

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.

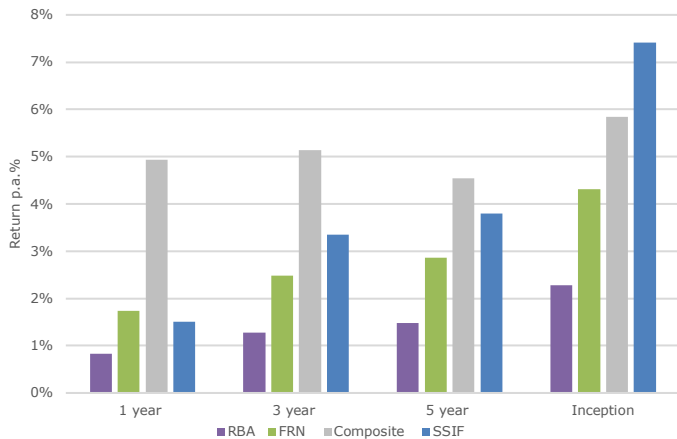
Investment Strategy
The Fund holds a diversified portfolio of debt and income securities with a view to minimising any loss of income and capital of the Fund. Issuers may be government bodies, banks, corporations and, to a limited extent, specialist financing vehicles. To maintain a diversified portfolio 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	\$1.0683 / \$1.0651
Fund Size	\$80.3 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 (%)	0.22	-0.70	1.04	3.27	3.81	7.38
RBA Cash Rate (%)	0.02	0.25	0.73	1.24	1.45	2.27
Spread to RBA (%)	0.20	-0.95	0.31	2.03	2.36	5.11
Income Distribution	-	1.37	4.43	3.13	4.28	4.21

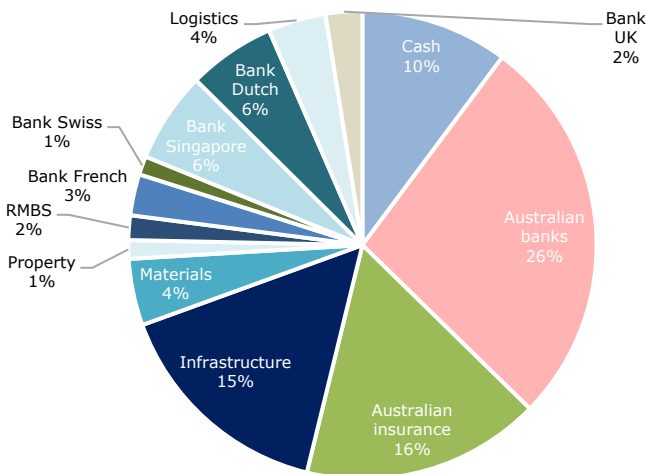
NOTE: Past performance is not a reliable indicator of future performance.

INCOME DISTRIBUTIONS

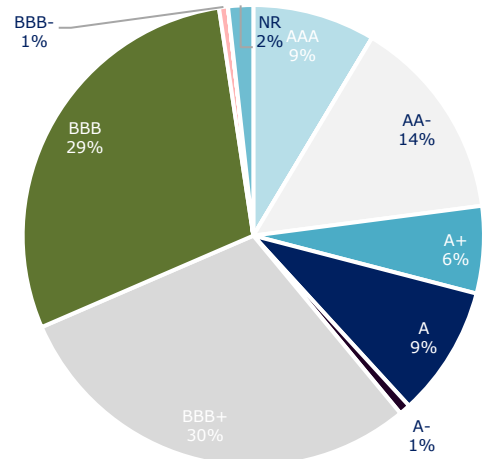
2019 / 2020	Jun	Sep	Dec	Mar
Distributions (cents per unit)*	2.50	0.57	0.66	0.71

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

SECTOR ALLOCATION



CREDIT RATING



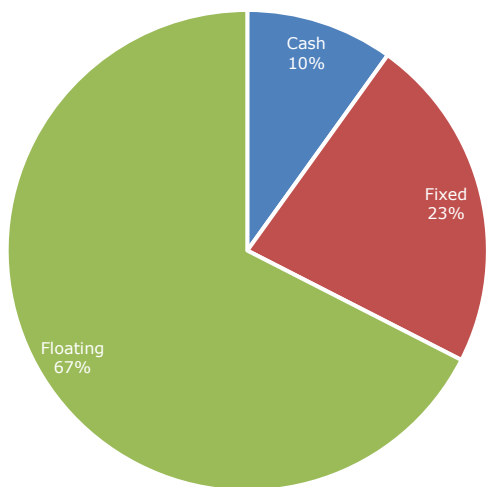
RATINGS



PLATFORMS

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

FIXED / FLOATING



MARKET COMMENTARY

The month of May saw some recovery within the credit markets as equities rallied under the weight of central bank cash. The issuance window opened, and a number of corporates rushed into issue.

With credit in the U.S. well supported by the Fed's activities, issuance in the U.S. continued at a rapid rate. To date there has been \$1tr issued in the U.S. market. The amount of issuance is set to break the previous record issuance in 2017 of \$1.33tr. The Fed as of 27 May now holds some \$1.37b of bond ETF's and \$34.85b of corporate debt. Current market conditions caused by the Fed's buying programme have allowed U.S. corporates and other issuers to come to market.

During the month the RBA announced that it would broaden eligible collateral for its open market operations. The RBA will now take \$A corporate bonds issued by non-ADIs with an investment grade rating. Banks and eligible fund managers with access to RITS and Austraclear can participate.

Over the month the strong demand for senior bank paper continues at the expense of subdebt and TLAC issues due to tepid demand.

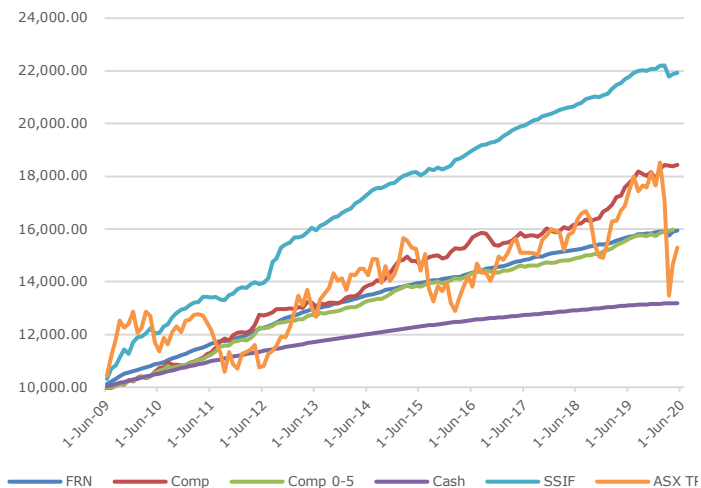
The test for markets moving forward will be how quickly the global economy and domestic economy can rejuvenate. Opinion is somewhat divided as to the speed of recovery. Most economists are now leaning towards a U-shaped recovery as opposed to a v-shaped recovery. The equity market appears to be making the bet for a v-shaped recovery.

As expected, the banks have reduced their dividend payouts and this will have implications for retirees, superannuants and those who can use the franking credits. Profits appear to be under pressure. The same situation also applies to corporates and especially so in the retail sector where many of Australia's retailers are under severe pressure. David Jones is an example and looking to restructure its property portfolio. The property sector and especially so commercial and retail property appears to have significant issues. For example, Vicinity have reached agreements with their smaller tenants however they have not reached any agreements with the larger tenants.

The receivers for Virgin announced the final two contenders to take over the company, Bain Capital and Cyrus Capital are the final two bidders. It is expected that the other contenders may join one of the other successful bidders. Deloitte are hoping that the final bidding process can be finalized in a short time and this is necessary because Virgin is burning cash at approximately \$100m per month.

Major equity markets have recovered to levels last seen in February. We remain sceptical for the outlook, however, the rally has been somewhat spectacular having recorded the best advance since 1933.

GROWTH OF \$10,000 SINCE INCEPTION



TOP TEN HOLDINGS

Suncorp Group Ltd	12.4%	AMP Group Ltd	5.7%
Cash	9.9%	Paccar Financial	3.8%
National Australia Bank	8.6%	Brisbane Airport	3.8%
DBS Group Holdings Ltd	6.1%	QPH Finance Co Pty Ltd	3.8%
Rabobank UA	5.9%	Westpac Banking Corp	3.8%

Enquiries P 02 9299 2288 E info@spectruminvest.com.au **W** www.spectruminvest.com.au **Unit Registry** P 1300 133 451 E info@mainstreamgroup.com

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