

FUND INFORMATION

Fund
Spectrum Strategic Income Fund

Responsible Entity
Equity Trustees Limited (RE)
ABN 46 004 031 298; AFSL 240 975

Manager
Spectrum Asset Management Ltd (Spectrum) ACN 096 442 198; AFSL 225 069. Spectrum is a Sydney based fund manager that focuses on income. Our strength is corporate debt. We take and manage credit risk with moderate interest rate risk.

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.

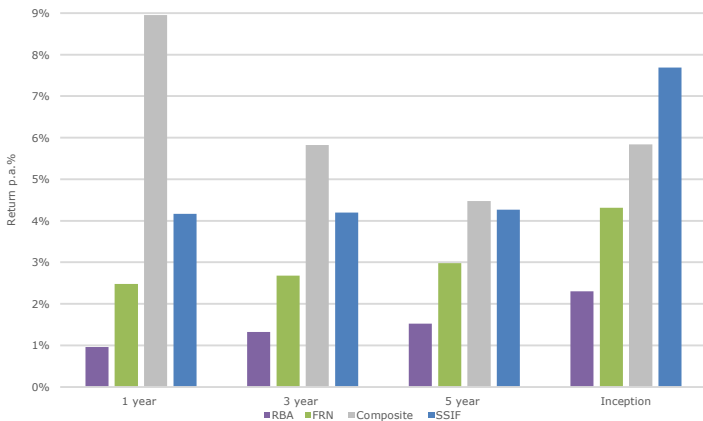
Investment Strategy
The Fund holds a diversified portfolio of debt and income securities with a view to minimising any loss of income and capital of the Fund. Issuers may be government bodies, banks, corporations and, to a limited extent, specialist financing vehicles. To maintain a diversified portfolio structure, certain limits are imposed on security type, credit risk, industry and issuers.

Target Return
RBA Cash Rate +1.50% p.a. net of fees.

- Investment Highlights**
- Experienced and active management team with proven track record
 - Quarterly distributions
 - Low duration portfolio
 - Diversified portfolio of AUD denominated corporate securities
 - Consistent top quartile performance

APIR	ETL0072AU
Entry / Exit Price	\$1.0897 / \$1.0865
Fund Size	\$85.7 m
Unit Pricing	Daily
Distributions	Quarterly
Inception Date	31 May 2009

PERFORMANCE COMPARISONS



FUND PERFORMANCE

	1mth	6mth	1yr	3yr	5yr	Incep
Net Return (%)	0.05	0.98	4.17	4.20	4.27	7.69
RBA Cash Rate (%)	0.06	0.40	1.04	1.35	1.55	2.32
Spread to RBA (%)	-0.01	0.58	3.03	2.65	2.72	5.37
Income Distribution	-	1.23	4.47	3.13	4.28	4.21

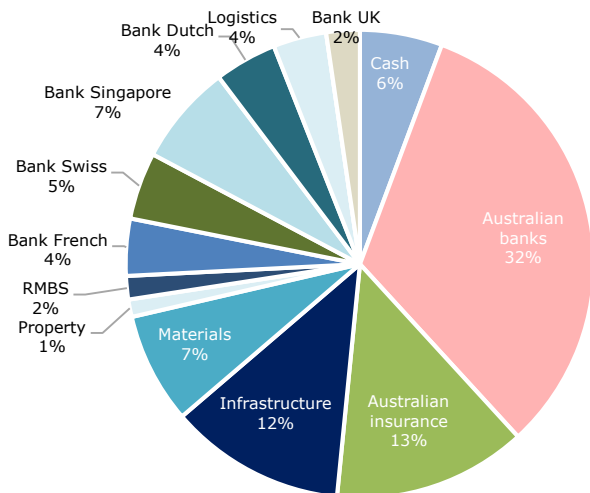
NOTE: Past performance is not a reliable indicator of future performance.

INCOME DISTRIBUTIONS

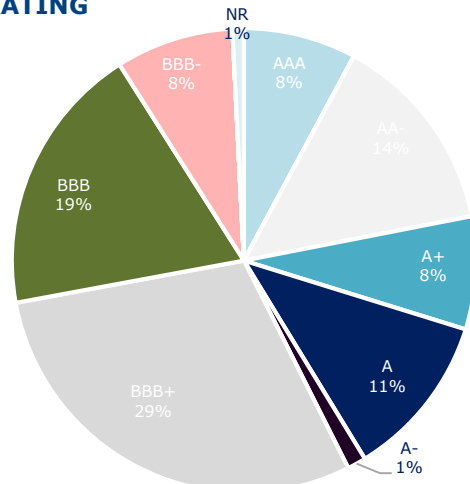
2019	Mar	Jun	Sep	Dec
Distributions (cents per unit)*	0.74	2.50	0.57	0.66

* Net Return after fees and expenses assuming reinvestment of all distributions.

SECTOR ALLOCATION



CREDIT RATING



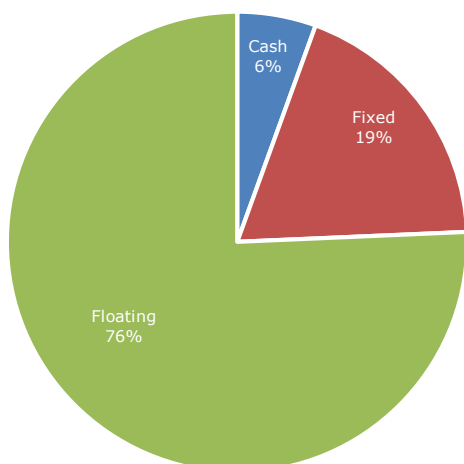
RATINGS



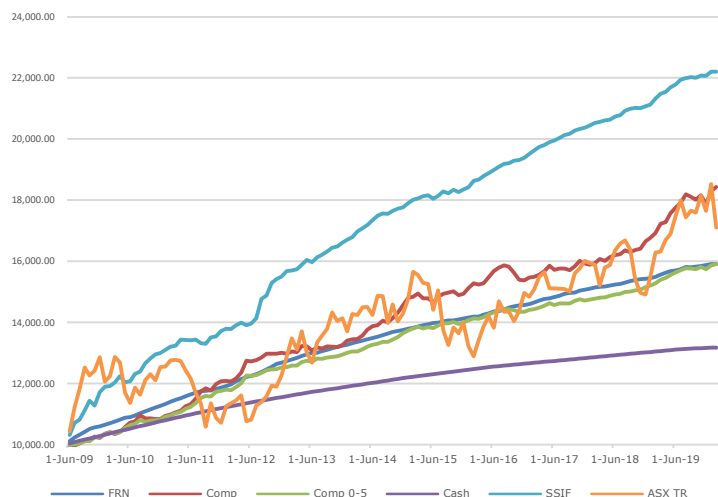
PLATFORMS

AMG Super	ausmaq	Australian Money Market
Bell Direct	CMC Stockbroking	Freedom of Choice
HUB24	mFund	nabtrade
netwealth	Powerwrap	uXchange

FIXED / FLOATING



GROWTH OF \$10,000 SINCE INCEPTION



TOP TEN HOLDINGS

National Australia Bank	12.1%	AMP Group Ltd	4.2%
Suncorp Group Ltd	9.7%	BNP Paribas	3.8%
DBS Group Holdings Ltd	5.6%	Paccar Financial	3.5%
Cash	5.5%	Brisbane Airport	3.5%
Rabobank UA	4.2%	QPH Finance Co Pty Ltd	3.4%

MARKET COMMENTARY

The special word for February was Coronavirus or COVID-19. The virus dominated the month and shifted opinion significantly. During the month China quarantined the city of Wuhan a city of 11 million people. Throughout China, industries were asked to stop production and people were asked to self-isolate. The net effect was a significant slowing of the Chinese economy and a slowing of the global economy.

Global growth is now expected to slow because of the coronavirus. Retail demand an early indicator has slowed as a result of the virus. Anecdotal evidence would suggest that this assumption is correct. Major trade shows have been cancelled, international airports remain largely empty and shopping centres are vacant.

Equity markets reacted to the increasing number of infected persons and the slowing of economic activity. The reaction was so much so that the last week saw one of the worst declines for some time. The S&P 500 fell 8.4% during the month whilst the All Ordinaries fell 8.6% over the month.

The resulting negative outlook weighed heavily on financial markets. Credit markets were the most affected. Towards the end of the month, senior bank spreads widened 8bp, sub-debt widened 20-25 bp and corporates were out between 15bp to 20 bp. It was a not so good month for credit however the selloff does appear to be an overreaction and over time as markets settle will provide opportunities. The FRN Index recorded a modest increase over the month and recorded a number of negative return days which is in itself unusual.

The Government market saw significant gains. The 10-year rallied from about 0.94% at the beginning of the month and closed at 0.80%. The three-year bond tightened 25bp from its high in February. The Aussie ITRAXX widened 22 bp over a week. Contagion and fear were the drivers of anxiety which led to the flight to safety at the end of the month and hence to bond rates falling significantly over the month. In addition, the illiquidity of markets played its part and that resulted in the widening of credit spreads.

Credit spreads should regain some of their losses. With interest rates so low credit spreads look attractive and especially so if one can add 2% by simply purchasing bank T2 sub-debt, and effectively tripling the return at current levels.

The concerted intervention by central banks using rate cuts will do a lot to restore confidence and especially so in equities. A change of sentiment will see demand for credit and credit spreads should tighten as a result. With interest rates so low, spreads look wide.

The COVID-19 is expected to have a short term impact and once the virus is under control economic activity is expected to pick up significantly. The impact of the virus is expected to be relatively short-lived. The caveat is that these things sometimes take longer to resolve. This remains the major challenge, resolving the virus in a timely manner.

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