



**AUSTRALIAN  
MASTERS  
YIELD**  
FUND No 1 LIMITED



## INVESTMENT OVERVIEW

Australian Masters Yield Fund No 1 Limited (the Company) has been established to provide investors with exposure to a portfolio of fixed income securities with attractive risk adjusted returns.

Fixed income securities allow diversification away from the other asset classes such as equities, commodities and property. From an investor's perspective, fixed income securities can provide a lower level of capital risk and a more predictable income stream than equities in certain circumstances.

The Company will be externally managed by Dixon Advisory & Superannuation Services Limited (the Manager). The Manager will implement a disciplined investment process that identifies, selects and manages a portfolio of attractive risk adjusted fixed interest securities.

The 3 key investment objectives of the Company are to:

- > Provide investors an attractive rate of income and consistent dividends, which will be fully franked to the extent possible, and the potential to receive capital returns throughout the life of the Company,
- > Minimise default risk by investing in products from issuers of sound credit quality, and
- > Minimise costs of the Company.

## INVESTMENT HIGHLIGHTS

|   |   |
|---|---|
| <b>ACCESS TO ATTRACTIVE FIXED INCOME SECURITIES</b> | The Company has been established to undertake direct investment in fixed income securities which are often only available to wholesale investors. These include bonds, subordinated debt, hybrid securities, structured income securities and other fixed income investments ('Potential Investments').   |
| <b>RETURNS</b>                                      | The Company's objective is to invest in a portfolio of fixed income securities with a target yield to maturity of around 8% p.a. or greater. This will not necessarily reflect the dividend yield achievable on Shares issued to investors.   |
| <b>DURATION AND EXIT PATH</b>                       | Investments initially targeted will be in the 3 – 6 year maturity range. The latest maturity date for securities in which the Company proposes to invest is 31 December 2021.<br>The Company intends to return cash to shareholders when the underlying fixed income securities mature. The Company is permitted to reinvest the proceeds where it is of the view that doing such would be in the best interests of shareholders within the first 5 years. If at the time of maturity, no attractive reinvestment opportunities exist, it is anticipated that capital will be returned to shareholders. |
| <b>EXPERIENCED BOARD AND MANAGER</b>                | The Board will comprise Maximilian Walsh, Alex MacLachlan, Chris Brown, Daryl Dixon and Alan Dixon. It is the intention of all the Directors to apply for shares under the Prospectus.<br>The Manager currently manages a portfolio of interests of 5 corporate bond funds under the banner of the Australian Masters Corporate Bond Fund Series (AMCBF Series) and 3 equity funds listed on the ASX.   |
| <b>INVESTMENT STRATEGY</b>                          | The Manager will implement a disciplined investment process that identifies and selects a portfolio of Potential Investments. While it is proposed that most of the portfolio will be static in nature, the Manager will monitor the portfolio and retain the authority to exit investments and re-invest as appropriate.   |
| <b>LOW COST STRUCTURE</b>                           | Simple, cost effective corporate structure.<br>The Manager will charge an annual management fee of 0.59% (ex GST) of the gross value of the portfolio of the Company.   |

**THE REPLACEMENT PROSPECTUS IS AVAILABLE AT [WWW.AMYF.COM.AU](http://WWW.AMYF.COM.AU)**



# INVITATION TO INVEST FROM CHAIRMAN MAX WALSH



**AUSTRALIAN  
MASTERS  
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FUND No 1 LIMITED

25 October 2010

I am pleased to invite you to become a shareholder in Australian Masters Yield Fund No 1 Limited.

The Company has been established to provide retail investors access to the wholesale fixed income market through a simple, cost effective corporate structure. Exposure to the fixed income market can provide investors with more predictable income streams and greater capital security than equity investments in certain circumstances.

Much of the Australian and international fixed income market is not freely accessible to retail investors as direct access can be limited by minimum investment restrictions and regulatory requirements.

The fixed income market continues to present investors with attractive investment opportunities. Despite the tightening of credit spreads since the global financial crisis, there remain elements of the fixed income universe which present investors with attractive risk adjusted returns. Additionally, potentially stricter capital adequacy regulations arising as a result of the global financial crisis may reduce the lending capacity of the major banks. As a result some corporations will be more likely to issue bonds and other fixed income securities in order to satisfy their funding needs. These funding needs are also at historical highs. There are significant refinancing needs of corporate Australia, with over \$55 billion of corporate loans (outside the financial sector) scheduled for refinancing next year. This is expected to have a positive impact on future issuances for investors.

The Company will be managed by Dixon Advisory & Superannuation Services Limited and has been set up to invest in a diverse range of fixed income securities offering attractive risk adjusted returns. The Manager has had extensive experience managing portfolios of corporate bonds, having successfully managed the Australian Masters Corporate Bond Fund series (AMCBF Series) of companies to date. Since inception of the AMCBF Series in June 2008, the series has raised over \$275 million and invested in corporate bonds from over 40 unique issuers. Unlike the Company, the mandates for the AMCBF Series were limited to investments in investment grade corporate bonds.

The Company has a broader investment mandate, allowing the Manager to respond to changing market conditions to efficiently allocate capital across a number of fixed income securities. This flexibility will be an important driver in allowing the Manager to capitalise on investment opportunities and achieve attractive risk adjusted returns. The portfolio will primarily be static in nature, however where the Manager identifies attractive opportunities, a more active strategy may be adopted.

The directors of the Company, Alex MacLachlan, Chris Brown, Daryl Dixon, Alan Dixon and I will be responsible for reviewing the selection of investments with a value in excess of \$2 million and will keep ourselves informed by considering information, research and analysis compiled by the Manager.

The Company expects to pay 2 franked dividends per year which will be fully franked to the extent possible. The Company will seek shareholder approval to execute capital returns from time to time, passing capital proceeds derived from the maturity or sale of investments back to investors. Following the final return of capital, the Company will seek shareholder approval to voluntarily wind up the Company.

The latest maturity date for securities in which the Company proposes to invest is 31 December 2021, however investments initially targeted will be in the 3 – 6 year maturity range allowing the Company to return capital earlier should it be in the best interest of shareholders. Investors should be comfortable that they may not be able to easily dispose of their shares and may not be able to completely exit their investment in the shares until the Company is wound up. This is expected to be at least 2 months after the last maturity date of investments in the portfolio and will be subject to shareholder approval.

The Company's objective is to invest in a portfolio of fixed income securities with a target yield to maturity of around 8% p.a. or greater. This will not necessarily reflect the dividend yield achievable on shares issued to investors.

While the fixed income market continues to present investors with attractive investment opportunities, investments in the Company remain exposed to certain risks. I encourage you to read the Replacement Prospectus carefully before making your investment decision, as it contains detailed information about the Company and the offer of shares to investors.

I look forward to welcoming you as a shareholder of the Company.

Yours sincerely

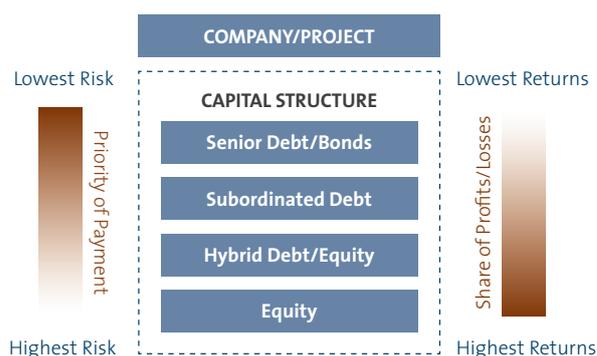
Maximilian Walsh  
Chairman



## OVERVIEW OF FIXED INCOME SECURITIES

Fixed income securities are issued by entities such as government bodies and corporations in order to raise funds. They are typically financial obligations to pay a specified sum of money to the investor at future dates. Payments can be linked to a fixed interest rate or via a set margin over a variable interest rate benchmark.

This diagram is an illustrative capital structure of a company or project and the hierarchy of each capital component in terms of priority of payments, access to assets in the event of liquidation and implied risk.



## RECENT ISSUANCES

The composition of the initial portfolio of investments will depend on prevailing market conditions and the availability of attractive fixed income investments when application monies have been received by the Company. Due to the dynamic nature of the fixed income instrument market, an accurate indication of the portfolio composition cannot be given.

For illustrative purposes only, below is a table of fixed income securities that have been issued since September 2009 which fall within the fixed income instrument asset classes to be considered by the Company.

| ISSUER                    | ANNOUNCEMENT DATE | MATURITY DATE                                     | ISSUE YIELD                      | TYPE                  |
|---------------------------|-------------------|---|----------------------------------|-----------------------|
| MIRVAC                    | 22/09/2010        | 16/09/2016  | 8.00% (fixed)                    | Senior Bond           |
| SANTOS                    | 16/09/2010        | 22/09/2017 (first call),<br>22/09/2070 (maturity) | 8.25% (fixed)                    | Hybrid/ International |
| DBNGP FINANCE             | 22/09/2010        | 29/09/2015  | BBSW + 300bps                    | Senior Bond           |
| LLOYDS BANK               | 07/09/2010        | 14/09/2020  | 6.50% (fixed<br>over Treasuries) | Subordinated Debt     |
| PRIMARY HEALTHCARE        | 24/08/2010        | 28/09/2015  | BBSW + 400bps                    | Retail Bond           |
| APA GROUP                 | 15/07/2010        | 22/07/2020  | 7.75% (fixed)                    | Senior Bond           |
| SYDNEY AIRPORT FINANCE    | 28/06/2010        | 6/07/2015   | 8.00% (fixed)                    | Senior Bond           |
| BANK OF QUEENSLAND        | 30/06/2010        | 12/06/2012 (conversion),<br>10/06/2020 (maturity) | BBSW + 400bps                    | Convertible Bond      |
| DEXUS FINANCE             | 15/04/2010        | 21/04/2017  | 8.75% (fixed)                    | Senior Bond           |
| ALE PROPERTY TRUST        | 24/03/2010        | 20/08/2014  | BBSW + 400bps                    | Retail Bond           |
| MIRVAC GROUP FUNDING      | 19/03/2010        | 15/03/2015  | 8.25% (fixed)                    | Senior Bond           |
| INVESTEC BANK             | 03/02/2010        | 12/02/2015 (first call),<br>12/02/2020 (maturity) | BBSW + 500bps                    | Subordinated Debt     |
| BENDIGO & ADELAIDE BANK   | 13/01/2010        | 13/01/2015 (first call),<br>13/01/2020 (maturity) | BBSW + 375bps                    | Subordinated Debt     |
| STOCKLAND PROPERTY TRUST  | 10/12/2009        | 18/02/2015  | 8.50% (fixed)                    | Senior Bond           |
| AMP WHOLESALE OFFICE FUND | 23/11/2009        | 5/10/2014   | 8.00% (fixed)                    | Senior Bond           |
| DOWNER GROUP FINANCE      | 22/10/2009        | 29/10/2013  | 9.75% (fixed)                    | Senior Bond           |
| BENDIGO & ADELAIDE BANK   | 16/10/2009        | 16/10/2014 (first call),<br>16/10/2019 (maturity) | BBSW + 400bps                    | Subordinated Debt     |
| COMMONWEALTH BANK         | 14/10/2009        | 31/10/2014  | BBSW + 340bps                    | Hybrid                |
| HERITAGE BUILDING SOCIETY | 22/09/2009        | 27/10/2014 (first call),<br>25/10/2019 (maturity) | 10.00% (fixed)                   | Subordinated Debt     |

This is not a comprehensive list of all fixed income securities currently available for subscription nor a forecast of likely yields for future issues of similar fixed income securities. The offer periods for all of the investments outlined above have closed. However, the Company may be able to acquire these investments through the secondary market. The yield to maturity for such investments changes frequently and so the yield to maturity, at the time of investment, cannot be predicted. Past performance is no indicator of future performance.



## DIRECTORS AND MANAGER INFORMATION

### MAXIMILIAN WALSH – CHAIRMAN BEC (SYDNEY)



Max is one of Australia's leading economists and business journalists specialising in business, economics and politics in a career spanning nearly 50 years. He has been editor and managing editor of *The Australian Financial Review* and Editor-in-Chief of *The Bulletin*. He is presently Chairman of the AMCBF Series, Asian Masters Fund, Global Resource Masters Fund and Deputy Chairman of Dixon

Advisory and Superannuation Services Ltd. He is also a director of Australian Governance Masters Index Fund.

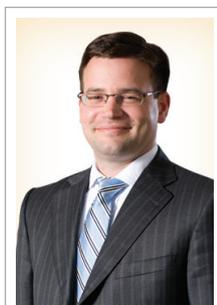
### ALEX MACLACHLAN – NON EXECUTIVE DIRECTOR BA (CORNELL), MBA (WHARTON)



Alex is Managing Director, Funds Management of Dixon Advisory and Superannuation Services Ltd and Managing Director of Global Resource Masters Fund, a director of the AMCBF Series and a director of Asian Masters Fund and van Eyk Three Pillars. Previously, Alex was an investment banker specialising in natural resources for UBS AG in Sydney and prior to that at Credit Suisse

First Boston. Alex also worked in the Japanese Government Bond derivatives markets in London, New York and Sydney.

### CHRIS BROWN – NON EXECUTIVE DIRECTOR BCHEM ENG (HONS) (SYD UNI), BCOM (SYD UNI)



Chris is Managing Director, Strategy of Dixon Advisory and Superannuation Services Ltd. He is a director of the AMCBF Series and van Eyk Three Pillars. Previously, Chris was an Executive Director at UBS AG (Investment Banking Division, Sydney) providing capital markets and mergers & acquisitions advice to public and private companies in Australia and overseas. Chris spent

several years in the UBS Mergers & Acquisitions Group in New York. Chris has also worked in the Investment Banking division of ABN AMRO.

### DARYL DIXON – NON EXECUTIVE DIRECTOR MA (HONS) (CAMBRIDGE), BA (HONS) (UQ)



Daryl is Executive Chairman of Dixon Advisory and Superannuation Services Ltd. He has extensive experience in taxation, retirement incomes and social welfare policy. Daryl is known in Australia as a leading financial expert, particularly in superannuation. Daryl is a director of the AMCBF Series. He is also a director of Asian Masters Fund and HCF Life. Previously, Daryl worked for the International Monetary Fund,

the Federal Treasury, Department of Finance and the Social Welfare Policy Secretariat. He was a member of the Fraser Government's Occupational Superannuation Task Force.

### ALAN DIXON – NON EXECUTIVE DIRECTOR BCOM (ANU) CA



Alan has been providing financial advisory services to corporations, institutions and individuals for the last 15 years. Until December 2000, he worked for various investment banks, including ABN AMRO (Associate Director in Mergers and Acquisitions and Equity Capital Markets) and Ord Minnett Corporate Finance. Since January 2001, he has operated as

Managing Director of Dixon Advisory and Superannuation Services Ltd. Alan is a director of the AMCBF Series and van Eyk Three Pillars Limited. Alan is also a non executive director of Asian Masters Fund.

## KEY OFFER DETAILS

|                            |  |
|----------------------------|--|
| Issuer of shares           | Australian Masters Yield Fund No 1 limited |
| Offer to open <sup>1</sup> | 25 October 2010                            |
| Offer to close             | 5.00pm (AEST) 2 December 2010              |
| Offer size                 | \$10 – \$50 million                        |
| Over subscriptions         | Up to a further \$100 million              |
| Issue price per share      | \$100                                      |
| Pro form NAV post issue    | \$98.71                                    |

A structuring fee of 0.25% (ex GST) and a handling fee of 1.55% (ex GST) of the gross proceeds raised under the prospectus is payable to the Issue Manager.

Note 1. ASIC may extend the exposure period by 7 days.

## IMPORTANT INFORMATION

The issuer of the shares is Australian Masters Yield Fund No 1 Limited (ACN 144 883 492). The Replacement Prospectus contains all of the details of the offer. Copies of the Replacement Prospectus are available from Dixon Advisory on 1300 454 801 or at [www.amyf.com.au](http://www.amyf.com.au)

The offer of shares in the Company will be made in the Replacement Prospectus. Investors should consider the Replacement Prospectus in deciding whether to acquire shares in the Company and to assess whether the investment is suitable for an individual's investment needs. Any person who wishes to subscribe for shares in the Company will need to complete the application form contained in the Replacement Prospectus.

