



AUSTRALIAN MASTERS
CORPORATE BOND
FUND SERIES

QUARTERLY UPDATE – June 2012

Summary

AMCBF SERIES HIGHLIGHTS

- AMCBF5 paid a fully franked dividend of \$2.30 per share and a capital return of \$14.86 per share.
- No dividends or capital returns were paid by AMCBF4.
- All remaining bonds within the AMCBF Series continue to perform in accordance with their terms.

MARKET HIGHLIGHTS

- Investor sentiment was shaken following a further deterioration in the European sovereign debt crisis.
- The Spanish government formally requested €100 billion from the European Union (EU) to help clean up its banking sector.
- The Federal Reserve extended Operation Twist following weaker-than-expected March gross domestic product (GDP) figures.
- The RBA cut the official cash rate by a total of 75 basis points to 3.5%
- Australian March GDP figures surprised to the upside.
- Yields on Australian corporate and government bonds tightened significantly.

AMCBF Activity

Over the June quarter, Australian Masters Corporate Bond Fund No 5 ('AMCBF5') paid a dividend and capital return.

In late March, AMCBF5 announced a dividend of \$2.30 (\$3.29 fully franked) and a capital return of \$14.86, which was paid on 17 April. The capital return represented the proceeds received from the sale of the Downer Group Finance bonds sold in December 2011. This was the first return of capital paid by AMCBF5, the next return of capital is anticipated to be paid in December 2012.

There were no dividends or capital returns paid by Australian Masters Corporate Bond Fund No 4 ('AMCBF4') over the quarter. AMCBF4 paid a dividend of \$1.35 (\$1.93 fully franked) and a capital return of \$27.75 in March. Following this payment, AMCBF4 has returned capital of \$70.52 per share.

MANAGER

Dixon Advisory & Superannuation Services Ltd Level 15, 100 Pacific Highway, North Sydney, NSW, 2060
Telephone: 1300 454 801 | Facsimile: 1300 457 349 | Website: dixon.com.au | AFS LICENCE NUMBER: 231143

The next return of capital for AMCBF4 is anticipated to be paid in August 2012.

All the remaining bonds held within the portfolios of AMCBF4 and AMCBF5 continue to perform as expected. The Board will continue to keep shareholders informed as to any updates.

Economic Review & Market Outlook

The European debt crisis was again the vanguard for global markets over the June quarter.

International markets were shaken when Moody's downgraded Spain's sovereign credit rating to the lowest investment grade rating, one notch above junk status, following a similar move by Standard & Poor's in April. The rating remains on review following the Spanish government's request to the EU for €100 billion to help clean up its banking sector. Making matters worse, Moody's also downgraded 28 Spanish banks compounding negative sentiment and sending shock waves across global markets. Yields on Spanish 10-year bonds widened significantly, moving through 10% per annum.

Late in the quarter, Greece sent a sigh of relief through governments and financial markets around the world by giving a narrow election victory to a party willing to stick to the country's economic bailout agreements and defend the euro common currency.

Markets were given a further reprieve following the EU summit held in Brussels on 28 and 29 June. For the first time, leaders managed to appease markets through a more cohesive rhetoric on tackling the issues facing the European region. They managed to agree on some key initiatives including the ratification of the €100 billion capital injection for Spanish banks, support for a single regulatory body for all European banks and an agreement for developing a long-term framework to achieve tighter budgetary and political union across the region. Global markets responded positively to the news.

First quarter GDP figures for the US were released in April. While quarterly company earnings announcements had been relatively strong, the GDP figures disappointed. The US economy expanded at a rate 2.2% over March, below expectations of a 2.7% increase and down from the 3% increase in the December 2011 quarter. At its June meeting, the Federal Reserve announced the extension of its \$400 billion Operation Twist Program to further stimulate growth

Domestically, the Reserve Bank of Australia (RBA) cut the official cash rate by a total 75 basis points (bps) over the June quarter. The RBA reduced the cash rate by 50 bps from 4.25% to 3.75% on 1 May and by a further 25 bps to 3.5% at its June meeting. In the minutes released following the last decision, Glenn Stevens, Governor of the RBA, cited ongoing deterioration in Europe, further growth moderation in China and subdued domestic economic data as the key concerns prompting the series of rate cuts.

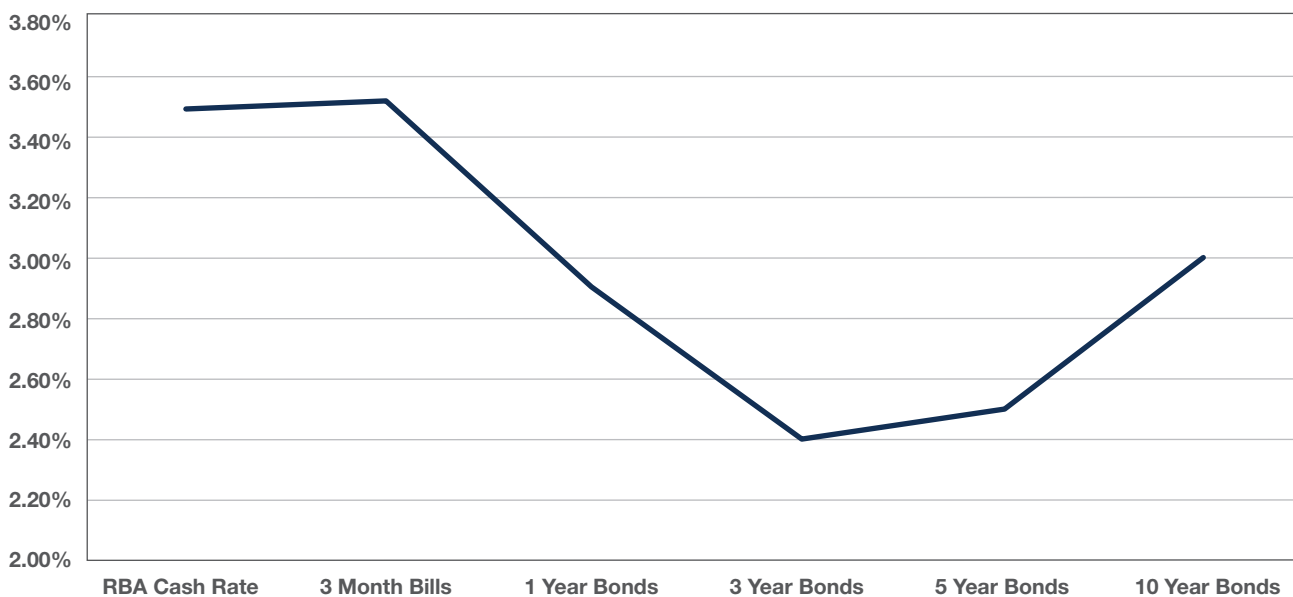
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Australian GDP figures released later in the quarter surprised to the upside, indicating the economy had grown by a better-than-expected 1.3% in the three months to March. The March figures follow an upwardly revised 0.6% rise in the December quarter. Over the year to March, GDP grew by 4.3% according to the Australian Bureau of Statistics (ABS). Australia's unemployment rate held steady at 5.1% in May.

Yields on Australian government securities fell significantly across all tenors following moves by the RBA to cut the official cash rate by a total of 75 bps. Yields also tightened on the back of negative sentiment stemming from the euro area as investors sought the safe haven of government securities. Yields tightened by 75 bps to 2.87% on one-year government bonds, by 108 bps to 2.4% on three-year bonds, by 106 bps to 2.50% on five-year bonds and by 94 bps to 3.04% on 10-year bonds. Yields on Australian 10-year government securities reached an all-time low of 2.77% in June before widening at the end of the quarter.

AUSTRALIAN GOVERNMENT YIELD CURVE



Source: Bloomberg

Swap rates also ended the quarter tighter – one-year swaps by 79 bps, closing at 3.22%, three-year swaps by 80 bps to 3.28%, five-year swaps by 79 bps to 3.62% and 10-year swaps by 80bps to 4.00%.

Yields on AUD corporate bonds also fell over the quarter, with AAA, AA and A rated yields decreasing by 100 bps, 73 bps and 95 bps, respectively, while BBB rated yields decreased by 79 bps as measured by Bloomberg's AUD Australia Domestic Three Year Corporate Bond Indices. Three-year corporate bond spreads, which are used as an indicator of credit risk, were mixed over the quarter. Spreads on three-year AAA corporate bonds fell by 20 bps, AA spreads widened by 8 bps, A rated spreads tightened by 14 bps and BBB spreads were relatively flat, widening by 2 bps.

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PORTFOLIO DATA

JUNE QUARTER DIVIDENDS & CAPITAL RETURNS

FUND	CASH	FULLY FRANKED	CAPITAL RETURNS	FUND MATURITY*
AMCBF#4	\$0.00	\$0.00	\$0.00	31 Dec 12
AMCBF#5	\$2.30	\$3.29	\$14.86	31 Dec 15

*Note: Anticipated end date

AMCBF#4

ISSUER	MATURITY	FACE VALUE	CONSIDERATION	CURRENT HOLDING	GICS INDUSTRY
BROADCAST FINANCE	9-Jul-12	\$2,000,000	\$1,779,320	\$0	Media
ENERGY PARTNERSHIP GAS	29-Jul-11	\$8,787,000	\$8,525,548	\$0	Energy
ENERGY PARTNERSHIP GAS FRN	29-Jul-11	\$705,000	\$644,067	\$0	Energy
AUST. PRIME PROPERTY TRUST	30-Jul-12	\$6,000,000	\$5,994,540	\$5,994,540	Real Estate
HOLCIM FINANCE (AUSTRALIA)	7-Aug-12	\$6,000,000	\$5,979,000	\$5,979,000	Materials
MORGAN STANLEY	8-Aug-12	\$1,250,000	\$1,130,850	\$1,130,850	Diversified Financials
CITIGROUP	13-Feb-12	\$10,000,000	\$8,869,800	\$0	Diversified Financials
GE FINANCE	17-Aug-12	\$3,000,000	\$2,720,040	\$2,720,040	Capital Goods
GE FINANCE	3-Dec-12	\$2,000,000	\$1,811,320	\$1,811,320	Capital Goods
AMEX FRN	5-Dec-11	\$7,500,000	\$6,773,190	\$0	Diversified Financials
HSBC FINANCE	22-Sep-11	\$5,000,000	\$4,840,150	\$0	Diversified Financials
HSBCFIN FINANCE FRN	22-Sep-11	\$5,200,000	\$4,432,808	\$0	Diversified Financials
SYDNEY AIRPORT FINANCE	22-Nov-10	\$4,300,000	\$4,161,712	\$0	Transportation
AMEX	5-Dec-11	\$2,900,000	\$2,767,267	\$0	Diversified Financials
STOCKLAND GROUP	18-Feb-15	\$820,000	\$839,918	\$0	Real Estate
MERRILL LYNCH	16-Feb-12	\$11,000,000	\$9,946,560	\$0	Diversified Financials
STOCKLAND GROUP	16-Jun-11	\$840,000	\$814,187	\$0	Real Estate
		\$77,302,000	\$72,030,277	\$17,635,750	

COUPONS RECEIVED

APRIL	MAY	JUNE
25,054.25	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	15,030.92	-
-	-	-
-	34,014.82	-
-	-	24,781.92
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
25,054	49,046	24,781.92

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AMCBF#5

ISSUER	MATURITY	FACE VALUE	CONSIDERATION	CURRENT HOLDING	GICS INDUSTRY
Downer EDI	29-Oct-13	\$11,400,000	\$11,624,536	\$0	Commercial & Professional Services
GPT Property	22-Aug-13	\$1,000,000	\$933,490	\$933,490	Real Estate
Envestra	14-Oct-15	\$2,500,000	\$2,062,750	\$2,062,750	Utilities
Santos Finance	23-Sep-15	\$6,000,000	\$5,511,440	\$5,511,440	Energy
Leightons	28-Jul-14	\$6,900,000	\$7,229,182	\$7,229,182	Capital Goods
Melbourne Airport	14-Dec-15	\$1,000,000	\$863,320	\$863,320	Transportation
CFS Retail Property	22-Dec-14	\$2,400,000	\$2,282,473	\$2,282,473	Real Estate
AMP Limited	5-Oct-14	\$3,500,000	\$3,508,330	\$3,508,330	Insurance
Stockland	15-May-13	\$500,000	\$467,255	\$467,255	Real Estate
Stockland	18-Feb-15	\$18,190,000	\$18,362,081	\$18,362,081	Real Estate
Volkswagen Australia	26-Nov-12	\$3,000,000	\$2,983,500	\$2,983,500	Automotive
Mirvac	15-Mar-15	\$2,300,000	\$2,349,798	\$2,349,798	Commercial & Professional Services
Sydney Airport Finance	20-Nov-14	\$3,030,000	\$2,696,706	\$2,696,706	Transportation
Brisbane Airport	11-Dec-13	\$5,000,000	\$4,629,810	\$4,629,810	Transportation
Melbourne Airport	14-Dec-15	\$3,510,000	\$3,056,324	\$3,056,324	Transportation
Goldman Sachs	24-Jun-14	\$2,500,000	\$2,310,918	\$2,310,918	Diversified Financials
Dexus Finance	28-Jul-14	\$2,500,000	\$2,701,975	\$2,701,975	Real Estate
		\$75,230,000	\$73,573,888	\$61,949,352	

COUPONS RECEIVED

JAN	FEB	MARCH
-	-	-
-	-	-
78,125	-	-
-	-	-
-	-	30,000
-	-	75,000
140,000	-	-
-	15,000	-
-	-	-
-	108,750	-
-	-	-
-	36,638	-
-	-	64,475
-	-	41,847
		59,055
55,223	-	-
273,348	160,388	270,377

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