RMBS), asset backed securities (ABS), floating rate notes (FRNs), cash and term deposits.

Portfolio performance as at 29 February 2024¹

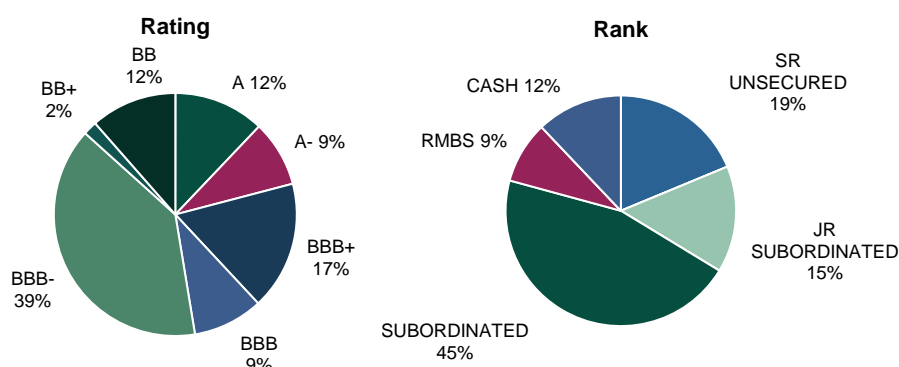
	1 month	3 months	6 months	1 year	3 year (p.a.)	5 year (p.a.)	Since inception (% pa)
Portfolio	0.59%	2.93%	4.22%	7.23%	3.64%	2.77%	3.41%
Benchmark	0.35%	1.09%	2.15%	4.15%	1.96%	1.41%	1.45%
Excess Return	0.24%	1.84%	2.07%	3.08%	1.68%	1.36%	1.96%

Portfolio statistics and composition

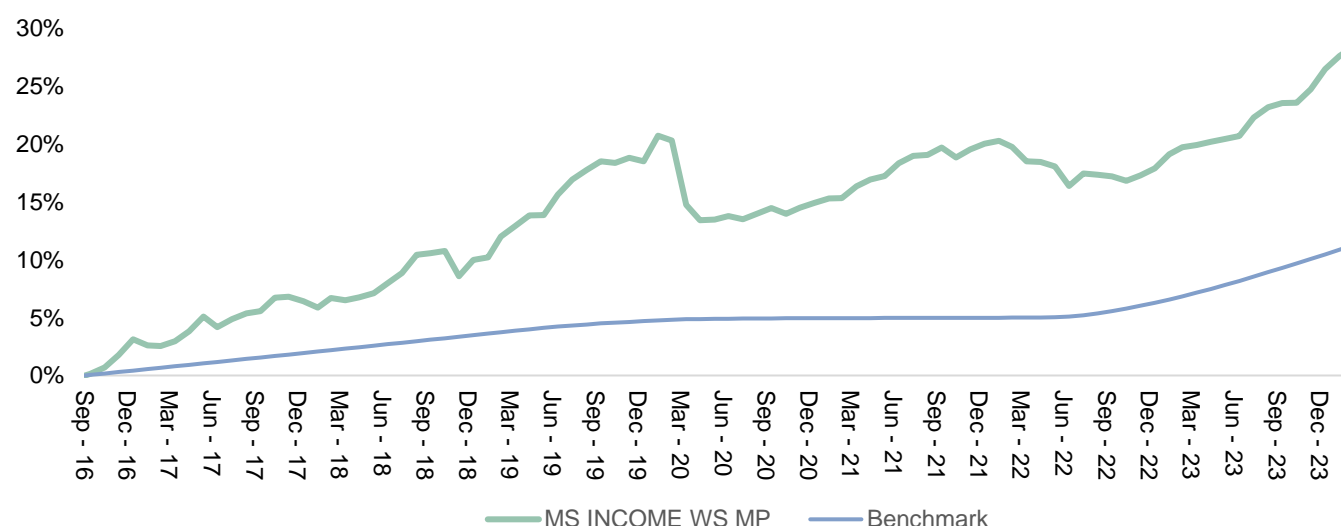
Portfolio Statistics*

Yield to call ²	6.85%
Running yield ³	6.56%
Term to call/maturity ⁴	2.59
Interest Rate Duration	1.09
Average Rating	BBB

*Ex cash



Performance since inception



Past performance is not a reliable indicator of future performance.

- 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 30/03/16 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.
- Yield to call is the estimated annual rate of return of a bond if held until its call date
- Annual income on a bond divided by its current market value. Includes any applicable franking credits and expected cash distribution.
- 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 0.59% 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, which is consistent with markets pricing. Credit spreads continued to tighten in the wake of record issuance that at any other time would have been likely to see wider spreads. Investor demand remains quite strong with new bond issues seeing many multiples of coverage and low new issue concessions.

The portfolio performed ahead of its benchmark for the month with carry and capital gains contributing to performance. Credit spreads were mostly tighter with RMBS outperforming most other sectors. RMBS has been highly sought after since the start of the new year and continues to see the biggest demand in primary markets. The portfolio will continue to deliver strong carry with room to the upside for capital returns. Interest rate duration was steady at 1.09 with a weighted average credit duration of 2.59. Some interest rate duration will be added in the next month.

Trades during the month included additions to the portfolio for ORDE and SCTPC E notes at very attractive yields, UBS, Macquarie an LBBW which are higher yielding T1 and T2.

Market outlook

February was a busy month in terms of both economic and company data being released. On an economic front key data was supportive of the “No Landing” scenario. Services sector PMI (Purchasing Manufacturing Index) saw both Australia and the United States both reaccelerating with China and the Euro Area also trending in the right direction.

Additionally, disinflation trends disappointed with some concern coming to the fore around sticky inflation. January economic data is inherently difficult with seasonal adjustments often causing problems.

The US is potentially in another major productivity boom, with the latest data suggesting a major uptick in output per hour – from -2.4% in late 2022 to 2.7% last quarter. Time will tell if this trend continues in the US and also translates to other major developed markets like Australia and Europe.

From a long-term viewpoint, there is an argument that the coming AI wave may result in a secular revival in productivity growth. If so, the recent positive surprise in economic growth if it combines with continued disinflation could be a harbinger of what may play out in the longer run. If we indeed relive a disinflationary boom, this could result in a productivity-led economic expansion which should be bullish for risk assets including credit.

The dynamic in Australia is a bit more nuanced given wages growth have been stronger domestically much to do with the rise in the minimum wage last year, however there are no immediate signs of a reversal anytime soon.

Australian economic data has been softer versus the US experience with weaker retail sales, less fiscal spending and a higher unemployment rate during the month. However, property remains a key wealth creator and continues to rise with many betting that rates will soon be reducing. Inflation has also been more consistent in decreasing in the recent month versus the US, although the US is still much further progressed in the battle with inflation overall. AU rates have subsequently proven to be weaker versus US in the long end and has helped to support credit locally with record issuance absorbed easily through the month. This trend is likely to continue under the current conditions, outside of a more challenging inflation experience.

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 Wholesale Fixed Income 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.

Key features

Investment universe

Bonds (corporate, bank, government), subordinated debt securities, hybrids, RMBS, ABS, FRNs, cash deposits, term deposits, Securities may be listed on an exchange or unlisted, including repackaged securities, CLNs and CDSs. It may include overseas securities

Benchmark

RBA Cash Rate

Target Return

RBA Cash Rate +3.00% pa, after fees

Cash Weighting limit

1.5%-100%

Maximum non-rated/sub investment grade weighting

20%

Maximum RMBS/ABS weighting

20%

Maximum foreign currency exposure

100%

Min investment

\$200,000 (or as agreed by the Program 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.

Contact: Investors please speak to your adviser

T 1300 988 878

E wealth@masonstevens.com.au