

SPECTRUM

ASSET MANAGEMENT

Fact Sheet

April 2019



Spectrum Strategic Income Fund – Fact Sheet – 30 April 2019

Investment Objective	The Fund aims to generate higher returns than the RBA Cash Rate over the short to medium term with lower volatility than equities.
Investments held	The Fund holds a diversified portfolio of debt and income securities with a view to minimising any loss of income and capital of the Fund. Issuers may be government bodies, banks, corporations and, to a limited extent, specialist financing vehicles. To maintain a diversified portfolio structure, certain limits are imposed on security type, credit risk, industry and issuers.
Investment Manager	Spectrum Asset Management Limited
APIR	ETL0072AU
Commencement	31 May 2009
Fund Size	\$74.3m

Management costs ¹	0.75% p.a.	Buy Spread	+0.15%
Minimum initial investment	\$5,000	Sell Spread	-0.15%

Unit Prices	Purchase	Net Asset Value	Withdrawal
30/4/2019	\$1.0939	\$1.0923	\$1.0906

Performance as at 30/4/2019*	1 mth %	3 mths %	6 mths %	1 yr %	3 yr % p.a.	Inception % p.a.
Total Net Return ²	0.31%	1.98%	2.47%	4.52%	4.63%	8.03%
Average RBA Cash Rate	0.13%	0.38%	0.75%	1.50%	1.52%	2.45%

*Past performance is not an indicator of future performance.

Income distributions	30/06/2018	30/09/2018	31/12/2018	31/03/2019
Distribution rate (cents per unit)	0.7303	0.4500	0.4975	0.7400

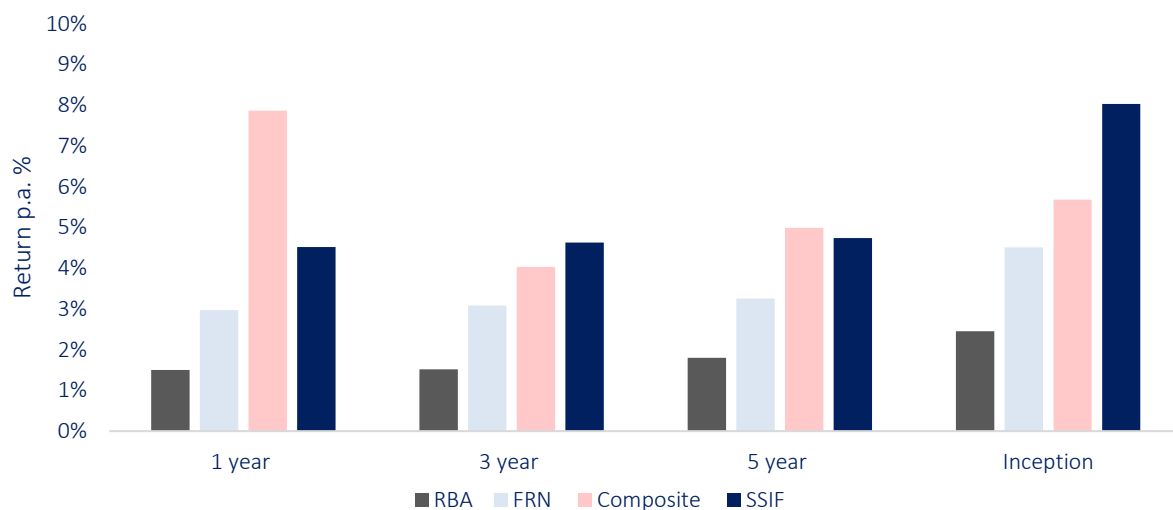
¹ Includes estimated GST payable, after taking into account Reduced Input Tax Credits (“RITC”).

² Total Net Return is the Fund return after the deduction of ongoing fees and expenses assuming the reinvestment of all distributions.

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Return comparisons



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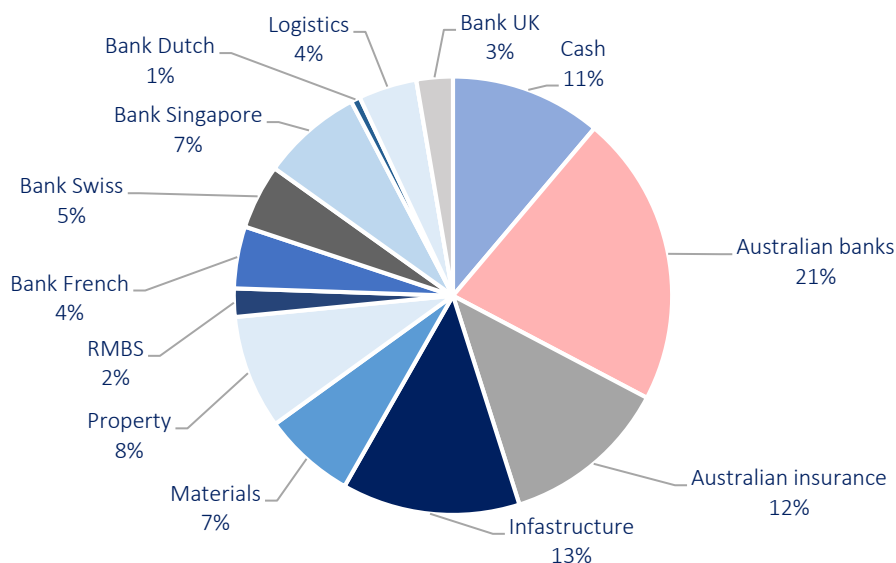
SSIF = Spectrum Strategic Income Fund

Composite = Bloomberg AusBond Composite 0+ Yr Index

FRN = Bloomberg AusBond Credit FRN 0+ Yr Index

RBA = RBA Cash Rate

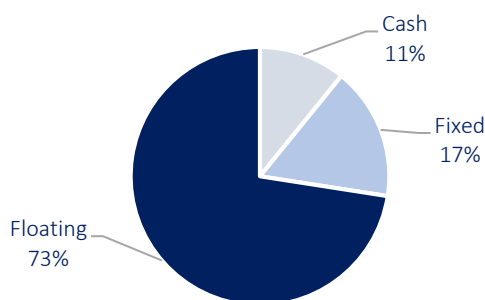
Spectrum Strategic Income Fund - Sector allocation



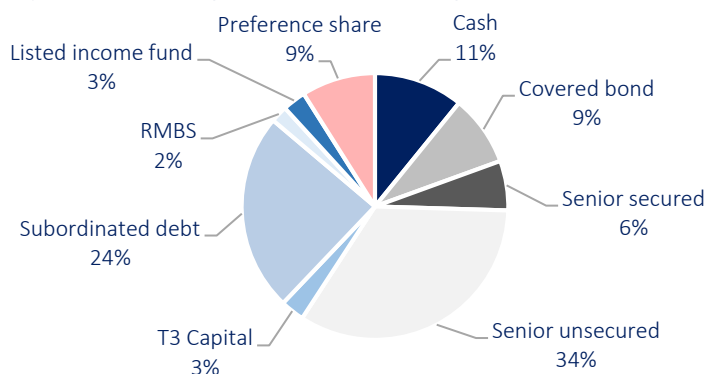
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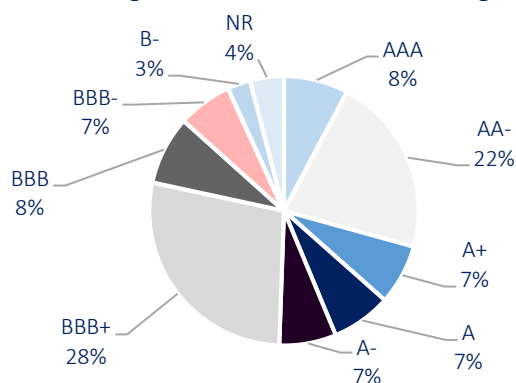
Spectrum Strategic Income Fund - Fixed / Floating



Spectrum Strategic Income Fund - Legal structure breakdown



Spectrum Strategic Income Fund - Credit rating breakdown

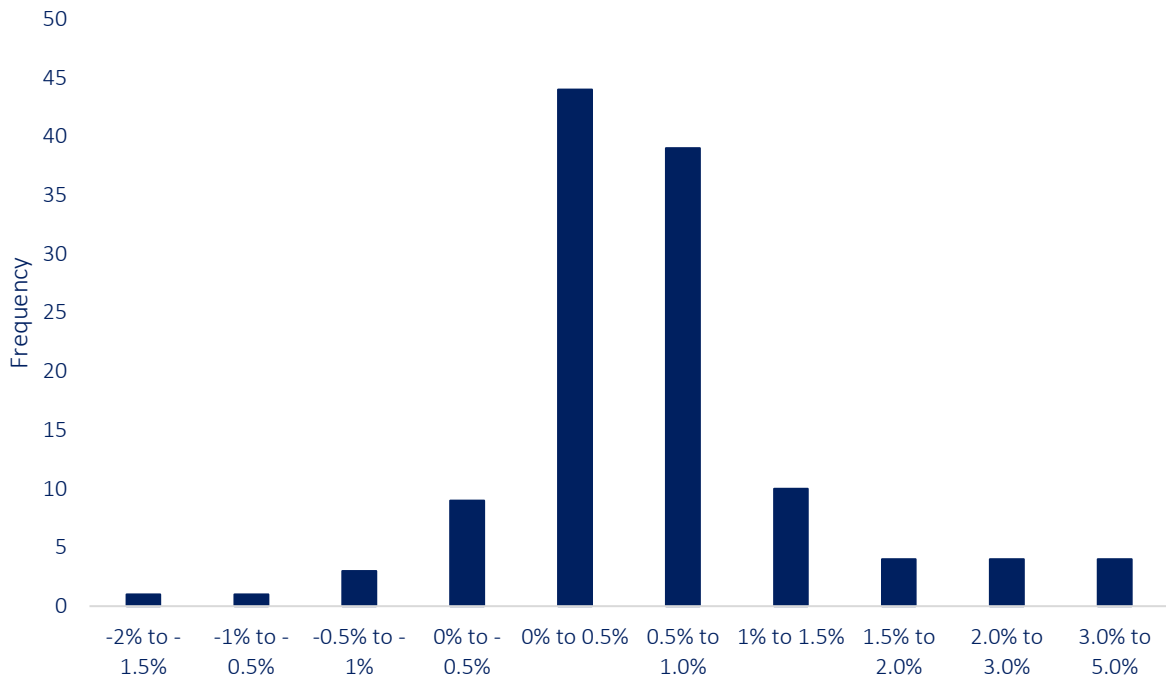


*Spectrum utilises a linear credit rating methodology which incorporates the lower of the two credit ratings from S&P and Moodys. For investments which do not carry a credit rating, the investment is deemed as not rated. As at the 30th of April 2019, 96% of the portfolio has an official credit rating from one (or both) of these agencies. Cash is rated 'AA-' to reflect the credit ratings of where the cash accounts are held. The portfolio has an average linear credit rating of 'A-'.

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Spectrum Strategic Income - Distribution of monthly returns since inception



Sources: Spectrum

Returns are on a monthly basis.

Returns in bucket of 50bp range.

Each bucket contains the number of results in each band.

*Past performance is not an indicator of future performance.

Spectrum Strategic Income Fund - statistics	
Correlation to Bloomberg FRN Index*	52%
Correlation to Bloomberg Composite Index*	-16%
Tracking error to Bloomberg FRN Index*	3.1%
Proportion of positive Fund returns %	88%
Proportion of negative Fund returns %	12%
Number of consecutive positive returns	5 Months
Largest drawdown %	-1.6%
Time to recovery from largest drawdown	2 Months
Average drawdown %	-0.5%

Source: Spectrum

*Since inception – 31/5/2009

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Top ten holdings:

	Holding %
Cash	10.8%
National Australia Bank	5.7%
DBS Group Holdings	5.3%
AAI Limited	4.5%
Suncorp Metway Limited	4.0%
Toyota Finance Australia	3.9%
Network Finance	3.9%
UBS AG Australia	3.3%
Multiplex Sites Trust	3.3%
Shinhan Bank	2.8%

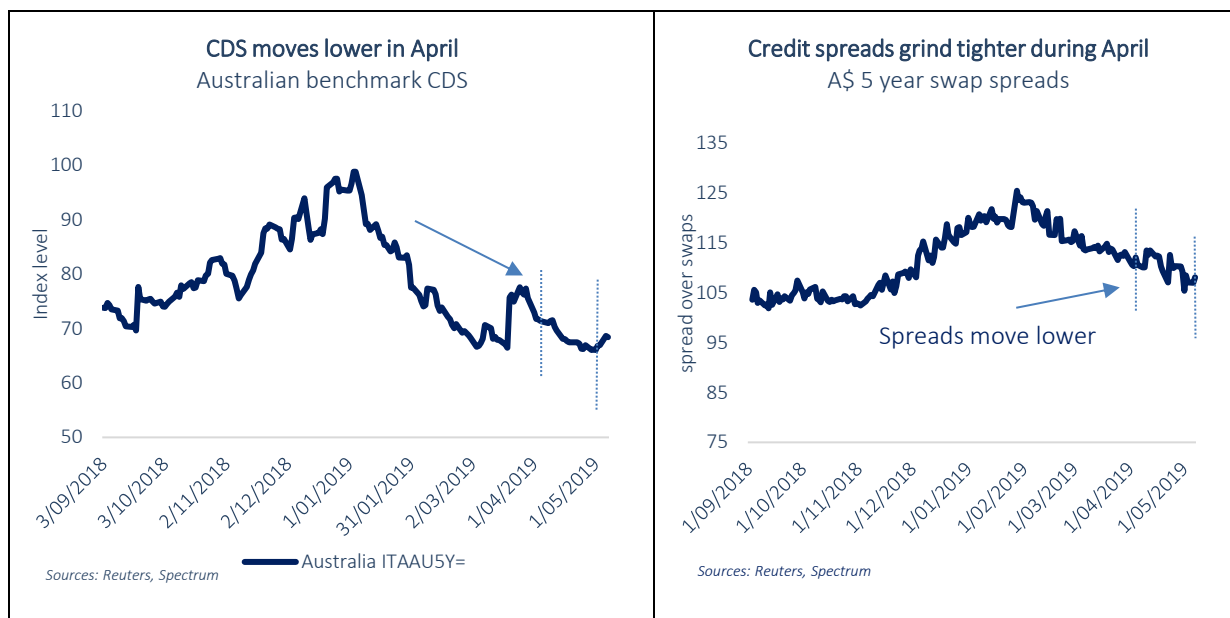
Source: Spectrum

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Plenty of events, little reaction

Sometimes markets are jittery. Then there are times when not much seems to worry investors. Polls suggest the country faces a new government, property prices keep declining and the RBA appears to be nearing a cut in interest rates. Yet local credit markets remain comfortably numb. Credit spreads continued to grind tighter as if on autopilot. Steady returns occurred in April 2019. The fund returned a steady 31bps bringing the annual return after fees to 4.5%.



	1 Month	3 Month	6 Month	1 Year
SSIF	0.31%	1.98%	2.47%	4.52%
FRN	0.35%	0.74%	1.59%	3.07%
Fixed	0.28%	2.11%	5.29%	7.78%
RBA cash rate	0.13%	0.38%	0.75%	1.50%

As often happens, our markets are more influenced by offshore events than what happens locally. After the economic gloom of late last year, the key global economies posted improved growth figures in 1Q19: Eurozone (1.5%), U.S (3.2%) and China (6.4%). That said, the outcome of the ongoing trade talks between China and the U.S could still swing global risk asset prices either way.

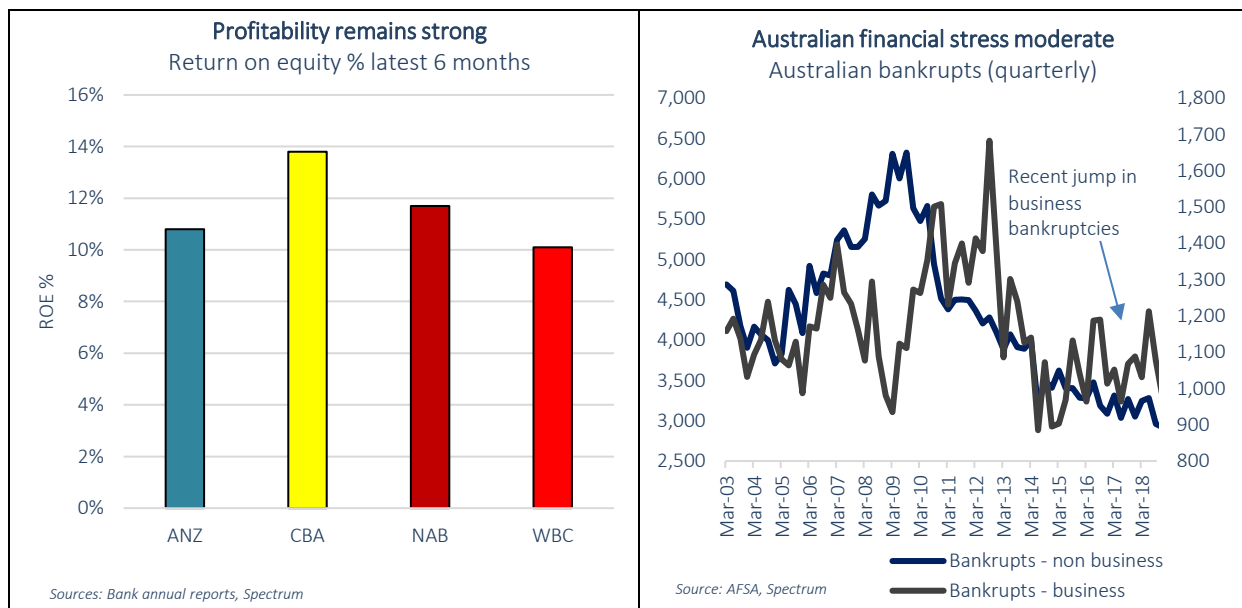
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Expectations of sustained loose monetary policy around the globe persist. Negative yield bonds now stand at around US\$10tn. Rather than face certain losses investors continue to chase returns by taking risk at ever higher prices.

In corporate bond land this technical force, combined with very low actual and expected corporate default rates, and steady bond issuance, supports further compression of credit spreads both internationally and locally. The quest for yield continues.

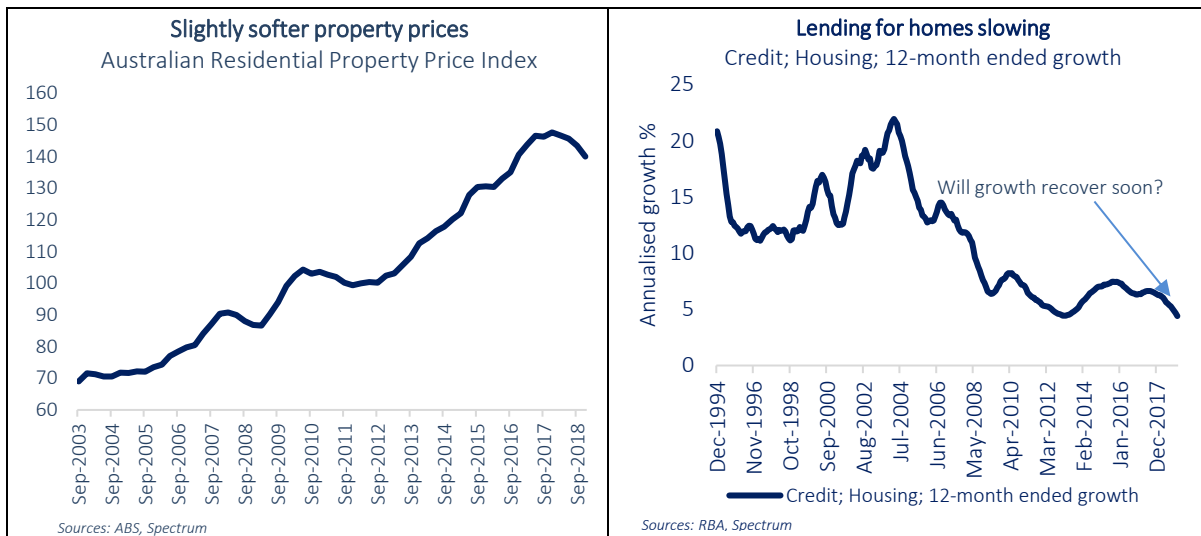
Domestically, the major banks posted decent results despite rising costs to fix old customer problems. The capital ratios of Australia’s largest bond issuers are increasing. Protection for senior bond holders is set to rise further. Stricter prudential standards are being implemented here and in New Zealand in the coming years. Bad loans also remain low.



A key risk to the Australian credit markets remains falling home prices. This together with highly indebted households increases the risk of broader financial stress in the future. So far, though, the decline in housing markets and its impact on borrowers has occurred in an orderly manner. Moreover, the pace of the price falls appears to be abating of late. That said, unless total credit for home loans starts to increase, it is too early to claim the market is past the worst.

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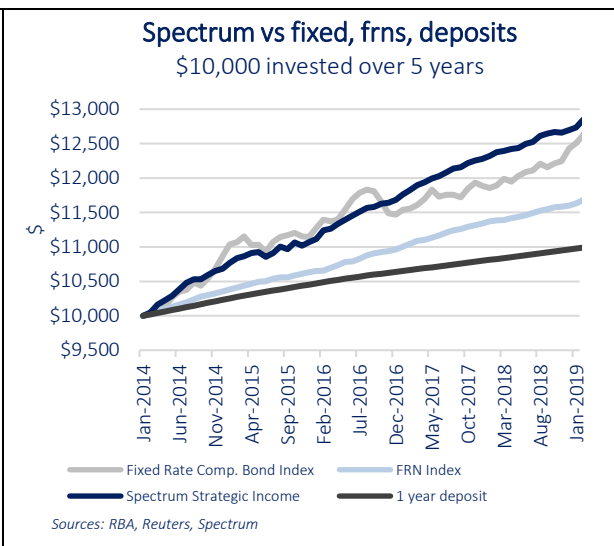
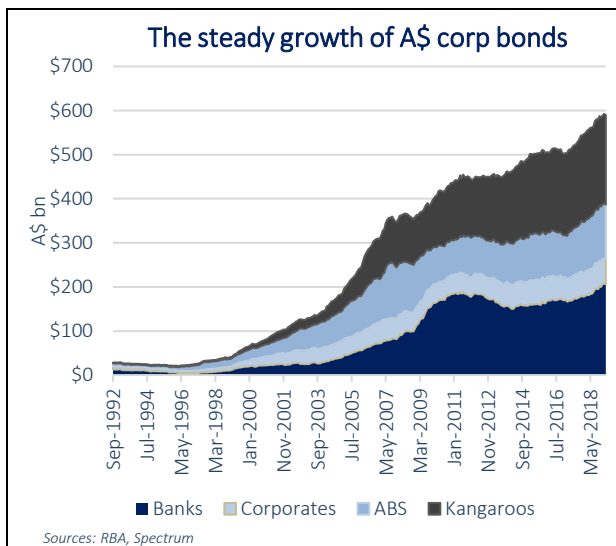
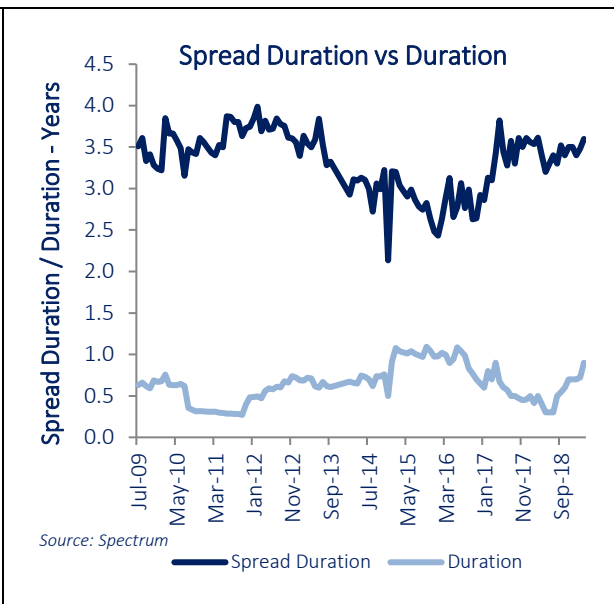
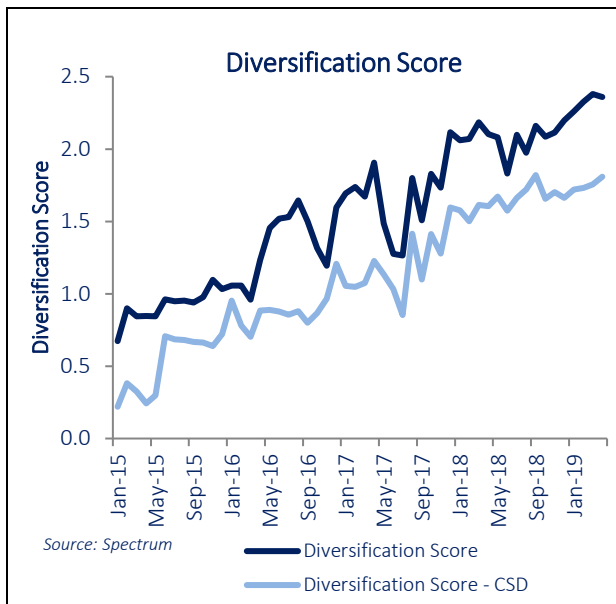


In line with the overall floating rate note market most of the returns for the Fund in April was from interest income. The fund mainly invests in floating rate notes. Therefore, it has not benefitted much from the large fall in government bond yields that fixed rate funds have.

The strategy for the fund is to continue to maintain a high average credit rating, currently 'A-', keep interest rate risk modest, liquidity high, continue to increase diversification and be ready for mispricing of credit risk. The aim is to continue to beat deposits, with less risk than equities and remain among the top performers of our peers.

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PDS

ONLINE APPLICATION

APPLICATION FORM



As at 30/4/2019 TM

SQM Rating 



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