



**AUSTRALIAN  
MASTERS  
YIELD**  
FUND No 2 LIMITED



## INVESTMENT OVERVIEW

Australian Masters Yield Fund No 2 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 reliable income stream than equities.

Global equity markets are currently experiencing increased volatility as a result of natural disasters in Japan and geopolitical events in North Africa and the Middle East. Fixed income markets have been much less volatile than equities in response to these events, with the most notable effects being a slight decrease in government bond yields.

The Company will be externally managed by Dixon Advisory & Superannuation Services Limited (Dixon Advisory or 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

|  |   |
|--|---|
| ACCESS TO ATTRACTIVE FIXED INCOME SECURITIES | The Company has been established to undertake direct investment in fixed income securities which are often only available to wholesale investors. These include senior bonds, subordinated debt, hybrid securities, structured income securities, government bonds, cash and cash equivalents ('Potential Investments').  |
| RETURNS                                      | The Company's objective is to assemble a portfolio of fixed income securities with an average yield of around 8% p.a. or greater.   |
| DURATION AND EXIT PATH                       | Investments initially targeted will be in the 3 – 6 year maturity range. The latest date of maturity, redemption or sale for securities in which the Company proposes to invest is 30 June 2022.<br>The Company intends to return cash to Shareholders when the underlying fixed income securities mature, are redeemed or sold. 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. |
| EXPERIENCED BOARD AND MANAGER                | The Board will comprise Maximilian Walsh, Alex MacLachlan, Chris Brown, Daryl Dixon and Alan Dixon.<br>The Manager currently manages a portfolio of interests of 1 similarly structured fixed income fund, Australian Masters Yield Fund No 1 (AMYF No 1), 5 corporate bond funds under the banner of the AMCBF Series and 3 equity funds listed on the ASX.<br>It is the intention of all the Directors to apply for Shares via this Prospectus.   |
| INVESTMENT STRATEGY                          | The Manager will implement a disciplined investment process that identifies and selects a portfolio of Potential Investments. It is proposed that most of the portfolio will be static in nature, although the Manager will monitor the portfolio and retain the authority to exit investments and re-invest as appropriate.  |
| LOW COST STRUCTURE                           | 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 PROSPECTUS IS AVAILABLE AT [WWW.AMYF.COM.AU/AMYF2](http://WWW.AMYF.COM.AU/AMYF2)



# INVITATION TO INVEST FROM CHAIRMAN MAX WALSH



23 March 2011

I am pleased to invite you to become a Shareholder in Australian Masters Yield Fund No 2 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 typically greater capital security than equity investments.

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 an estimated \$60 to \$80 billion of corporate debt (outside the financial sector) expected to be refinanced this year. This is expected to have a positive impact on future issuances for investors.

The Company will be managed by Dixon Advisory and has been set up to invest in a diverse range of fixed income securities offering attractive risk adjusted returns. The Manager has had experience managing portfolios of fixed income investments, having successfully managed the investment portfolio of AMYF No 1 to date. Since its IPO in October 2010, AMYF No 1 has raised over \$90 million and is currently invested in fixed income securities from 10 unique issuers. The Manager also has had extensive experience managing portfolios of corporate bonds, having successfully managed the AMCBF Series of companies to date. Since inception of the AMCBF Series in June 2008, the AMCBF Series has raised over \$275 million and invested in corporate bonds from over 40 unique issuers.

The Company's investment mandate allows 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 will be responsible for reviewing the selection of investments 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 date of maturity, redemption or sale for securities in which the Company proposes to invest is 30 June 2022, however investments initially targeted will be in the 3 – 6 year maturity range allowing the Company to return capital earlier if it is considered to 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 all securities in the portfolio mature, are redeemed or sold and will be subject to Shareholder approval.

The Company's objective is to assemble a portfolio of fixed income securities with an average yield 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 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

A handwritten signature in black ink that reads "M. S. Walsh". The signature is written in a cursive, slightly stylized font.

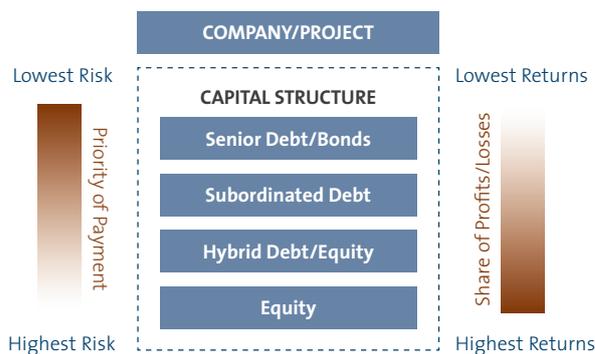
**MAXIMILIAN WALSH**  
CHAIRMAN



## 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.



## SAMPLE PORTFOLIO COMPOSITION

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 the current portfolio of AMYF No 1, which has a similar investment mandate to that proposed for the Company, is presented below.

| ISSUER   | MATURITY DATE                               | YTM WHEN PURCHASED <sup>1</sup>        | TYPE                       |
|--|---|--|----------------------------|
| ADELAIDE AIRPORT                                 | 20/09/2016                                  | 8.7%                                   | Senior Bond                |
| BANK OF AMERICA                                  | 14/02/2017                                  | 9.5%                                   | Subordinated Debt          |
| DBNGP FINANCE <sup>2</sup>                       | 29/09/2015                                  | 9.1%                                   | Senior Bond                |
| GENERATOR INCOME TRUST                           | 08/10/2011                                  | 13.5%                                  | Structured Income Security |
| HBOS PLC (LLOYDS)                                | 01/05/2012 (call),<br>01/05/2017 (maturity) | 20.9% (to call)<br>10.4% (to maturity) | Subordinated Debt          |
| HSBC BANK (AUSTRALIA)                            | 26/11/2015 (call),<br>25/11/2020 (maturity) | 8.9% (to call)<br>9.0% (to maturity)   | Subordinated Debt          |
| MIRVAC GROUP FINANCE                             | 16/09/2016                                  | 8.5%                                   | Senior Bond                |
| ROYAL BANK OF SCOTLAND                           | 27/10/2014                                  | 11.2%                                  | Subordinated Debt          |
| SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS LTD | 01/01/2012 (call),<br>20/12/2016 (maturity) | 10.5% (to call)<br>10.4% (to maturity) | Subordinated Debt          |
| WACHOVIA BANK (WELLS FARGO BANK)                 | 25/05/2017                                  | 9.4%                                   | Subordinated Debt          |

**Note 1:** The yields are set out above for illustrative purposes only. The fixed income securities market is dynamic and the yield at purchase will vary from the applicable yield at maturity. The yields set out above are in no way indicative of the yields for the above fixed income securities at maturity.

**Note 2:** Dampier to Bunbury Natural Gas Pipeline Finance – A subsidiary of ASX listed Duet Group.

The Manager will invest in the sectors of the fixed income market which it perceives as offering the most attractive risk adjusted returns and this may differ substantially from the sectors which were invested in when the portfolio of AMYF No 1 was assembled. Given this, investors should be aware that the composition of the Portfolio may differ substantially from the portfolio of AMYF No 1. Past performance is not indicative 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 AMYF No 1, the AMCBF Series, Asian Masters Fund, Global Resource

Masters Fund and Deputy Chairman of Dixon Advisory. 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 Managing Director of Global Resource Masters Fund, a director of AMYF No 1, the AMCBF Series, 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. He is a director of AMYF No 1, 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. 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 AMYF No 1, the AMCBF Series 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 over 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. Alan is a director of AMYF No 1, the AMCBF Series and van Eyk Three Pillars.

## KEY OFFER DETAILS

|                            |  |
|----------------------------|--|
| Issuer of shares           | Australian Masters Yield Fund No 2 limited |
| Offer to open <sup>1</sup> | 30 March 2011                              |
| Offer to close             | 5.00pm (AEST) 10 May 2011                  |
| Offer size                 | \$10 – \$50 million                        |
| Over subscriptions         | Up to a further \$100 million              |
| Issue price per share      | \$100.00                                   |
| 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.

<sup>1</sup> ASIC may extend the exposure period by 7 days

## IMPORTANT INFORMATION

The issuer of shares is Australian Masters Yield Fund No 2 Limited (ACN 144 883 509). The Prospectus contains all of the details of the offer. Copies of the Prospectus are available from Dixon Advisory on 1300 454 801 or at [www.amyf.com.au/amyf2](http://www.amyf.com.au/amyf2).

The offer of shares in the Company will be made in the Prospectus. Investors should consider the 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 Prospectus.

