

# MCP MASTER INCOME TRUST

## TRUST INFORMATION

### Trust

MCP Master Income Trust (MXT) ARSN 620 465 090

### Responsible Entity

The Trust Company (RE Services) Limited ACN 003 278 831; AFSL 235 150

### Manager

Metrics Credit Partners Pty Ltd (MCP) ACN 150 646 996; AFSL 416 146

### Investment Objective

Provide monthly cash income, low risk of capital loss and portfolio diversification by actively managing diversified loan portfolios and participating in Australia's bank-dominated corporate loan market. The Manager seeks to implement active strategies designed to balance delivery of the Target Return, while seeking to preserve investor capital.

### Investment Strategy

To create a diversified exposure to Australian corporate loans generally reflecting activity in the corporate loan market and with the resultant diversity by borrower, industry and credit quality. Through active portfolio risk management, the Manager seeks to preserve investor capital.

### Target Return

RBA Cash Rate +3.25% pa net of fees.

### Investment Highlights

- // Experienced and active management team with proven track record.
- // Monthly cash income from floating rate Australian direct lending.
- // Attractive risk-adjusted returns from a diversified portfolio.
- // Portfolio diversification in Australian corporate fixed income.
- // Attractive fee structure and stable Net Asset Value (NAV) backing.

### UNIT PRICE AND NAV<sup>(1)</sup>

ASX Ticker Code	MXT
Price / NAV (share) <sup>(2)</sup>	\$2.04 / \$2.00
Market Cap. / NAV <sup>(2)</sup>	\$741m / \$727m
Unit Pricing	Daily
Distributions	Monthly
Website	metricscredit.com.au

## MARKET AND INVESTMENT ACTIVITY

The Australian syndicated loan market saw US\$1.7b of primary issuance complete during the month (vs US\$4.3b pcp). Like Q1, corporate refinancings comprised the majority of issuance, albeit with a pick-up in corporate activity starting to deliver some new to market lending opportunities. Major transactions completed during April included refinancings for casino owner Star Entertainment Ltd (A\$400m), Rice Growers Ltd (SunRice), Qantas and Melbourne based bus operator Ventura Busses (A\$325m). Financial sponsor Quadrant completed its acquisition of Ardent Leisure's AMF Bowling which will be merged with its existing Timezone video arcade business, partially financed with an acquisition loan facility.

Whilst market issuance has been somewhat subdued, year-to-date volume is slightly ahead of 2017 (US\$7.2b vs US\$5.0b) and the June quarter typically brings increased transactional activity as corporate borrowers lock-in financing prior to their financial year-end. This, along with a strong pipeline of corporate activity headlined by the NSW State Government's sale of 51% of Sydney Motorway Corporation (the WestConnex toll-road project owner), will provide a variety of opportunities for lenders in coming months.

With limited headline transactions (>\$1bn) completed thus far, there has been a

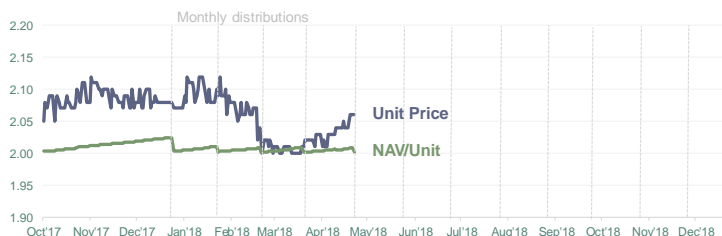
heightened level of competition amongst lenders and on certain over-subscribed loan syndications borrowers have been able to negotiate more attractive terms than originally offered by underwriting banks. As an example of this, financial sponsor Permira were able to tighten pricing during syndication of its loan funding the purchase of healthcare imaging company I-Med.

However, the impact on loan pricing has been tempered by recent pressure seen in short-term bank funding markets which has worked to create a market pricing floor and may ultimately lead to upward movement in pricing during the second half of the year. This has been driven by rising inflation in the US.

Following completion of a \$210m capital raise, MXT has been active in deploying available capital. During April MXT gained exposure to 6 new loans including a desalination plant operated under a public-private partnership arrangement, 2 acquisition loan facilities and 2 residential property development projects. At the end of April, MXT was invested in 74 loan facilities.

MXT announced a 0.78c per unit April distribution paid in early May, representing an annualised distribution rate of 4.75% from listing date to 30 April 2018.

## NAV/UNIT AND UNIT PRICE PERFORMANCE



NOTE: First distribution end December 2017 and month end thereafter.  
Entitlement Offer announced 26 February 2018 and closed 27 March 2018.

## FUND PERFORMANCE

	1mth	1yr	3yr <sup>(3)</sup>	5yr <sup>(3)</sup>	Incep <sup>(4)</sup>
Net Return (%)	0.38	-	-	-	2.73
RBA Cash Rate (%)	0.12	-	-	-	0.87
Distribution (%)	0.39	-	-	-	2.66
Distribution (c/Unit)	0.78	-	-	-	5.31

NOTE: Past performance is not a reliable indicator of future performance.

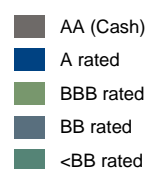
## RESEARCH



## PLATFORMS

AMP North	AMP PortfolioCare	Asgard	BT Panorama
BT Wrap	CFS FirstWrap	HUB24	IOOF
Macquarie Wrap	MLC Navigator	MLC Wrap	Netwealth

## MCP MASTER INCOME TRUST

PORTFOLIO CONSTRUCTION<sup>(5)</sup>Industry Allocation<sup>(6)</sup>Credit Quality<sup>(7)</sup>

## OTHER FUND SETTINGS

Number of Individual investments	74	Interest Duration (days) <sup>(8)</sup>	27
Investment Grade (%) <sup>(7)</sup>	78%	Credit Duration (years) <sup>(9)</sup>	1.9

NET RETURNS<sup>(10)</sup>

(%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.38	0.32	0.43	0.38	-	-	-	-	-	-	-	-	1.51
2017	-	-	-	-	-	-	-	-	-	0.46	0.35	0.41	1.23

NOTE: Past performance is not a reliable indicator of future performance.  
Cash holdings temporarily elevated post \$210m capital raising in April.

## DISTRIBUTIONS

(cents/Unit)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.81	0.73	0.81	0.78	-	-	-	-	-	-	-	-	3.13
2017	-	-	-	-	-	-	-	-	-	-	-	2.19	2.19

NOTE: Past performance is not a reliable indicator of future performance.

## NOTES

1. As at close of business month end 2. Ex-distribution 3. Annualised. 4. IPO 9 October 2017. 5. Note MXT invests in underlying MCP funds which engage in direct lending activities. 6. MSCI and Standard & Poor's Global Industry Classification Standard Industry. 7. Rated by MCP including where not rated by public rating agencies. 8. Weighted average to next interest rate roll on underlying loans and cash. 9. Weighted average to final maturity on underlying loans and cash. 10. Where last day of the month is a non business day returns based on estimated unit price at month end.

## ABOUT THE MANAGER

MCP is an Australian debt-specialist fund manager with significant direct lending expertise in the Australian corporate loan market. MCP manages funds on behalf of investors seeking opportunities in credit and fixed income markets.

MCP's Investment Team has significant corporate and institutional lending experience and currently manages wholesale funds in excess of \$2.5 billion.

## ENQUIRIES

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