

25 November 2015

AMYF CHAIRMAN'S ADDRESS

Wednesday, 25 November 2015, 3.30pm

Welcome to the Annual General Meeting for the Australian Masters Yield Fund No 1, No 2, No 3, No 4 and No (AMYF1, AMYF2, AMYF3, AMYF4 and AMYF5 or the Funds) for the financial year ended 30 June 2015 (FY15). The funds are part of the Australian Masters Yield Fund Series (AMYF Series).

Chairman's Address –

I would like to begin today's Chairman's Address by bringing to your attention to Australian Corporate Bond yield levels today compared to yields over the past 10 years.

A persistent low yield environment has dominated the fixed income markets globally over the past 2 years, and has meant opportunities for fixed income investment remain limited. This low rate environment continues to be fuelled by ongoing global stimulus programs and low rates of expansion of the global economy. In line with offshore central banks, the Reserve Bank of Australia has maintained an accommodative stance over the past 12 months, cutting rates by 0.25% in February and again in May, taking the target rate to a historic low of 2.00%.

Corporations have been taking advantage of these market conditions, and primary bond issuance has remained strong, as multiple issuers came to market during 2015, including Apple Inc.'s \$2.2 billion multi-tranche issue in the September quarter, the largest issue in Australian corporate history.

Similarly, over the last quarter, all four of the largest Australian financial institutions have moved to bolster their balance sheets, as they prepare for Basel III, via proposed asset sales and equity issues. Westpac also issued a \$1.25 billion hybrid note.

All funds within the Series have continued to perform well, with the Boards comfortable with the underlying investments of the funds but looking to trim positions when attractive opportunities to do so arise.

AMYF1 currently holds 6 remaining investments across the financial services and infrastructure sectors. AMYF 1 paid \$3.95 in dividends during FY15 totalling \$5.64 including franking and will pay its next distribution of \$0.64 in November 2015.

AMYF1 paid capital returns of \$21.10 and \$18.03 in November 2014 and April 2015 and is scheduled to pay further capital returns of \$5.65 and \$3.32 per share in November 2015 and February 2016, subject to shareholder approval in this AGM.

AMYF2 currently holds 4 remaining investments across the financial services sector. AMYF2 paid \$3.82 in dividends during FY15 totalling \$5.45 including franking and will pay its next distribution of \$0.73 in November 2015.

AMYF2 paid capital returns of \$10.31 and \$9.68 in November 2014 and April 2015 and is scheduled to pay further capital return of \$37.67 per share in August 2016, subject to shareholder approval in this AGM.

AMYF3 currently holds 7 remaining investments across the financial services and infrastructure sectors. AMYF3 paid \$4.80 in dividends during FY15 totalling \$6.85 including franking and will pay its next distribution of \$0.46 in November 2015.

AMYF3 paid capital returns of \$5.14 and \$12.93 in February 2015 and April 2015 and will pay a further capital return in November 2015, subject to shareholder approval in this AGM and yet to be announced.

AMYF4 currently holds 10 investments across financial services, mining services and airport sectors. AMYF4 paid \$3.12 in dividends during FY15 totalling \$4.45 including franking and will pay its next distribution of \$0.43 in November 2014.

AMYF4 paid capital returns of \$5.02 and \$20.28 per share in November 2014 and August 2015 and is scheduled, subject to shareholder approval in this AGM, to pay further capital returns in November 2015, yet to be announced, in February 2016 of \$7.53 per share and in November 2016 of \$3.79 per share.

AMYF5 currently holds 12 investments, with exposure to the financial services, airports, mining services, infrastructure, property and PPP sectors. AMYF5 paid \$3.56 in dividends during FY15 totalling \$5.08 including franking and will pay its next distribution of \$0.53 in November 2014.

AMYF5 paid its first capital return of \$14.50 in November 2014. Subject to approval at this AGM, AMYF5 is scheduled to pay further capital returns in November 2015, yet to be announced, and \$7.42 per share in February 2016.

AMYF1 is forecast to return up to 80% of capital by December 31st 2016 as investments either mature, or in the case of the Bank of Queensland sub-debt, become callable by the issuer. The Manager anticipates that the HSBC bonds will also be called by the issuer on the call date.

AMYF2 is forecast to return up to 81% of capital by December 31st 2016 as investments either mature or become callable. The Manager anticipates that the Bank of Queensland sub-debt and IMB Limited and Genworth Financial floating rate notes held by the company will be called by the issuers on the call date.

AMYF3 is forecast to return up to 28% of capital by December 31st 2016 based on the sale of Insurance Australia Group Convertible Preference Shares in November 2015.

AMYF4 is forecast to return up to 49% of capital by December 31st 2016 based on the sale of Lend Lease bonds in October 2015 and the redemptions of BIS Industries loan and the Morgan Stanley fixed rate bonds.

AMYF5 is forecast to return up to 24% of capital by December 31st 2016 based on the sale of Lend Lease bonds in October 2015 and redemption of the BIS Industries loan.

During the past twelve months a number of bonds held in the funds matured or were redeemed.

DBNGP Finance Company bond held in AMYF1 matured in September 2015. This capital is due to be returned to Shareholders in November 2015. There were no maturities or redemption from AMYF2 over the last twelve months.

Loy Yang Power Projects loan held in AMYF4 was re-paid with funds raised in a debt capital raising by AGL the parent company in May 2015. This early redemption was returned to shareholders in August 2015.

The Australian Mutual Investment Trust 2022 bonds held in AMYF3 and AMYF4 were partially redeemed by the issuer in May 2015. It is expected that the Boards of each company will seek approval at a future AGM, and prior to the November 2017 call date, to return this capital to Shareholders.

The Insurance Australia Group 2019 convertible preference shares held in AMYF3 were partially sold in November 2015 by the Fund Manager, at a premium to redemption value. Subject to shareholder approval at this AGM, capital redeemed from the sale will be returned to Shareholders in December 2015 as a capital return.

The BIS Industries 2015 loan held in AMFY4 and AMYF5 was partially redeemed early by the borrower in September 2015. The balance of the loan is due to mature in December 2015, and subject to approval at this AGM, the capital will be returned to shareholders early in 2016.

The Lend Lease Finance May 2020 bonds held by the Funds were partially sold in October 2015 by the Fund Manager, taking advantage of the attractive pricing premium to the redemption value. These bonds are held by AMYF4 and AMYF5 and, subject to shareholder approval at this AGM, capital redeemed from the sale will be returned to Shareholders in December 2015 as a capital return.

If there are questions in relation to the above we will now pause to take questions.

That concludes the chairman's address.