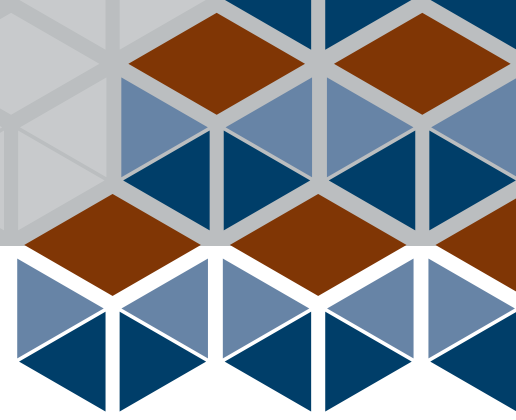




**AUSTRALIAN
MASTERS
YIELD**
FUND SERIES



AMYF SERIES QUARTERLY UPDATE

1 JANUARY 2016 – 31 MARCH 2016

SUMMARY

AUSTRALIAN MASTERS YIELD FUND SERIES (AMYF SERIES) HIGHLIGHTS

- The following dividends have been announced:
 - Australian Masters Yield Fund No 1 (AMYF1), announced a fully franked dividend of \$0.57 per share to be paid on 30 May 2016.
 - Australian Masters Yield Fund No 2 (AMYF2), announced a fully franked dividend of \$0.71 per share to be paid on 30 May 2016.
 - Australian Masters Yield Fund No 3 (AMYF3), announced a fully franked dividend of \$0.49 per share to be paid on 30 May 2016.
 - Australian Masters Yield Fund No 4 (AMYF4), announced a fully franked dividend of \$0.59 per share to be paid on 30 May 2016.
 - Australian Masters Yield Fund No 5 (AMYF5), announced a fully franked dividend of \$0.49 per share to be paid on 30 May 2016.
- The following capital return has been announced:
 - AMYF1 announced a capital return of \$22.11 per share to be paid on or around 30 May 2016.
- All existing fixed income investments held in the AMYF Series performed as expected.

MARKET HIGHLIGHTS

Global markets: In the United States (US), the Federal Reserve (Fed) kept interest rates on hold post the December 2015 rate hike. The Fed cited uncertainty surrounding global growth and volatility in global financial markets as the primary reason for its decision to hold and for their tempered outlook. During a speech in March, the Fed Chair, Janet Yellen, urged caution, emphasising further rate increases would occur gradually. The European Central Bank (ECB) expanded their quantitative easing program, increasing bond buying to €80 billion per month, an increase of €20 billion, while lowering the rate banks can borrow from the ECB from 0.05% to 0% and the deposit rate by 10 basis points (bps) to -0.4%.

Australian rates: Over the March quarter, the Reserve Bank of Australia (RBA) maintained its accommodative stance, keeping rates at 2.00%. The RBA noted the moderate pick up in GDP and continued tightening of the labour market as the basis for its decision. However, the recent appreciation in the Australian dollar (AUD) remains a consideration, as a weaker dollar is considered favourable for the country's economic transition to non-mining led growth.

Credit markets: Credit spreads widened early in the March quarter, particularly amongst mining and energy issuers, due to high financial market volatility, triggered by steep declines in the Chinese equity markets and the oil price. A move by Chinese and European central banks towards more accommodative policy through the latter half of the quarter helped calm investors, buoy markets and narrow credit spreads.



AMYF ACTIVITY

AMYF Series announced the following quarterly dividends and capital returns:

FUND	DIVIDEND	FRANKED	GROSSED UP	CAPITAL RETURN	EXPECTED PAYMENT DATE
AMYF1	\$0.57	\$0.24	\$0.81	\$22.11	30 May 2016
AMYF2	\$0.71	\$0.30	\$1.01	\$0.00	30 May 2016
AMYF3	\$0.49	\$0.21	\$0.70	\$0.00	30 May 2016
AMYF4	\$0.59	\$0.25	\$0.84	\$0.00	30 May 2016
AMYF5	\$0.49	\$0.21	\$0.70	\$0.00	30 May 2016

All existing fixed income securities held within the portfolios of the AMYF Series performed as expected. The Fund Manager is proactively managing the cash balances of the funds and will consider returning capital to shareholders when it is practical to do so.

GLOBAL MARKETS UPDATE

Global markets continued to be volatile in January and February due to anxiety over China's economic trajectory. China's stock market suffered a sharp correction and the Renminbi experienced a significant devaluation early in the quarter. These events triggered a sell-off in global markets, sent commodities lower and oil prices declined to multi-year lows by mid-February. However, major central banks again calmed investors with a commitment to loose monetary policy, most noticeable, dovish comments by the Fed Chair, Janet Yellen, in March that buoyed markets, weakened the US dollar and supported commodity prices. The ECB expanded its stimulus measures while the Bank of Japan surprised markets by moving interest rates into negative territory. Oil prices fell to multi-year lows, but then recovered after Russia and Saudi Arabia agreed to a freeze of output at existing levels, conditional on participation by other OPEC members.

The Fed decided against raising rates in its two policy meetings this quarter and scaled back its forecast to two quarter-point (0.25%) increases in rates this year, down from the earlier suggested four hikes. Furthermore, during a speech in March, Janet Yellen urged caution, noting the uncertain global economic environment and recent financial market volatility and affirmed a gradual pace of policy tightening. US economic growth was moderate during the quarter with the labour market continuing to tighten, consumer spending softening and inflation remaining below target.

In Europe, deflationary conditions and weak economic activity led the ECB to expand its quantitative easing program. The ECB increased its bond buying program to €80 billion per month (previously €60 billion), including for the first time non-financial investment grade corporate bonds. It also lowered the deposit rate by 10 bps to -0.4%, cut the Eurozone bank refinance rate from 0.05% to 0% and introduced four year ECB loans for banks at negative interest rates. ECB officials reiterated their resolve to return inflation to target and remain willing to further boost stimulus measures if needed.

China's economic growth continued to moderate but concerns over a hard landing of the economy receded towards the end of the quarter as market sentiment improved following a 50 bps Reserve Requirement Ratio cut. The China GDP growth rate has slowly edged below 7%, the Government has now set a new target range of 6.5% to 7.0%.

Global bond markets rallied in the first half of the quarter as investors avoided volatile equity markets. As previously mentioned, central bank actions and comments calmed markets and also resulted in a lower, flatter yield curve. The 10-year US Treasury yield fell from 2.27% to 1.77% over the quarter. European Bond prices rose on the back of ECB's stimulus.



AUSTRALIAN FINANCIAL MARKET UPDATE

In Australia, the pick up in overall GDP growth in 2015 and the consistent strength in the labour market suggests the economy is progressively and successfully shifting from mining to non-mining led growth. However, a rebound in commodity prices, a dovish Fed and easing monetary policy actions in Japan and Europe, have caused the AUD to appreciate. The RBA remains mindful of the recent surge in the dollar, as AUD weakness is perceived as a key instrument for the rebalancing of the economy.

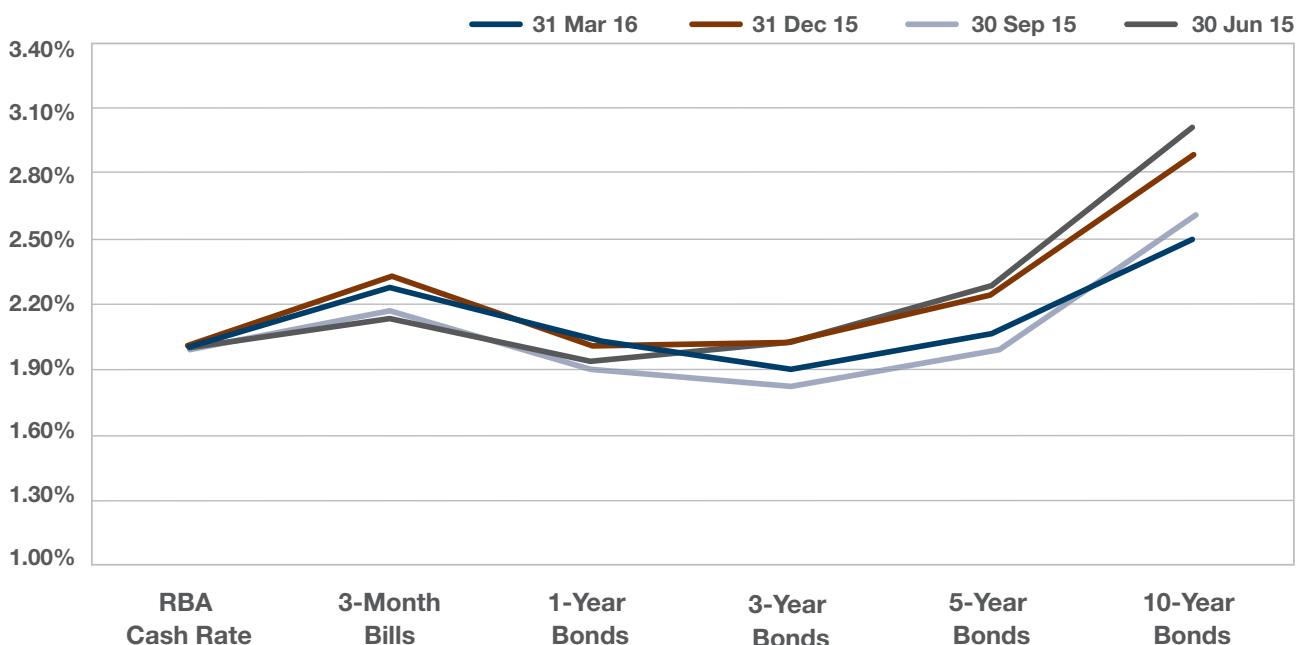
DOMESTIC RATES

The RBA held the cash rate steady at 2.0% during the March quarter, but warned the recent appreciation of the AUD could complicate the adjustment the economy is making towards non-mining led growth. However, a recent uptick in growth despite lower mining related investment and inflation closer to target rate, encouraged the central bank to keep the cash rate unchanged. The RBA expects inflation to remain subdued over the next year or two, in line with other major economies. This may provide leeway for further monetary policy easing should the economy require a boost.

The RBA has continued to watch the housing market closely and expressed its comfort in the moderation in Sydney and Melbourne house price growth. The regulatory measures put in place have tightened lending standards. The low interest rate environment continues to support lending, which beat expectations as business credit accelerated and housing credit improved at a moderate pace, with the lending composition shifting towards owner-occupiers.

The AUD appreciated 5.1% against the USD, on the back of improving commodity prices and policy easing by the central banks of leading economies.

AUSTRALIAN GOVERNMENT YIELD CURVE



Source: Bloomberg

DOMESTIC CREDIT

Australian credit spreads finished the quarter higher, reflecting the commodity and financial market volatility. Policy decisions of major central banks, particularly the ECB's decision to include corporate bonds in its bond buying program, and a recovery in commodity prices saw spreads partially tighten towards the end of the quarter following some wide swings earlier in the quarter.

ITRAXX AUSTRALIAN CREDIT SPREADS



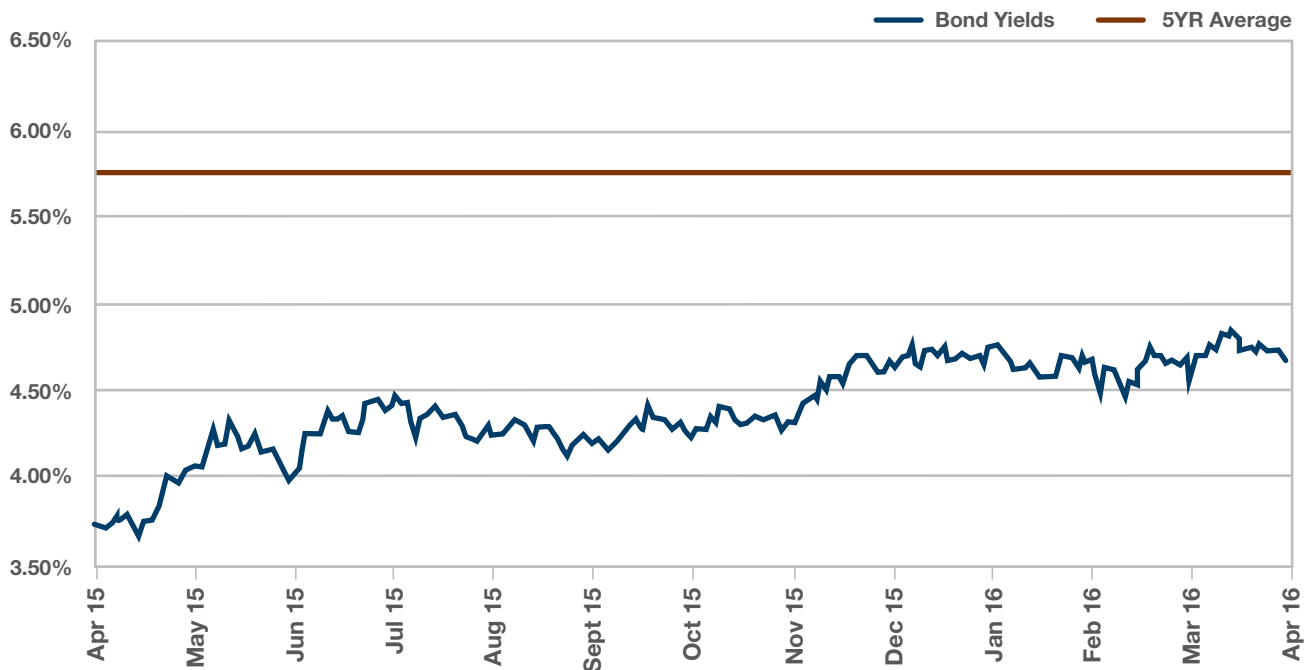
Source: Bloomberg

The iTraxx Australia index is a liquid Financial Instrument generally used for hedging Credit exposure. The index is constructed of 25 Australian Credit Default Swaps (CDS) evenly weighted, and is heavily represented by some of the largest and highest rated issuers in the domestic market. The liquidity of the index exceeds that of the underlying CDSs and as such can move more rapidly as the risk profile of the market changes.

Australian bonds rallied in January and February, in line with global fixed income markets as investors looked to assets with greater income and capital surety. As markets stabilised in March and comparatively stronger Australian GDP and labour force data was released, investors moved back into riskier assets and the government bond market sold off.



AUSTRALIAN BBB 5YR CORPORATE BOND YIELDS



Source: Bloomberg

The March quarter saw a small decline in bond yields, with the Australian Corporate Bond BBB composite falling from 4.76% to 4.65%. Domestic debt issuances totaled \$18.9 billion, dominated by banks.

HYBRID MARKET UPDATE

The Commonwealth Bank of Australia raised \$1.45 billion from its latest PERLS VIII hybrid note offering in March, higher than the \$1.25 billion it had set out to raise. The CBA said that demand from new investors was significantly higher than the \$650 million cap it had in place.

DISCLAIMER

This Quarterly Update (**Update**) has been prepared by Walsh & Company Asset Management as Investment Manager of Australian Masters Yield Fund No. 1 to 5 (**Company**).

An investment in the Company is subject to various risks, many of which are beyond the control of the Investment Manager and the Company. The past performance of the Company is not a guarantee of the future performance of the Company.

This Update contains statements, opinions, projections, forecasts and other material (forward looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. None of the Investment Manager and the Company, their officers, employees, agents, analysts nor any other person named in this Update makes any representation as to the accuracy or likelihood of fulfilment of the forward looking statements or any of the assumptions upon which they are based.

This Update may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs, and consider obtaining advice from a financial advisor. You should obtain a copy of the relevant Prospectus or offer document before making any decisions to purchase the product.



MARCH QUARTER DIVIDENDS & CAPITAL RETURNS**

FUND	CASH	FULLY FRANKED	CAPITAL RETURNS***
AMYF#1	\$0.57	\$0.81	\$22.11
AMYF#2	\$0.71	\$1.01	\$0.00
AMYF#3	\$0.49	\$0.70	\$0.00
AMYF#4	\$0.59	\$0.84	\$0.00
AMYF#5	\$0.49	\$0.70	\$0.00

AMYF#1

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
Generator Income Trust*	8-Oct-11		\$1,654,500	\$1,507,009	Diversified Financials
Southern Cross Airports*	20-Dec-16	1-Jan-12	\$2,205,600	\$2,167,700	Transportation
Royal Bank of Scotland*	27-Oct-14		\$21,900,000	\$19,086,932	Diversified Financials
DBNGP Finance*	29-Sep-15		\$5,000,000	\$5,109,000	Utilities
HSBC Bank (Australia)*	26-Nov-20	26-Nov-15	\$3,000,000	\$3,000,000	Diversified Financials
Mirvac Group Finance	16-Sep-16		\$8,500,000	\$8,642,990	Real Estate
Adelaide Airport	20-Sep-16		\$1,000,000	\$899,130	Transportation
Bank of America	14-Feb-17		\$10,100,000	\$8,797,248	Diversified Financials
HBOS Plc (Lloyds)*	1-May-17	1-May-12	\$15,000,000	\$12,631,391	Diversified Financials
Wachovia Bank (Wells Fargo)	25-May-17		\$7,000,000	\$6,023,630	Diversified Financials
Bank of Queensland	14-Apr-21	14-Apr-16	\$20,000,000	\$20,000,000	Diversified Financials
			\$95,360,100	\$87,865,030	

AMYF#2

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
Generator Income Trust*	8-Oct-11		\$1,827,500	\$1,767,716	Diversified Financials
Southern Cross Airports*	20-Dec-16	1-Jan-12	\$790,200	\$788,263	Transportation
Royal Bank of Scotland*	27-Oct-14		\$5,000,000	\$4,381,050	Diversified Financials
Bank of Queensland	10-May-21	10-May-16	\$10,000,000	\$10,000,000	Diversified Financials
Genworth Financial Mortgage Insurance	30-Jun-21	30-Jun-16	\$6,000,000	\$6,011,530	Diversified Financials
IMB Building Society	16-Sep-21	16-Sep-16	\$10,000,000	\$10,000,000	Diversified Financials
Bank of America	14-Feb-17		\$6,900,000	\$5,571,368	Diversified Financials
HBOS Plc (Lloyds)*	1-May-17	1-May-12	\$2,000,000	\$1,560,000	Diversified Financials
			\$42,517,700	\$40,079,927	

COUPONS RECEIVED

JANUARY	FEBRUARY	MARCH
-	-	-
-	-	-
-	-	-
-	-	-
-	-	340,000
-	-	6,495
-	65,470	-
-	-	-
-	46,580	-
284,822	-	-
284,822	112,050	346,495

COUPONS RECEIVED

JANUARY	FEBRUARY	MARCH
-	-	-
-	-	-
-	-	-
-	149,889	-
-	-	106,582
-	-	158,273
-	44,727	-
-	-	-
-	194,617	264,855

AMYF#3

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
Royal Bank of Scotland*	17-Feb-17	17-Feb-12	\$4,000,000	\$2,982,720	Diversified Financials
FKP Property Group*	05-Jan-16	5-Jan-14	\$4,000,000	\$3,867,611	Real Estate
Royal Bank of Scotland*	27-Oct-14		\$6,100,000	\$5,015,789	Diversified Financials
Loy Yang Power Projects*	12-Nov-15		\$10,464,705	\$9,941,470	Utilities
Bank of America	14-Feb-17		\$17,400,000	\$14,001,455	Diversified Financials
Morgan Stanley	22-Feb-17		\$7,000,000	\$6,205,450	Diversified Financials
Bank of Queensland	22-Mar-22	22-Mar-17	\$15,000,000	\$15,000,000	Diversified Financials
Insurance Australia Group^	01-May-19	1-May-17	\$7,975,000	\$7,975,000	Diversified Financials
HBOS Plc (Lloyds)*	01-May-17		\$5,400,000	\$4,191,165	Diversified Financials
Morgan Stanley	09-May-17		\$5,100,000	\$5,100,000	Diversified Financials
IMB Building Society	29-Jun-22	29-Jun-17	\$8,000,000	\$8,000,000	Diversified Financials
AMIT	09-Nov-22	9-Nov-17	\$4,000,000	\$4,000,000	Diversified Financials
AMP Bank	21-Dec-22	21-Dec-17	\$7,500,000	\$7,500,000	Diversified Financials
			\$101,939,705	\$93,780,660	

COUPONS RECEIVED

JANUARY	FEBRUARY	MARCH
-	-	-
-	-	-
-	-	-
-	-	-
-	112,790	-
-	47,470	-
-	-	247,009
-	-	-
-	-	-
-	-	-
-	-	132,071
-	-	57,885
-	-	102,001
-	160,260	538,966

AMYF#4

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
McAleese Finance*	03-Apr-15		\$10,000,000	\$10,000,000	Mining Services
UPMG*	30-Jun-18		\$5,250,000	\$5,000,000	Industrials
Loy Yang Power Projects*	12-Nov-15		\$21,114,242	\$20,196,856	Utilities
BIS Industries*	21-Dec-15		\$7,500,000	\$7,500,000	Mining Services
Morgan Stanley	29-Sep-16		\$3,600,000	\$3,774,500	Diversified Financials
IMB Building Society	29-Jun-22	29-Jun-17	\$4,500,000	\$4,500,000	Diversified Financials
AMIT	09-Nov-22	9-Nov-17	\$3,500,000	\$3,500,000	Diversified Financials
AMP Bank	21-Dec-22	21-Dec-17	\$4,500,000	\$4,500,000	Diversified Financials
Morgan Stanley	22-Feb-18		\$10,000,000	\$10,354,499	Diversified Financials
Westpac	08-Mar-21	8-Mar-19	\$2,500,000	\$2,500,000	Diversified Financials
NAB	22-Mar-21	19-Mar-19	\$2,500,000	\$2,500,000	Diversified Financials
Lend Lease^	13-May-20		\$15,000,000	\$14,985,150	Infrastructure
Sydney Airports	20-Nov-20		\$6,200,000	\$7,514,834	Airline Infrastructure
			\$96,164,242	\$96,825,839	

COUPONS RECEIVED

JANUARY	FEBRUARY	MARCH
-	-	-
-	-	-
-	-	-
-	-	-
-	-	162,000
-	-	74,290
-	-	51,627
-	-	61,201
-	737,500	-
-	-	23,998
-	-	24,238
-	-	-
-	78,626	-
-	816,126	397,353



AMYF#5

ISSUER	MATURITY	CALL DATE	FACE VALUE	CONSIDERATION	GICS INDUSTRY
UPMG*	30-Jun-18		\$15,750,000	\$15,000,000	Industrials
BIS Industries*	21-Dec-15		\$7,500,000	\$7,500,000	Mining Services
Anglo American	27-Sep-18		\$10,500,000	\$10,381,350	Mining
Westpac	08-Mar-21	8-Mar-19	\$2,000,000	\$2,000,000	Diversified Financials
NABPA	22-Mar-21	19-Mar-19	\$2,500,000	\$2,500,000	Diversified Financials
IAG	19-Mar-40	19-Mar-19	\$3,000,000	\$3,000,000	Diversified Financials
Lend Lease^	13-May-20		\$25,000,000	\$24,975,250	Infrastructure
PRAECO	28-Jul-22	28-Jul-20	\$4,710,000	\$4,862,912	Private Public Project
Mirvac Group Finance	18-Sep-20		\$10,000,000	\$9,875,000	Real Estate
Sydney Airports	20-Nov-20		\$6,000,000	\$7,516,200	Airline Infrastructure
NAB CPSII	19-Dec-22	17-Dec-20	\$1,384,000	\$1,384,000	Diversified Financials
ANZ PD	01-Sep-23	01-Sep-21	\$4,541,000	\$4,541,000	Diversified Financials
ANZ PE	15-Mar-24	15-Mar-22	\$5,000,000	\$5,000,000	Diversified Financials
			\$97,885,000	\$98,535,712	

COUPONS RECEIVED

JANUARY	FEBRUARY	MARCH
-	-	-
-	-	-
-	-	-
-	-	19,198
-	-	24,238
-	-	38,557
-	-	-
83,986	-	-
-	-	287,500
-	76,089	-
-	-	13,526
-	-	88,522
-	-	96,250
83,986	76,089	567,790

* Investment has been redeemed.

** Does not include dividends paid and capital returned during the quarter that were recorded in the previous quarterly update for the fund.

*** Capital Return up to this amount.

^ Partial redemption/sell down

**** Figures may not reconcile due to rounding.

