

AMYF5 CHAIRMAN'S ADDRESS

Welcome to the Annual General Meeting for the Australian Masters Yield Fund No 1, No 2, No 3, No 4 and No 5 (**AMYF1, AMYF2, AMYF3, AMYF4 and AMYF5 or the Funds**) for the financial year ended 30 June 2014 (**FY14**). The funds are part of the Australian Masters Yield Fund Series (**AMYF Series**).

Chairman's Address –

All of the funds in the AMYF Series are now fully invested with all now also returning capital as the underlying investments mature, redeem or have been realized.

The persistent low yield environment has continued to dominate the fixed income markets globally and have meant opportunities for reinvestment are very limited. This has primarily been fuelled by large global stimulus programs being run out of central banks including the RBA maintaining the cash rate at 2.5% since August 2013. Furthermore, the low default environment and high demand for yield has continued to drive down credit spreads.

Corporations have been taking advantage of these market conditions and bond issuance has continued to grow with record numbers of issuance as well as multiple new issuers coming to market during 2014.

Over the last quarter, a number of hybrids have also come to market as financial institutions prepare their balance sheets for Basel III.

All funds within the Series have continued to perform well, with the Boards comfortable with the underlying investments of the funds.

AMYF1 currently holds 7 investments across infrastructure, financial and property sectors. AMYF2 is currently holding 4 investments, with the majority of its exposure to the financial sector.

AMYF1 paid \$3.65 in dividends during FY14 totaling \$5.22 including franking. AMYF1 will pay its next distribution of \$0.95 in November 2014 and is scheduled to pay its first capital return of \$21.10 per share, subject to shareholder approval in this AGM.

AMYF1 is forecast to return up to 41% of capital by December 31st 2015 based on underlying redemptions.

AMYF2 paid \$3.74 in dividends during FY14 totaling \$5.34 including franking. AMYF2 will pay its next distribution of \$0.90 in November 2014 and is scheduled to pay its first capital return of \$10.30 per share in November 2014, subject to shareholder approval in this AGM.

AMYF2 is forecast to return up to 14% of capital by December 31st 2015 based on underlying redemptions.

AMYF3 currently holds 7 remaining investments across a range of sectors. AMYF3 paid \$4.69 in dividends during FY14 totaling \$6.69 including franking. AMYF3 will pay its next distribution of \$1.20 in November 2014. AMYF3 paid its first capital return of \$7.01 per share in May 2014. AMYF3 is forecast to return up to 27% of capital by December 31st 2015 based on underlying redemptions.

AMYF4 currently holds 11 investments across financial, mining services and Airport sectors. AMYF5 is currently holding 12 investments, with exposure to financial, Airport, mining services, infrastructure, property and PPP sectors.

AMYF4 paid \$3.35 in dividends during FY14 totaling \$4.78 including franking. AMYF4 will pay its next distribution of \$0.71 in November 2014. In May 2014 the fund paid its first capital return of \$10.04 per share, and is also scheduled to pay its second capital return of \$5.02 in November 2014, subject to shareholders approval at this AGM. AMYF4 is forecast to return up to 35% of capital by December 31st 2015 based on underlying redemptions.

AMYF5 paid \$4.10 in dividends during FY14 totaling \$5.85 including franking. AMYF5 will pay its next distribution of \$0.73 in November 2014. This AGM also seeks approval of AMYF5's first return of capital of up to \$14.84 per share. Subject to approval at this AGM AMYF5 is scheduled to return capital of \$14.50 per share in November 2014. AMYF5 is forecast to return up to 15% of capital by December 31st 2015 based on underlying redemptions.

During the past twelve months a number of bonds held in the funds matured or were redeemed.

Royal Bank of Scotland 2014 bond matured and was held in AMYF1, AMYF2 and AMYF3. This capital will be returned to shareholders in early 2015.

The Royal Bank of Scotland 2017 bond was redeemed early, in January 2014, having been held in AMYF3 during the year and this capital was returned to shareholders in May 2014. The FKP Property group investment, which was also held in AMYF3, was redeemed and capital was returned in May 2014.

HBOS Plc bond was redeemed early by the issuer in November 2015, which was held in AMYF1, AMYF2 and AMYF3. This early redemption will be returned to shareholders in due course.

Loy Yang Power projects loan held in AMYF3 was re-paid with funds raised in a debt capital raising by AGL the parent company in November 2014. This early redemption will be returned to shareholders in due course.

McAleese Finance was redeemed early by the borrower which was held in AMYF4 and this capital was returned to shareholders in May 2014. The UPMG investment was sold down by the fund manager during the year which were held in both AMYF4 and AMYF5, and subject to approval in this AGM, the capital will be returned to shareholders in November 2014.

If there are questions in relation to the above we will now pause to take questions.

That concludes the formal chairman's address.