AUSTRALIAN MASTERS
CORPORATE BOND
FUND SERIES

QUARTERLY UPDATE

Market Review

The Reserve Bank of Australia (RBA) resumed interest rate hikes in March, after unexpectedly holding rates steady in February. Australia is leading the world in raising borrowing rates, with the latest rise the fourth in five months.

The minutes of the RBA's meeting, released later in the month, indicated the RBA remained reasonably confident on the economic outlook for Australia. Internationally, fiscal problems in Europe were noted as a risk, but the RBA deemed such an outcome to be "not the most likely".

Reserve Bank Governor Glenn Stevens highlighted the RBA's tightening bias during an appearance on Channel Seven's *Sunrise* program in March where he warned investors and home owners that mortgage rates would continue to rise: "you shouldn't assume [mortgage rates] will stay low because that assumption will prove to be, you know, unfortunate." His remarks were foreshadowed earlier in the month when Assistant Governor for economic matters, Philip Lowe, remarked that interest rates in Australia will need to continue to move towards more normal settings. While Mr. Lowe would not set out what he viewed as normal for the cash rate target, he did note that current mortgage rates are around 50 basis points (bps) below their past 15-year average (indeed, post quarter end, the RBA made another step towards 'normal' rates, raising the cash rate by another 25 bps to 4.25%).

March Australian employment rose by 19,600, largely as expected, after a revised fall of 4,700 in February. While the year on year pace picked up from 1.6% to 2.1% (the fastest since mid 2008), the pace of jobs growth has slowed over February and March, with a net gain of 15,000 versus an average monthly rise of 40,000 in the prior five months.

Interest rates moved higher as well during the quarter and generally outpaced the rise in the cash rate, particularly at the three-year part of the yield curve. One-year rates were higher by 34 bps, three-years by 61 bps, and five-years by 36 bps over the quarter. Only ten-year rates rose less than the cash rate, up 14 bps. One-year rates are now over 4.5%, up over 2% from a year ago, and five-year rates are now over 5.5%, up over 1.5% from a year ago.

Swap spreads tightened during the quarter and the spread curve flattened, particularly in the three-year part of the curve. While one-year swap spreads finished the quarter virtually unchanged from the previous quarter (and from a year ago) at 43 bps, three-year swaps spreads came in by 47 bps over the quarter, five-years by 34 bps, and ten-years by 24 bps. One-year swaps are now 5.0%, three-years just over 5.5%, five-year swaps approaching 5.9% and ten-years 6.15%.

Corporate bond spreads continued the trend of the past few quarters, with the lower end of the investment grade spectrum tightening the most. As measured by Bloomberg's AUD Australia Domestic 3 Year Corporate Bond Indices, BBB spreads tightened by 22 bps while AAs came in by only 1 bps and AAA and As widened by 3 and 6 bps, respectively. Three-year AAAs ended the quarter at just under 6% yields, while BBBs were at nearly 7.7% yields.

Issuance Activity

Domestic corporate bond activity picked up appreciably as the quarter rolled on, with March a particularly busy month for non-financial issuers, with over $1 billion raised. Transurban kicked off in March with its $250 million 4-year, senior bonds at 180 bps over swaps, followed by SP Ausnet's $300 million 5.5-year senior bonds at 160 bps over swaps, Mirvac's $150 million 5-year senior bonds at 265 bps over swaps, Volkswagen's $150 million 4-year senior bonds at 252.5 bps over swaps, and Adelaide Airport's $235 million 5.5-year bonds at 255 bps over swaps.

With 5-year swaps yielding 5.86%, this means that investors were able to purchase select investment grade corporate bonds at a yield of over 8%.

In addition, Colonial First State Global Asset Management issued its second commercial mortgage backed security (CMBS) and the first CMBS issue in the Australian market in 2010 – a $370 million 5-year bond at 235 bps over swaps.

TOP 10 ISSUANCES BY ISSUE SIZE DURING MARCH QUARTER 2010

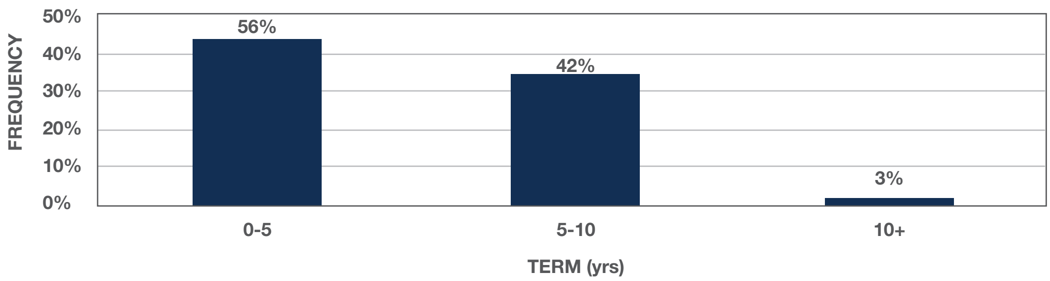
DATE	ISSUER	AMOUNT (AUD MILLION)
21/1/2010	Queensland Treasury Corporation	4,000
3/2/2010	World Bank	1,500
11/2/2010	ANZ	1,800
18/2/2010	ING Bank Australia	2,000
23/2/2010	Queensland Treasury Corporation	2,500
3/3/2010	Commonwealth Bank of Australia	1,500
3/3/2010	International Finance Corporation	1,100
5/3/2010	HSBC	1,500
11/3/2010	Credit Suisse	1,100
25/3/2010	National Australia Bank	1,500

NON-FINANCIAL CORPORATE BOND ISSUANCES DURING MARCH QUARTER 2010

DATE	ISSUER	AMOUNT (AUD MILLION)
15/3/2010	Transurban Finance Company	250
18/3/2010	SP Ausnet	300
19/3/2010	Mirvac	150
25/3/2010	Volkswagen Financial Services Australia	150
31/3/2010	Adelaide Airport	235

Issue maturities were slightly biased to the shorter end, with 56% of issues of up to five years maturity and 42% of issues of between six and up to ten years maturity. Only two transactions were issued with a maturity of greater than 10 years. Highly rated issues continue to dominate issuance activity. Issuance was relatively evenly split between foreign issuers into Australia (52%) and domestic issuers (48%). Select statistics for bond market issuance activity in the March 2010 quarter are shown below (all percentages by number of deals):

TERM STRUCTURE



Note: above includes issuances with multiple maturities

MANAGER

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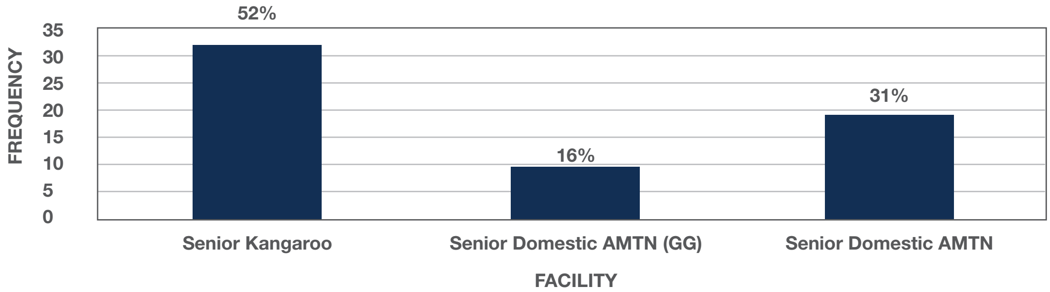
FACILITY TYPE



Source: Insto

AMCBF Activity

During the quarter, AMCBF 5 made three new acquisitions within the corporate bond market. These included the purchase of $2,000,000 of Brisbane Airport Corporation's 2013 floating rate bonds, $1,500,000 of Mirvac's 2015 fixed rate bonds and $12,760,000 of Stockland's 2015 fixed rate bonds.

Market Outlook

As world economic conditions have stabilised, credit spreads have reduced significantly from their crisis highs. At the same time, with Australia's economy continuing to expand at a solid rate, boosted by strong growth from Asia as well as continued fiscal stimulus, and the RBA's continuing tightening bias, cash rates and interest rates have moved higher. This has yielded continued attractive investment opportunities for select new issues, and AMCBF directors are extremely pleased with the bonds purchased for AMCBF 5.

These dynamics, combined with a pick up in non-financial corporate bond issuance, as well as the return of some asset backed issuance, means the opportunity set for the AMCBF series is likely to remain or improve. Should opportunities for investment grade issuers in the three to five-year range continue to present themselves, the AMCBF series of funds will continue to look to participate in the market.

Australian Masters Corporate Bond Fund No 5

FOLLOWING THE SUCCESSFUL RAISING OF APPROXIMATELY $53.8M COMPETED IN FEBRUARY 2010 THE MANAGER, DIXON ADVISORY, IS PLEASED TO ADVISE SHAREHOLDERS OF THE CURRENT PORTFOLIO.

As indicated in the prospectus, the Company has invested in a portfolio of investment grade corporate bonds issued by well known Australian companies, multinational companies and Australian subsidiaries of multinational companies.

We have taken a considered approach while investing, allowing time to identify and negotiate with sellers to diversify the portfolio while maximising the yield. This approach has added significant value to the Company, allowing us to acquire bonds at attractive yields in a competitive market. The fund's portfolio has **an average yield to maturity achieved on the underlying bonds of 8.83% p.a.*** The table below shows the AMCBF#5 portfolio as at 30 April 2010:

	ISSUER	MATURITY	PURCHASE PRICE	YTM ON PURCHASE (P.A.)
FIXED RATE	Volkswagen Financial Services	26/11/2012	$2,983,500	7.46%
	Stockland Property Management	15/05/2013	$467,255	8.27%
	GPT Group	22/08/2013	$933,490	9.00%
	Downer Group Finance Pty Limited	29/10/2013	$3,997,400	9.77%
	Leighton Finance	28/07/2014	$6,051,676	9.09%
	AMP Capital	05/10/2014	$3,508,330	8.22%
	CFS Retail Property Trust	22/12/2014	$2,282,472	8.10%
	Stockland Property Management	18/02/2015	$12,800,066	8.59%
	Mirvac Group Funding Ltd	15/03/2015	$1,494,150	8.43%
	Santos Finance	23/09/2015	$5,017,955	8.44%
	Envestra Victoria Pty Ltd	14/10/2015	$2,062,750	10.35%
	Australia Pacific Airports (Melbourne)	14/12/2015	$863,320	9.60%
FLOATING RATE	Brisbane Airport*	11/12/2013	$4,629,810	8.80%
	Sydney Airport Finance*	20/11/2014	$2,067,735	9.53%
	Australia Pacific Airports (Melbourne)*	14/12/2015	$3,056,324	9.05%
	Cash & Retained Earnings	-	$1,616,104.28	4.25%

*These figures are based on interest rate swap rates as at 29 March 2010. Approximately 19% of the bonds in the current portfolio are floating rate notes (FRNs), and the income from these bonds is subject to movements in interest rates. Accordingly, the end gross return on the bonds may be higher or lower than the indicated yield to maturity on purchase.

The Board is extremely pleased with the quality and the yield of the portfolio investments which have been achieved for shareholders of AMCBF#5.

MANAGER

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