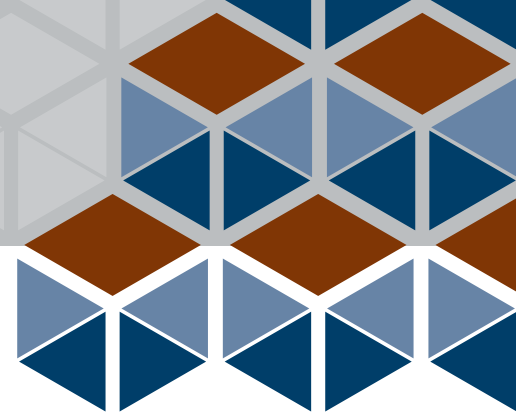




**AUSTRALIAN
MASTERS
YIELD**
FUND SERIES



AMYF SERIES QUARTERLY UPDATE

1 OCTOBER – 31 DECEMBER, 2014

SUMMARY

AUSTRALIAN MASTERS YIELD FUND SERIES (AMYF SERIES) HIGHLIGHTS

- The following dividends have been announced:
 - Australian Masters Yield Fund No 1 (AMYF1), announced a fully franked dividend of \$1.40 per share to be paid on 12 February 2015.
 - Australian Masters Yield Fund No 2 (AMYF2), announced a fully franked dividend of \$1.20 per share to be paid on 12 February 2015.
 - Australian Masters Yield Fund No 3 (AMYF3), announced a fully franked dividend of \$1.80 per share to be paid on 3 March 2015.
 - Australian Masters Yield Fund No 4 (AMYF4), announced a fully franked dividend of \$0.93 per share to be paid on 12 February 2015.
 - Australian Masters Yield Fund No 5 (AMYF5), announced a fully franked dividend of \$0.90 per share to be paid on 12 February 2015.
- The following capital return has been announced:
 - AMYF3 announced a capital return of up to \$5.14 per share. Final details of the capital return will be announced in February 2015.
- All existing fixed income investments held in the AMYF Series performed as expected.

MARKET HIGHLIGHTS

- **Global markets:** The market is now focused on the timing of the first rate hike in the US, where the Federal Reserve (Fed) will wait to receive a few months of stable economic data points. However, low inflation from depressed oil markets makes this a challenge for the Fed. The European Central Bank (ECB) furthermore announced in early 2015 a new full-fledged Quantitative easing program.
- **Australian rates:** The Reserve Bank of Australia (RBA) has continued to leave the official cash rate untouched. The yield curve continues to flatten along with the market pricing in a rate cut in the futures market.
- **Domestic credit:** Australian credit has seen spreads on corporate bonds continue to grind lower with large volumes of transactions coming to the primary market during the December 2014 quarter.



AMYF ACTIVITY

AMYF Series announced the following quarterly dividends

FUND	DIVIDEND	FRANKED	GROSSED UP	CAPTIAL RETURN*	EXPECTED PAYMENT DATE
AMYF1	\$1.40	\$0.60	\$2.00	\$0.00	12 February 2015
AMYF2	\$1.20	\$0.51	\$1.71	\$0.00	12 February 2015
AMYF3	\$1.80	\$0.77	\$2.57	\$5.14	3 March 2015
AMYF4	\$0.93	\$0.40	\$1.33	\$0.00	12 February 2015
AMYF5	\$0.90	\$0.39	\$1.29	\$0.00	12 February 2015

*Capital return is up to this amount with final details to be announced in February 2015

During the Quarter, the Royal Bank of Scotland bond that was held in AMYF1, AMYF2 and AMYF3 matured. Additionally, the HBOS Plc bond which was held in AMYF1, AMYF2 and AMYF3 was called early by the issuer, and the Loy Yang Power Projects loan held in AMYF3 was also repaid early. These early redemptions in AMYF1-3 have resulted in higher dividends payable for the December 2014 quarter (as announced in this notice).

As underlying investments have matured and capital has been returned to shareholders for all of the AMYF funds, and as more investments mature, future dividends amounts will be more varied quarter to quarter and across the AMYF Series. This is as the frequency of coupons from the existing investments will be more spread out with less underlying investments held within the funds.

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

GLOBAL MARKETS UPDATE

The US economy ended the last quarter of 2014 (Q4 2014) on a strong note as it continued to deliver strong and robust economic data indicating a US recovery. The US Fed ended its asset purchase program in October but has maintained its conservative stance on further normalizing interest rates. In its most recent Federal Open Market Committee meeting (December), the Fed replaced the “considerable time” phrasing with that of being “patient” in the normalization of rates. As such, the Fed expressed its intent to take a balanced approach, basing its decision on targeting 2% inflation and stable and positive employment growth, while whilst also considering the current and expected economic conditions. However, while inflation in the US is still below this 2% target range, the Fed will be reluctant to act too quickly or aggressively in raising rates. This low inflation environment has been fuelled by the prevailing low oil pricing with prices plunging sharply in Q4 2014 due to a supply surplus with OPEC deciding not to cut back on production while the US shale oil producers maintained their higher output. Core inflation was also dragged lower due to a strengthening US dollar (USD), which ended the year close to a 9-year high against a basket of major currencies.

In the Eurozone, the ECB has held interest rates steady at all-time lows and pledged to continue buying covered bonds and other asset-backed securities. The ECB President Draghi announced in early 2015 an expansion of its asset purchases, adding new stimulus measures to boost growth and economic recovery in the region. These new stimulus measures will also avert the threat of deflation and boost lending.

October also saw an unexpected announcement by the Bank of Japan on extension of its Quantitative Easing Program. Additionally, mixed economic data from China forced a surprise rate cut by the Chinese central bank in November.

AUSTRALIAN FINANCIAL MARKET UPDATE

In Australia, house prices, the Australian Dollar (AUD) currency, domestic growth, non-mining investment, business confidence and unemployment remain the key areas of focus for the RBA. The Australian economy has remained an area of concern for the RBA with some analysts moving to predict a rate cut (or two) in 2015, and in December 2014 the market moved to pricing in a rate cut.



Australia's economic growth in the third quarter came weaker-than-expected largely due to a slump in mining investment, deterioration in domestic demand and falling global commodity prices, leading to a moderate third quarter decline in Australian equities. The domestic weakness prompted investors to switch to safer investments, raising bond prices and lowering yields.

DOMESTIC RATES

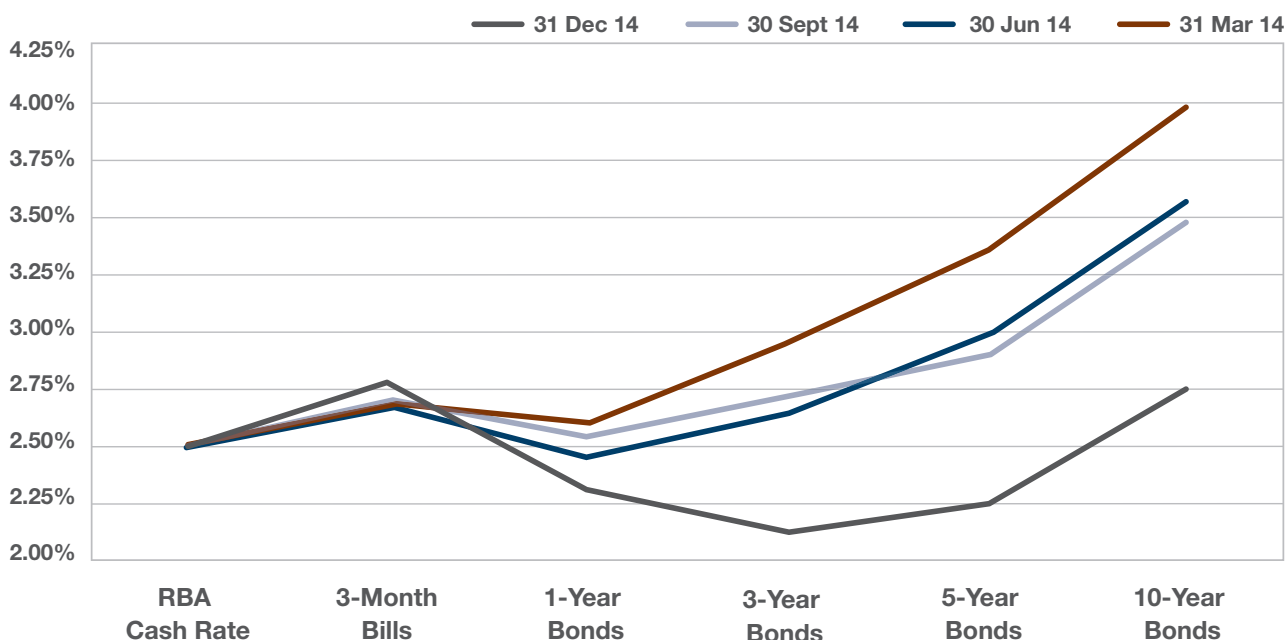
The RBA continued to hold its stance in keeping the official cash rate at 2.5% for the 17th consecutive month. Rate cut expectations gained momentum in early December 2014 after disappointing September quarter GDP data revealed the economy grew 2.7% year-on-year, against expectations for a 3.1% rise. However, the RBA quickly downplayed the possibility of near-term rate cuts. In a recent interview, RBA Governor Glenn Stevens, indicated that the economy, employment and inflation were roughly where they were expected to be.

The RBA has continued to reiterate their preference to provide additional stimulus to come from the lower AUD rather than additional rate cuts. For the most part of 2014, the RBA has said that a "period of stability is ahead for rates" and there has been no sign of this rhetoric changing. The rationale is that businesses need certainty to increase investment and additional rate cuts could have the inadvertent consequence of suggesting the economy is weaker than it is. A lower AUD will also boost consumption and improve export competitiveness.

The AUD has fallen 14% against the USD in the past six months, however Glenn Stevens recently stated that the Australian dollar must fall another 8% against the USD to 75c in order to assist the economy's transition away from mining investment. Lower commodity prices, especially for iron ore and oil, expectations of rate hikes in the USA by mid 2015, and slower mining investment will continue exerting downward pressure on the AUD in 2015.

Australian Commonwealth Government Bonds (ACGB) recorded their best year since 2011 as slower economic growth and slumping commodity prices fueled speculations of interest-rate cuts, pushing benchmark yields toward record lows and prices to new highs. Furthermore, during the month of December 2014, ACGBs yields dropped as many investors in the market took risk out of their portfolios and allocated higher portions of their portfolios to ACGBs due to their low risk.

AUSTRALIAN GOVERNMENT YIELD CURVE



Source: Bloomberg



DOMESTIC CREDIT

Australian credit spreads experienced an increase in volatility and finished off the quarter at a higher level relative to where it started in October.

ITRAXX AUSTRALIAN CREDIT SPREADS



Source: Bloomberg

Australian corporate bonds rallied strongly in the December quarter, resulting in lower yields. Bond yields fell to a record low on increased market speculation around a possible rate cut amid slowing economic growth and falling commodity prices.

The Australian Corporate Bond BBB composite declined significantly to close below a 4.25% yield over the course of the quarter.



AUSTRALIAN BBB 5YR CORPORATE BOND YIELDS



Source: Bloomberg

During the December quarter, the domestic debt issuance totaled \$16.2 billion, largely dominated by domestic financial institutions. Domestic financial institutions issuances amounted to \$7.0 billion or 43.2% of the total issuances during the period. Corporate issuances were subdued during the period, totaling \$2.9 billion, across eight issues.

In October, AGL Energy limited had a \$600 million issuance of 7-year fixed rate Medium Term Note (MTN), the largest 7-year MTN transaction in over a decade. In December, two non-financial corporates came back to the Australian market after a long gap - John Deere Financial and Envestra (now trading as Australian Gas Networks).

HYBRID MARKET UPDATE

The hybrid market had a lackluster performance in the December quarter as the new issuances from the prior quarter all experienced a drop in prices. Four institutions, Commonwealth Bank of Australia, Bendigo and Adelaide Bank, Challenger, and Macquarie Group, launched issues totaling \$4.1 billion over the third quarter of 2014, all of which are currently trading below par.

Investors in bank hybrids suffered losses due to the oversupply of the hybrid structures in the market in a short time frame of large primary issuance. This fall in prices has opened questions regarding future issuance of bank hybrids, especially in light of the recent Financial System inquiry, which recommended that the major banks increase minimum capital requirements to add stability to the financial system. This would be in turn funded through additional Tier 1 or Tier 2 instruments.



DECEMBER QUARTER DIVIDENDS & CAPITAL RETURNS**

FUND	CASH	FULLY FRANKED	CAPITAL RETURNS***
AMYF#1	\$1.40	\$2.00	\$0.00
AMYF#2	\$1.20	\$1.71	\$0.00
AMYF#3	\$1.80	\$2.57	\$5.14
AMYF#4	\$0.93	\$1.33	\$0.00
AMYF#5	\$0.90	\$1.29	\$0.00

AMYF#1

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
Generator Income Trust*	8-Oct-11		\$1,654,500	\$1,507,009	Diversified Financials
Southern Cross Airports*	20-Dec-16	1-Jan-12	\$2,205,600	\$2,167,700	Transportation
Royal Bank of Scotland*	27-Oct-14		\$21,900,000	\$19,086,932	Diversified Financials
DBNGP Finance	29-Sep-15		\$5,000,000	\$5,109,000	Utilities
HSBC Bank (Australia)	26-Nov-20	26-Nov-15	\$3,000,000	\$3,000,000	Diversified Financials
Mirvac Group Finance	16-Sep-16		\$8,500,000	\$8,642,990	Real Estate
Adelaide Airport	20-Sep-16		\$1,000,000	\$899,130	Transportation
Bank of America	14-Feb-17		\$10,100,000	\$8,797,248	Diversified Financials
HBOS Plc (Lloyds)*	1-May-17	1-May-12	\$15,000,000	\$12,631,391	Diversified Financials
Wachovia Bank (Wells Fargo)	25-May-17		\$7,000,000	\$6,023,630	Diversified Financials
Bank of Queensland	14-Apr-21		\$20,000,000	\$20,000,000	Diversified Financials
			\$95,360,100	\$87,865,030	

AMYF#2

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
Generator Income Trust*	8-Oct-11		\$1,827,500	\$1,767,716	Diversified Financials
Southern Cross Airports*	20-Dec-16	1-Jan-12	\$790,200	\$788,263	Transportation
Royal Bank of Scotland*	27-Oct-14		\$5,000,000	\$4,381,050	Diversified Financials
Bank of Queensland	10-May-21	10-May-16	\$10,000,000	\$10,000,000	Diversified Financials
Genworth Financial Mortgage Insurance	30-Jun-21	30-Jun-16	\$6,000,000	\$6,011,530	Diversified Financials
IMB Building Society	16-Sep-21	16-Sep-16	\$10,000,000	\$10,000,000	Diversified Financials
Bank of America	14-Feb-17		\$6,900,000	\$5,571,368	Diversified Financials
HBOS Plc (Lloyds)*	1-May-17	1-May-12	\$2,000,000	\$1,560,000	Diversified Financials
			\$42,517,700	\$40,079,927	

COUPONS RECEIVED

OCTOBER	NOVEMBER	DECEMBER
-	-	-
-	-	-
192,285	-	-
-	-	70,767
-	41,047	-
-	-	-
-	-	7,259
-	76,966	-
-	131,415	-
-	53,196	-
310,279	-	-
502,564	302,624	78,026

COUPONS RECEIVED

OCTOBER	NOVEMBER	DECEMBER
-	-	-
-	-	-
43,901	-	-
-	158,938	-
-	-	112,042
-	-	165,545
-	52,581	-
-	17,522	-
43,901	229,041	277,587



AMYF#3

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
Royal Bank of Scotland*	17-Feb-17	17-Feb-12	\$4,000,000	\$2,982,720	Diversified Financials
FKP Property Group*	05-Jan-16	5-Jan-14	\$4,000,000	\$3,867,611	Real Estate
Royal Bank of Scotland*	27-Oct-14		\$6,100,000	\$5,015,789	Diversified Financials
Loy Yang Power Projects*	12-Nov-15		\$10,464,705	\$9,941,470	Utilities
Bank of America	14-Feb-17		\$17,400,000	\$14,001,455	Diversified Financials
Morgan Stanley	22-Feb-17		\$7,000,000	\$6,205,450	Diversified Financials
Bank of Queensland	22-Mar-22	22-Mar-17	\$15,000,000	\$15,000,000	Diversified Financials
Insurance Australia Group	01-May-19	1-May-17	\$7,975,000	\$7,975,000	Diversified Financials
HBOS Plc (Lloyds)*	01-May-17		\$5,400,000	\$4,191,165	Diversified Financials
Morgan Stanley	09-May-17		\$5,100,000	\$5,100,000	Diversified Financials
IMB Building Society	29-Jun-22	29-Jun-17	\$8,000,000	\$8,000,000	Diversified Financials
AMIT	09-Nov-22	9-Nov-17	\$4,000,000	\$4,000,000	Diversified Financials
AMP Bank	21-Dec-22	21-Dec-17	\$7,500,000	\$7,500,000	Diversified Financials
			\$101,939,705	\$93,780,660	

COUPONS RECEIVED

OCTOBER	NOVEMBER	DECEMBER
-	-	-
-	-	-
53,559	-	-
-	103,478	-
-	132,594	-
-	55,975	-
-	-	258,479
-	-	-
-	47,309	-
-	204,000	-
-	-	139,417
-	-	66,946
-	-	107,736
53,559	543,357	572,577

AMYF#4

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
McAleese Finance*	03-Apr-15		\$10,000,000	\$10,000,000	Mining Services
UPMG*	30-Jun-18		\$5,250,000	\$5,000,000	Industrials
Loy Yang Power Projects	12-Nov-15		\$21,114,242	\$20,196,856	Utilities
BIS Industries	21-Dec-15		\$7,500,000	\$7,500,000	Mining Services
Morgan Stanley	29-Sep-16		\$3,600,000	\$3,774,500	Diversified Financials
IMB Building Society	29-Jun-22	29-Jun-17	\$4,500,000	\$4,500,000	Diversified Financials
AMIT	09-Nov-22	9-Nov-17	\$3,500,000	\$3,500,000	Diversified Financials
AMP Bank	21-Dec-22	21-Dec-17	\$4,500,000	\$4,500,000	Diversified Financials
Morgan Stanley	22-Feb-18		\$10,000,000	\$10,354,499	Diversified Financials
Westpac	08-Mar-21	8-Mar-19	\$2,500,000	\$2,500,000	Diversified Financials
NAB	22-Mar-21	19-Mar-19	\$2,500,000	\$2,500,000	Diversified Financials
Lend Lease	13-May-20		\$15,000,000	\$14,985,150	Infrastructure
Sydney Airports	20-Nov-20		\$6,200,000	\$7,514,834	Airline Infrastructure
			\$96,164,242	\$96,825,839	

COUPONS RECEIVED

OCTOBER	NOVEMBER	DECEMBER
-	-	-
-	-	-
-	208,577	-
-	-	-
-	-	-
-	-	78,422
-	-	58,578
-	-	64,642
-	-	-
-	-	25,415
-	-	25,575
-	450,000	-
-	77,099	-
-	735,675	252,631



AMYF#5

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
UPMG*	30-Jun-18		\$15,750,000	\$15,000,000	Industrials
BIS Industries	21-Dec-15		\$7,500,000	\$7,500,000	Mining Services
Anglo American	27-Sep-18		\$10,500,000	\$10,381,350	Mining
Westpac	08-Mar-21	8-Mar-19	\$2,000,000	\$2,000,000	Diversified Financials
NABPA	22-Mar-21	19-Mar-19	\$2,500,000	\$2,500,000	Diversified Financials
IAG	19-Mar-40	19-Mar-19	\$3,000,000	\$3,000,000	Diversified Financials
Lend Lease	13-May-20		\$25,000,000	\$24,975,250	Infrastructure
PRAECO	28-Jul-22	28-Jul-20	\$4,710,000	\$4,862,912	Private Public Project
Mirvac Group Finance	18-Sep-20		\$10,000,000	\$9,875,000	Real Estate
Sydney Airports	20-Nov-20		\$6,000,000	\$7,516,200	Airline Infrastructure
NAB CPSII	19-Dec-22	17-Dec-20	\$1,384,000	\$1,384,000	Diversified Financials
ANZ PD	01-Sep-23	01-Sep-21	\$4,541,000	\$4,541,000	Diversified Financials
ANZ PE	15-Mar-24	15-Mar-22	\$5,000,000	\$5,000,000	Diversified Financials
			\$97,885,000	\$98,535,712	

* Investment has been redeemed.

** Does not include dividends paid and capital returned during the quarter that were recorded in the previous quarterly update for the fund.

*** Capital Return up to this amount.

**** Figures may not reconcile due to rounding.

COUPONS RECEIVED

OCTOBER	NOVEMBER	DECEMBER
-	-	-
-	-	-
-	301,875	-
-	-	45,907
-	-	-
-	-	40,763
-	750,000	-
83,986	-	-
-	-	-
-	74,612	-
-	-	14,222
-	-	-
83,986	1,126,487	100,892