April 2020

SPECTRUM STRATEGIC INCOME FUND

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.

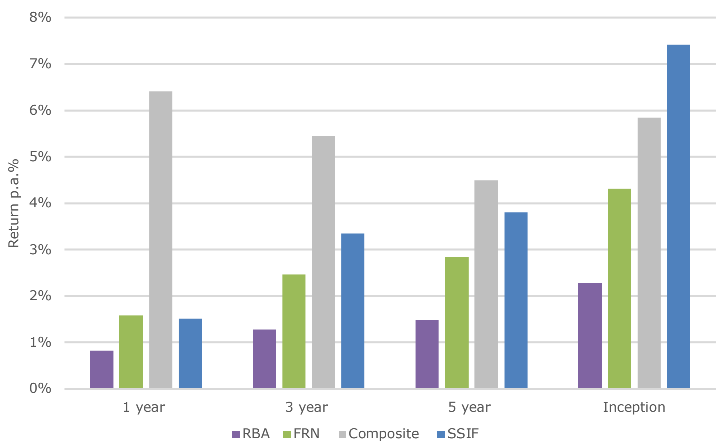
Investment Strategy
The Fund holds a diversified portfolio of debt and income securities with a view to minimising any loss of income and capital of the Fund. Issuers may be government bodies, banks, corporations and, to a limited extent, specialist financing vehicles. To maintain a diversified portfolio 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	$1.0660 / $1.0628
Fund Size	$80.00 m
Unit Pricing	Daily
Distributions	Quarterly
Inception Date	31 May 2009

PERFORMANCE COMPARISONS



FUND PERFORMANCE

	1mth	6mth	1yr	3yr p.a.	5yr p.a.	Incep p.a.
Net Return (%)	0.34	-0.64	1.51	3.35	3.80	7.42
RBA Cash Rate (%)	0.02	0.29	0.83	1.28	1.48	2.30
Spread to RBA (%)	0.32	-0.93	0.68	2.07	2.32	5.12
Income Distribution	-	1.37	4.43	3.13	4.28	4.21

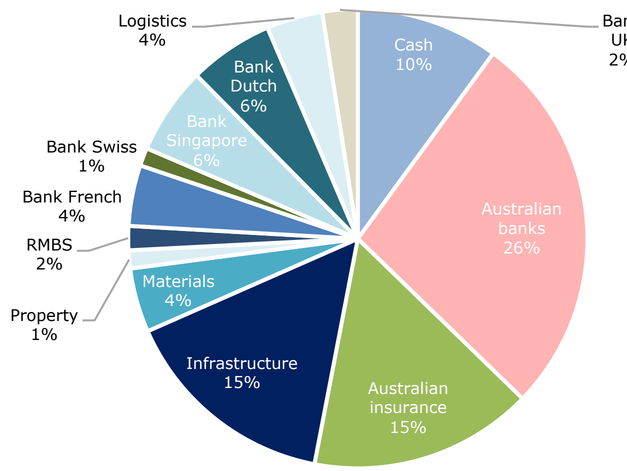
NOTE: Past performance is not a reliable indicator of future performance.

INCOME DISTRIBUTIONS

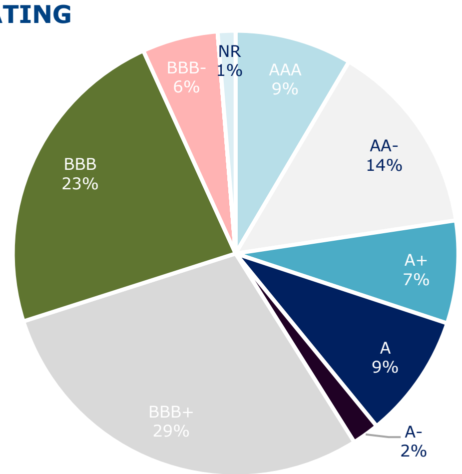
2019 / 2020	Jun	Sep	Dec	Mar
Distributions (cents per unit)*	2.50	0.57	0.66	0.71

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

SECTOR ALLOCATION



CREDIT RATING



RATINGS

CROWN FUND RATING

MORNINGSTAR

Superior
SQM RESEARCH

PLATFORMS

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

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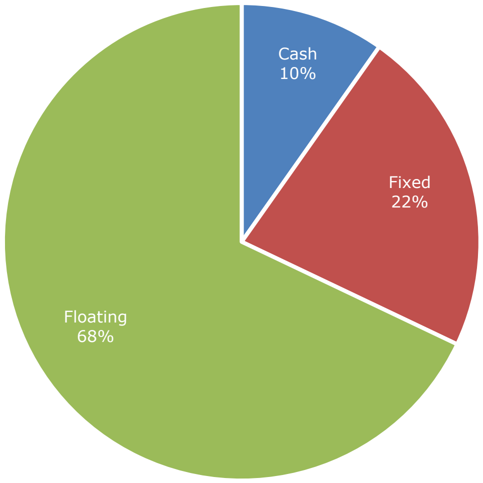
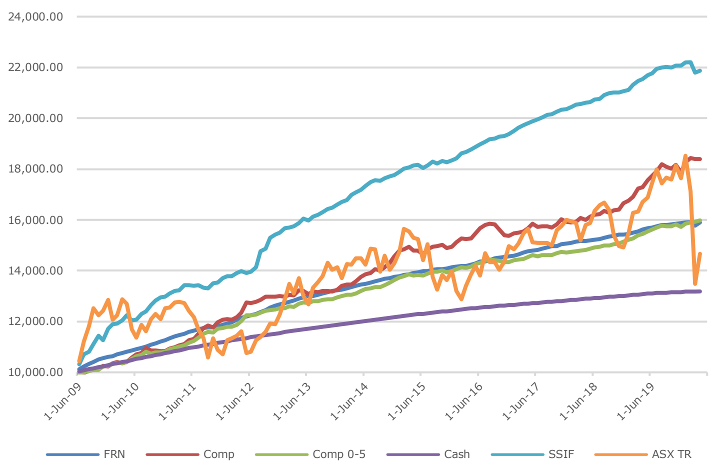
FIXED / FLOATING



GROWTH OF $10,000 SINCE INCEPTION



TOP TEN HOLDINGS

Suncorp Group Ltd	11.8%	AMP Group Ltd	5.6%
Cash	9.8%	BNP Paribas	4.2%
National Australia Bank	8.1%	Paccar Financial	3.8%
DBS Group Holdings Ltd	6.0%	Brisbane Airport	3.8%
Rabobank UA	5.8%	QPH Finance Co Pty Ltd	3.7%

MARKET COMMENTARY

April was the month that saw the realignment of credit to central bank activity. The Fed was the proverbial gorilla. The Fed now has the ability to purchase rated corporate bonds and when necessary purchase fallen angels.

The Fed has the capacity to swamp the investment grade market on any particular day. The Fed's buying task is in the order of $2.1b of 1-5 year bonds a day. And then we have the Primary Market Corporate Credit Facility which would allow support of up to $6b per day. These facilities are in place until September 20. As a result, credit looks to be supported.

The ECB also reviewed its policies and has increased its purchases of credit. The new range for the Aussie ITRAXX looks to be 110-140bp.

The RBA reviewed its policy. The AOFM also was granted approvals to purchase RMBS. The change in policy saw the RBA purchase some $37b of securities (government, semi-government and bank paper). The AOFM was granted approvals to purchase RMBS and ABS.

For Australia, the net effect was to see bank paper tighten some 80bp in an extraordinarily short time. This tightening of spread accounts for the 83bp performance of the Bloomberg FRN All Maturities Index.

Credit remains stressed, however, there is optimism. At present, the bid offer remains wide with bank spreads 10bp, corporates out to 30bp depending upon name and for bank and insurance sub-debt the spread is up to 80bp for longer dated paper.

Markets remain decidedly nervous and for good reason. The effects of the COVID-19 pandemic are yet to be fully felt. Default rates are slowly climbing, and the impact won't be known for some time. The global economy is now veering into recession. Debate is now about whether recovery will be a U-shaped recovery or V-shaped. We favour a U-shaped recovery as economies will not simply return to where we were in January once restrictions are lifted.

As flagged earlier, we thought bank dividends would be under pressure. NAB is the only major to date to pay a dividend although a much-reduced level. Westpac and ANZ will not be paying a dividend. Bank T2 paper will remain in short supply and we do not expect any significant issuance of senior unsecured paper as a result of the RBA's Term Funding Facility.

We are aware that some industry funds have issues relating to redemption in property funds/ trusts. The need to redeem for some of these Funds is as a result of the Government's recent changes in superannuation allowing $10k to be withdrawn this year and another $10k next year. The problem for some of these funds is that the excess cash was invested in property trusts and these funds are not allowing redemptions.

During the month we saw the collapse of Virgin Air. The recovery rate could be less than 5 cents in the dollar if the guidance provided by S&P review is accurate.

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