



**AUSTRALIAN
MASTERS
YIELD**
FUND No 3 LIMITED



INVESTMENT OVERVIEW

Australian Masters Yield Fund No 3 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.

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 three 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 may 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 underlying fixed income securities with a gross yield to maturity 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 31 December 2022. The Company intends to return cash to Shareholders when the underlying fixed income securities mature, or are redeemed or sold. The Company is permitted to reinvest the proceeds within the first five years where it is of the view that doing so would be in the best interests of Shareholders.
EXPERIENCED BOARD AND MANAGER	The Board will comprise Maximilian Walsh, Alex MacLachlan, Chris Brown, Daryl Dixon and Alan Dixon. The Manager currently manages a portfolio of interests of two similarly structured fixed income funds under the banner of the AMYF Series, five corporate bond funds under the banner of the AMCBF Series, three equity funds listed on the ASX as well as a US Residential Property Fund listed on the NSX. 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. 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/AMYF3



INVITATION TO INVEST FROM CHAIRMAN MAX WALSH



7 November 2011

I am pleased to invite you to become a Shareholder in Australian Masters Yield Fund No 3 Limited.

The Company has been established to provide retail investors access to the wholesale fixed income market through a simple and 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. Credit spreads continue to remain elevated by historical standards, and there remain elements of the fixed income universe which present investors with the opportunity to earn attractive risk adjusted returns. Additionally, stricter capital adequacy regulations arising from the recommendations set forth under the Basel III regulatory framework may reduce the lending capacity of domestic and international banks. As a result, corporations may be more likely to issue fixed income securities or source funding from alternative providers. These funding needs are also at historical highs. Corporate Australia has an estimated \$400 billion of corporate debt maturing over the period from 2012 to 2015. 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 extensive experience managing portfolios of fixed income securities, presently managing the investment portfolios of the Australian Masters Yield Fund No 1 Limited and Australian Masters Yield Fund No 2 Limited (AMYF Series) to date. Since their respective IPO's in October 2010 and March 2011, the AMYF Series has raised more than \$133 million and is currently invested across fixed income securities from 12 issuers. The Manager has also had extensive experience managing other fixed income strategies, having managed the Australian Masters Corporate Bond Fund series (AMCBF Series) of companies. Since inception in June 2008, the AMCBF Series has raised approximately \$280 million and invested in investment grade corporate bonds from more than 40 issuers.

The Company's investment mandate affords the Manager the flexibility to respond to changing market conditions, allowing the efficient allocation of 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 in achieving 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 and will keep ourselves informed by considering information, research and analysis compiled by the Manager.

The Company expects to pay two 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, redemption 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 31 December 2022. However investments initially targeted will be in the three to six 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 two 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 invest in a Portfolio of attractive fixed income securities with a target yield to maturity of around 8.0% 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 this Prospectus carefully before making your investment decision. 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".

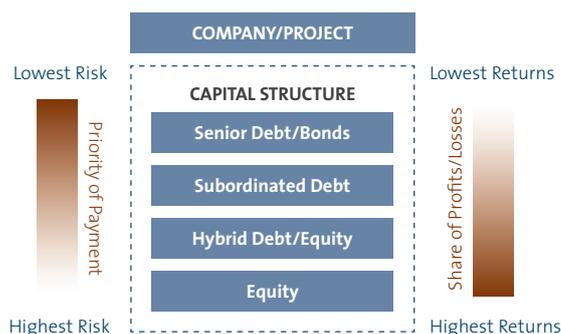
MAXIMILIAN WALSH
CHAIRMAN



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 portfolios of AMYF No 1 and AMYF No 2, which have similar investment mandates to that proposed for the Company, are presented below.

	ISSUER	MATURITY DATE	YTM WHEN PURCHASED ¹	TYPE
AMYF 1	ADELAIDE AIRPORT	20/09/2016	8.7%	Senior Bond
	BANK OF AMERICA	14/02/2017	9.5%	Subordinated Debt
	DAMPIER TO BUNBURY NATIONAL GAS PIPELINE FINANCE (DBNGP FINANCE)	29/09/2015	9.1%	Senior Bond
	GENERATOR INCOME TRUST ²	08/10/2011	13.5%	Structured Income Security
	HBOS PLC (LLOYDS)	01/05/2012 (call), 01/05/2017 (maturity)	20.9% (to call), 10.4% (to maturity)	Subordinated Debt
	HSBC BANK (AUSTRALIA)	26/11/2015 (call), 25/11/2020 (maturity)	8.9% (to call), 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), 20/12/2016 (maturity)	10.5% (to call), 10.4% (to maturity)	Subordinated Debt
	WACHOVIA BANK (WELLS FARGO BANK)	25/05/2017	9.4%	Subordinated Debt
	BANK OF QUEENSLAND	14/04/2016 (call), 14/04/2021 (maturity)	9.9% (to call), 9.9% (to maturity)	Subordinated Debt
AMYF 2	BANK OF QUEENSLAND	10/05/2016 (call), 10/05/2021 (maturity)	9.8% (to call), 10.0% (to maturity)	Subordinated Debt
	GENERATOR INCOME TRUST ²	08/10/2011	22.7%	Structured Income Security
	GENWORTH FINANCIAL MORTGAGE INSURANCE	30/06/2016 (call), 30/06/2021 (maturity)	10.3% (to call), 10.6% (to maturity)	Subordinated Debt
	SOUTHERN CROSS AIRPORTS CORPORATIONS HOLDINGS	20/12/2012	9.4%	Subordinated Debt
	ROYAL BANK OF SCOTLAND	21/10/2014	10.7%	Subordinated Debt
	IMB LTD	16/09/2016 (call), 16/09/2021 (maturity)	8.7% (to call), 9.1% (to maturity)	Subordinated Debt
	BANK OF AMERICA	14/02/2017	10.0%	Subordinated Debt
	HBOS PLC (LLOYDS)	1/05/2012 (call), 1/05/2017 (maturity)	64.9% (to call), 11.0% (to maturity)	Subordinated Debt

Note 1: The yields are set out above for illustration purposes only. The fixed income securities market is dynamic and the yield at purchase will vary from the applicable yield at maturity. The yields are in no way indicative of the yields for the above fixed income securities at maturity. The YTM at purchase indicates the gross yield on the investment at the time of purchase assuming the security is held to maturity, there is no change in short and long term reference rates (applicable to floating rate securities only) and income received is reinvested at the same rate of return.

Note 2: The Generator Income Trust notes held by both AMYF No 1 & AMYF No 2 have matured in accordance with their terms.

The above yields are illustrative only and not a forecast as to the potential returns on the Portfolio.

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 portfolios of AMYF No 1 and AMYF No 2 were assembled. Given this, investors should be aware that the composition of the Portfolio may differ substantially from the portfolios of AMYF No 1 and AMYF No 2. 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 the AMYF Series, the AMCBF Series, Asian Masters Fund, Global Resource Masters Fund, a director of the Responsible Entity for the US Masters

Residential Property 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 the AMYF Series, the AMCBF Series, Asian Masters Fund and a director of the Responsible Entity for the US Masters Residential Property Fund. 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 the AMYF Series, the AMCBF Series and a director of the Responsible Entity for the US Masters Residential Property Fund. 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 the AMYF Series, the AMCBF Series, HCF Life and a director of the Responsible Entity for the US Masters Residential Property Fund. 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 the AMYF Series,

the AMCBF Series and a director of the Responsible Entity for the US Masters Residential Property Fund.

KEY OFFER DETAILS

Issuer of shares	Australian Masters Yield Fund No 3 limited
Offer to open ¹	15 November 2011
Offer to close	5.00pm (AEDT) 1 December 2011
Offer size	\$20 – \$50 million
Over subscriptions	Up to a further \$150 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.

1. ASIC may extend the exposure period by 7 days

IMPORTANT INFORMATION

The issuer of shares is Australian Masters Yield Fund No 3 Limited (ACN 149 790 545). 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/amyf3.

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.

