



**AUSTRALIAN
MASTERS
YIELD**
FUND NO 5 LIMITED



INVESTMENT OVERVIEW

Australian Masters Yield Fund No 5 Limited (**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 other asset classes such as equities, commodities and property, can provide a lower level of capital risk and a more reliable income stream.

At the time of writing, global equity markets continue to exhibit high levels of volatility, exacerbated by continued concerns over European sovereign credit risk. Interest rates on government bonds remain low, in some cases at or near historical lows, while rates on government guaranteed deposits are also decreasing. This backdrop creates a strong investment case for selective allocations to higher yielding fixed income securities domestically and potentially in select international markets.

The Company will be externally managed by Walsh & Company Asset Management Pty Limited (**Investment Manager**). The Investment 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 with an attractive rate of income through consistent fully franked dividends 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
- > minimise costs of the Company

INVESTMENT HIGHLIGHTS

ACCESS TO ATTRACTIVE FIXED INCOME SECURITIES	<p>The Company has been established to undertake investment in fixed income securities which are often only available to wholesale investors. These include senior bonds, loans, subordinated debt, hybrid securities, structured income securities, government bonds, cash and cash equivalents and derivative securities, issued in domestic or foreign currency (Potential Investments).</p> <p>Should the Company invest in fixed income securities denominated in a foreign currency, it will seek to hedge the foreign currency exposure to the extent possible. The Investment Manager may also allocate a proportion of the portfolio to an external fund manager with specialist expertise in a particular segment of the fixed income market.</p>
RETURNS	<p>The Company's objective is to assemble and invest in a portfolio of fixed income securities with a target yield of around 3.00% p.a. or greater above the official Reserve Bank of Australia cash rate at the time of investment.</p>
DURATION AND EXIT PATH	<p>Investments are initially targeted in the three to seven-year maturity range. The Company intends to return cash to shareholders when the underlying fixed income securities mature, are redeemed, or sold.</p> <p>During the first five years starting on the commencement date the Company is permitted to reinvest the proceeds, where it is of the view that doing so would be in the best interests of shareholders.</p> <p>The latest date of maturity, redemption or sale for securities in which the Company proposes to invest is expected to be no later than 31 December 2023.</p>
EXPERIENCED BOARD AND INVESTMENT MANAGER	<p>The Board will comprise Kevin Smith, Alex MacLachlan, Chris Brown and Tom Kline.</p> <p>The Investment Manager currently acts as the manager for the Emerging Markets Masters Fund, an ASX-listed fund-of-funds investment fund that invests in global emerging markets equity funds.</p> <p>The Investment Manager is also a wholly owned subsidiary of the Dixon Advisory Group, who, through wholly owned subsidiaries, currently manage a portfolio of interests in four similarly structured fixed income funds under the banner of the Australian Masters Yield Fund Series, two corporate bond funds under the banner of the Australian Masters Corporate Bond Fund Series, four equity funds listed on the ASX and acts as responsible entity for US Masters Residential Property Fund and US Select Private Opportunities Fund.</p> <p>It is the intention of all the directors to apply for shares in the Company.</p>
INVESTMENT STRATEGY	<p>The Investment 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 Investment Manager will monitor the portfolio and retain the authority to exit investments and reinvest as appropriate.</p>
LOW-COST STRUCTURE	<p>The Company will provide access to wholesale fixed income markets through a simple and cost-effective corporate structure. The Investment Manager will charge an annual management fee of 0.65% (including GST) of the gross value of the portfolio of the Company.</p>

THE PROSPECTUS IS AVAILABLE AT WWW.AMYF.COM.AU/AMYF5



INVITATION TO INVEST FROM CHAIRMAN KEVIN SMITH



**AUSTRALIAN
MASTERS
YIELD**
FUND NO 5 LIMITED

27 November 2012

Dear Investor

As Chairman of the Board of Directors (**Board**), I am pleased to invite you to become a shareholder of Australian Masters Yield Fund No 5 Limited (**Company**).

The Company has been established to provide retail investors access to wholesale fixed income markets, through a simple and cost-effective corporate structure. Much of the Australian and international fixed income market is not freely accessible to retail investors because direct access is often limited by minimum investment restrictions and regulatory requirements.

In our view, recent equity market volatility, primarily driven by concerns surrounding economic stability in Europe, provides a compelling investment case for fixed income securities in the current environment. Exposure to the fixed income market can provide investors with more predictable income streams and a higher level of capital security, while generally acting to protect a portfolio during a cyclical downturn.

Should economic conditions globally, particularly in Europe, continue to deteriorate, attractive buying opportunities may emerge. Government bond rates remain at relatively low levels and corporate spreads, although contracting since the global financial crisis, remain persistently high compared to historical averages, indicating the increased risk aversion currently within financial markets.

We believe the additional yield that can be earned by investing in quality companies is an attractive value proposition compared with government bonds. Fundamental credit quality for select domestic and international issuers remains robust. With a weak global growth outlook, many corporate entities have undergone a period of deleveraging and implemented efficiency programs resulting in a general improvement in corporate credit metrics domestically and in select international markets.

The outlook for fixed income security issuance also remains favourable. Stricter capital adequacy regulations arising under the Basel III regulatory framework may reduce the lending capacity of domestic and international banks, resulting in corporations seeking funding from both the corporate bond markets and other alternative providers.

The Company will be managed by Walsh & Company Asset Management Pty Limited (**Investment Manager**) and has been set up to invest in a diverse range of fixed income securities. The Company's investment mandate is structured to allow the Investment 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 Investment Manager to capitalise on investment opportunities and in achieving attractive risk-adjusted returns.

The Investment Manager is a wholly owned subsidiary of the Dixon Advisory Group. The Dixon Advisory Group has extensive experience managing portfolios of fixed income securities, presently managing through another wholly owned subsidiary, Dixon Advisory & Superannuation Services Limited (**Dixon Advisory**), the investment portfolios of Australian Masters Yield Fund No 1 Limited, Australian Masters Yield Fund No 2 Limited, Australian Masters Yield Fund No 3 Limited and Australian Masters Yield Fund No 4 Limited (**AMFY Series**). Since their respective offerings in October 2010, March 2011, December 2011 and June 2012, the AMFY Series has raised more than \$330 million and has invested across fixed income securities from 19 different issuers. Dixon Advisory Group also has extensive experience managing other fixed income strategies, having managed the Australian Masters Corporate Bond Fund Series (**AMCBF Series**). Since inception in 2008, the AMCBF Series has raised approximately \$280 million and invested in investment grade corporate bonds from more than 33 different issuers.

The Company will be supported by a high quality and experienced Board and an Investment Manager, who will provide the Company with expert advice in relation to portfolio allocation and investment strategy, evaluation of new fixed income opportunities, potential disposals and other commercial matters.

The Company expects to pay four 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 2023. However investments initially targeted will be in the three to seven-year maturity range allowing the Company to return capital earlier if it is considered to be in the best interest of shareholders.

The Company's objective is to invest in a portfolio of attractive fixed income securities with a target yield of around 3.00% p.a. or greater above the official Reserve Bank of Australia (**RBA**) cash rate at the time of investment. This will not necessarily reflect the dividend yield achievable on shares issued to investors.

I encourage you to read this prospectus carefully before making your investment decision because 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

KEVIN SMITH
Chairman



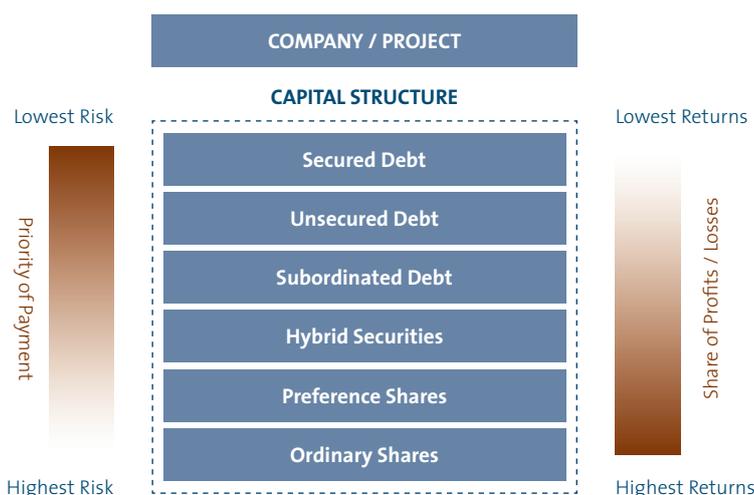
OVERVIEW OF FIXED INCOME SECURITIES

Fixed income securities are issued by entities such as government bodies and corporations 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.

Fixed income securities fall into two general categories: debt obligations and preferred equity/hybrid securities, which both typically rank ahead of the claims of ordinary shareholders in the event of insolvency.

Preference shares/hybrids feature characteristics of both debt and equity capital. Income is paid to the preferred equity holder as dividend out of company profits.

The adjacent 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 will depend on prevailing market conditions and the availability of attractive fixed income securities when Application Monies have been received by the Company. Due to the dynamic nature of the fixed income securities market, an accurate indication of the portfolio composition cannot be given.

For illustrative purposes only, fixed income securities that comprise select holdings of the Australian Masters Yield Fund No 3 (AMYF3) and Australian Masters Yield Fund No 4 Limited (AMYF4), Dixon Advisory's two most recent fixed income funds, are presented below. AMYF3 and AMYF4 have similar investment mandates to that proposed for the Company.

FUND	ISSUER	MATURITY DATE	YTM WHEN PURCHASED ¹	ISSUE COUPON / MARGIN	TYPE	(\$M) AMOUNT INVESTED
AMYF3	Royal Bank of Scotland	17-Feb-17	13.00%	6.5% (fixed)	Subordinated	3.0
AMYF3	HBOS Plc (Lloyds)	1-May-17	10.54%	BBSW3M + 0.26%	Subordinated	4.2
AMYF3	Bank of America	14-Feb-17	9.82%	BBSW3M + 0.38%	Subordinated	14.0
AMYF3	FKP Property Group	05-Jan-14 (put); 5-Jan-16	9.61%	8.00% (fixed)	Convertible	3.9
AMYF3	Bank of Queensland	22-Mar-17 (call); 22-Mar-22	9.08%	BBSW3M + 4.25%	Subordinated	15.0
AMYF3	Insurance Australia Group	01-May-17 (call); 1-May-19	8.93%	BBSW6M + 4.00%	Convertible	8.0
AMYF3	Morgan Stanley	9-May-17	8.00%	8.00% (fixed)	Senior Bond	5.1
AMYF4	Morgan Stanley	22-Feb-18	7.39%	7.38%	Senior Bond	10.4
AMYF4	McAleese Finance	3-Apr-15	Undisclosed ²	BBSW3M + 3.69%	Senior Loan	10.0
AMYF3/AMYF4	IMB Ltd.	29-Jun-17 (call); 29-Jun-22	8.10%/8.47%	BBSW3M + 4.25%	Subordinated	8.0/4.5
AMYF3/AMYF4	Loy Yang Power Projects	12-Nov-15	Undisclosed ²	BBSW3M + 1.50%	Senior Loan	10.0/20.1
AMYF3/AMYF4	AMIT	9-Nov-17 (call); 9-Nov-22	7.70%	BBSW3M + 3.90%	Senior Note	4.0/3.5

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 are in no way indicative of the yields for the above fixed income securities at maturity or indicative of the yields at which the Company would be able to acquire the securities at the time of investment. 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: Due to confidentiality agreements, we are currently unable to publish the yield to maturity. However, we confirm the investment returns exceeds the target return hurdle.

Note: The portfolio of AMYF3 and AMYF4 are approximately 90% and 54% invested, respectively.

The Investment 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 invested in when the portfolios of AMYF3 and AMYF4 were assembled. Given this, investors should be aware that the composition of the portfolio may differ substantially from the portfolios of AMYF3 and AMYF4. Past performance is not indicative of future performance.



DIRECTORS AND INVESTMENT MANAGER INFORMATION

KEVIN SMITH – CHAIRMAN BSC (ECON) (HONS) (BRUNEL)



Kevin is Chief Investment Officer of Dixon Advisory. Previously, Kevin was Global Chief Investment Officer, Equities at ABN AMRO Asset Management in London where he managed 50 investment teams who were responsible for over \$115 billion in equity, listed property and alternative investments. Kevin was also Chief Executive Officer of Standard Life Investments (Asia) Limited where he

managed investment and business development activities in the Asia region. Working for Foreign Colonial in London in the early 90s, Kevin managed Asian portfolios worth an equivalent of \$5 billion and advised on asset allocation for global pension client portfolios worth an equivalent of \$50 billion.

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



Alex is Managing Director, Chief Executive Officer of Funds Management at Dixon Advisory, Managing Director of the Global Resource Masters Fund Limited and a director of the AMYF Series, AMCBF Series, Asian Masters Fund Limited, Australian Governance Masters Index Fund Limited and Emerging Markets Masters Fund. He is also a director of the responsible entity for US Select Private Opportunities

Fund and 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, Chief Executive Officer of Dixon Advisory Australia. He is a director of the AMYF Series and the AMCBF Series. 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.

TOM KLINE – NON EXECUTIVE DIRECTOR BCOM LLB (HONS)(ANU)



Tom is Chief Operating Officer of the Funds Management division of Dixon Advisory and a director of Australian Masters Yield Fund No 4 Limited. Prior to joining Dixon Advisory, Tom was an Associate Director at UBS AG Sydney within the Infrastructure and Utilities team, where he advised on a wide range of public and private M&A and capital market transactions. In the past, Tom has

also worked with Deloitte in the Corporate Finance services across the Transaction Services, Business Modelling and Valuation Teams where he worked on a range of due diligence assignments and independent expert reports.

KEY OFFER DETAILS

ISSUER OF SHARES	AUSTRALIAN MASTERS YIELD FUND NO 5 LIMITED
OFFER TO OPEN ¹	5 DECEMBER 2012
OFFER TO CLOSE	5.00PM (AEDST) 17 DECEMBER 2012
OFFER SIZE	\$25 – \$75 MILLION
OVER SUBSCRIPTIONS	UP TO \$75 MILLION
ISSUE PRICE PER SHARE	\$100.00
PRO FORMA NAV POST ISSUE	\$98.67

A Structuring Fee of 0.28% (including GST) and a Handling Fee of 1.71% (including GST) of the gross proceeds raised under the prospectus is payable to Dixon Advisory & Superannuation Services Limited, the issue manager of AMYF5.

¹ ASIC may extend the exposure period by 7 days

IMPORTANT INFORMATION

The issuer of shares is Australian Masters Yield Fund No 5 Limited (ACN 161 255 750). 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/amyf5**.

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 their individual investment needs. Any person who wishes to subscribe for shares in the Company will need to complete the application form contained in the prospectus.

