

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 listed and unlisted debt and hybrid debt securities with a view to maximising income and preserving capital. 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 a proven track record
 - Quarterly distributions
 - Low duration portfolio
 - Diversified portfolio of AUD denominated corporate securities
 - Consistent top quartile performance

APIR	ETL0072AU
Entry / Exit Price	\$1.0513 / \$1.0503
Fund Size	\$52m
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 (%)	0.42	1.47	1.20	1.29	2.45	6.29
RBA Cash Rate (%)	0.26	1.32	1.56	0.64	0.90	1.92
Spread to RBA (%)	0.16	0.15	-0.36	0.65	1.55	4.37
Income Distribution	0.68	1.25	1.90	2.45	2.73	3.63

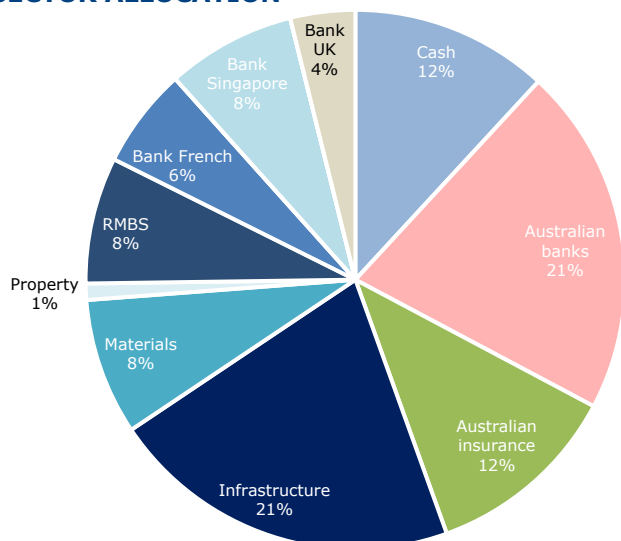
NOTE: Past performance is not a reliable indicator of future performance. Returns greater than 1 year are annualized.

INCOME DISTRIBUTIONS

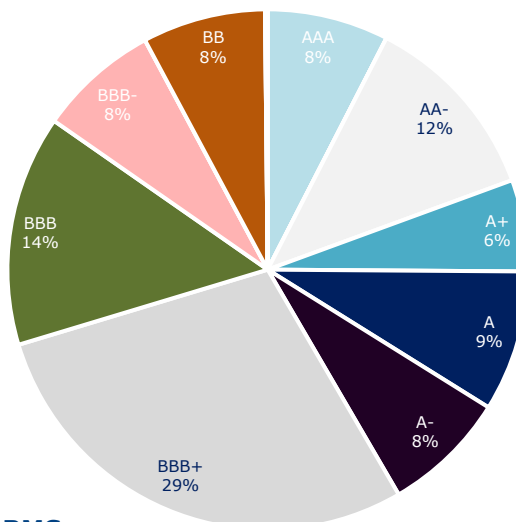
2022	Mar	Jun	Sep	Dec
Distributions (cents per unit) *	0.30	0.36	0.57	0.68

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

SECTOR ALLOCATION



CREDIT RATING



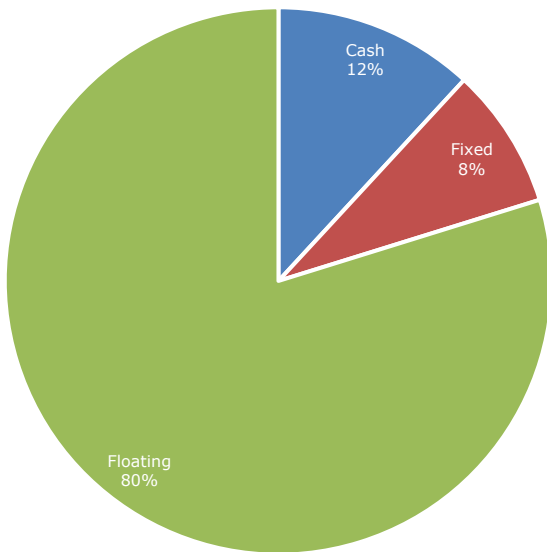
RATINGS



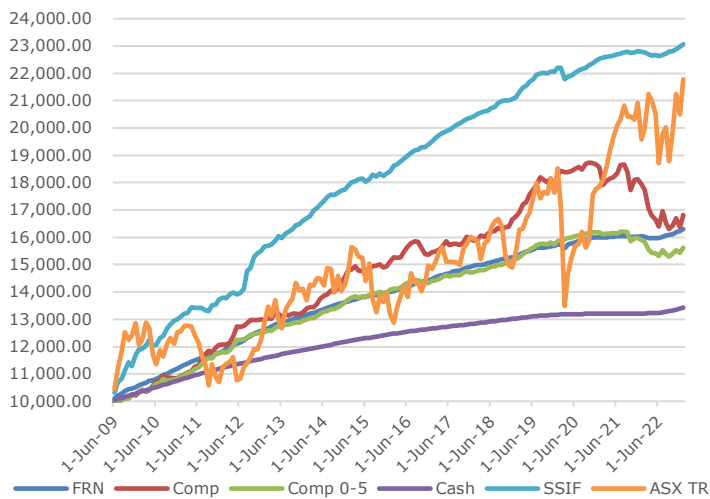
PLATFORMS

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

FIXED / FLOATING



GROWTH OF \$10,000 SINCE INCEPTION



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TOP TEN HOLDINGS as Securities

Cash	11.81%	Ausgrid Finance Snr	5.8%
National Australia Bank	10.0%	National Australia Bank T1	5.0%
Verizon	5.9%	HSBC Holdings	3.9%
DBS Group	5.8%	Network Finance	3.9%
AMP Group Sub	5.8%	IAG T2 44/24	3.9%

MARKET COMMENTARY

January saw market views begin to change. On the one hand we had the view that rates will continue to rise in because of inflationary fears. On the other hand, some pundits believe that inflation has turned and that the Federal Reserve will begin to ease rates later this year.

The RBA is expected to raise rates probably two more times this year and like its U.S. counterpart begin the easing cycle late this year. Unlike the U.S. Australia is not expected to experience a recession. The expected rate hikes are 25bp per tightening. A rate hike is expected in February with another expected in several months. The RBA has revised its inflation forecast down to better reflect where inflation is currently.

The Australian bond curve remains flat to inside the U.S. bond curve out to 10 years. Both curves remain normal and reflect expectations that growth will continue albeit subdued.

Credit tightened over the month and this trend is expected to continue.

The credit curves remain tight and this is the result of maturities and lack of issuance. Bank sub debt (T2) continued to tighten over the month.

PORTFOLIO MANAGEMENT

Investment Strategy

As we head into 2023, the themes that were impacting markets in 2022 look likely to continue into the new year. Energy or rather the cost of energy is a consistent theme across many countries, so too the cost of perishables and the cost of fertilisers. Inflation looks likely to continue for a while yet and apart from exogenous factors such as the Ukraine conflict which is primary reason for much of the soaring inflation, weather events may yet cause further disruption to food supplies.

The challenge for many central banks will be the delicate walk between totally squashing growth to limit inflation and maintaining growth and subduing inflation. With this outlook it is expected that central banks will err on the side of caution and this means we are still in a rising inflationary outlook. Some central banks may have success whilst many will be caught between a rock and a hard place.

The recent economic releases suggest that inflation is slowing, and growth is consistent. This data is good for equity markets, and this will allow some respite and enable equity markets to rally. Any rally should be good for credit. We expect the RBA to continue to tighten, however its pace of tightening will slow. Increases in interest rates will feed eventually into bond yields and we expect bond yields to continue to rise. This means that fixed rate securities are likely to continue to underperform as the capital price falls as bond yields increase. Floating securities will benefit from increasing rates as their coupons will increase as interest rates rise. Any tightening of credit will also see the capital price increase.

The portfolio is well placed to take advantage of widening spreads as cash holdings are at a reasonable level.

The number of monthly *negative* returns of the Fund against the benchmarks comprising the Bloomberg Composite Index (fixed rate index all maturities), 0-5 Bloomberg Composite Index (fixed rate maximum tenor <5 years), and the Bloomberg FRN Index (floating rate index) are as follows: the accumulated losses in the Bloomberg Composite Index tally negative 14.8% versus negative 0.73% for the SSIF portfolio, the FRN Index losses for the year were 0.43% and the Composite 0-5 lost 5.94%.

The portfolio demonstrates an ability to weather a storm with minimal capital loss and volatility versus the fixed rate composite index which has exhibited large capital losses and significantly higher volatility. The focus as always is to produce positive returns and minimize any negative returns.

	1 Yr	3 Yr	5 Yr
Bloomberg FRN Index	4	9	10
Bloomberg 0-5 Years Composite Index	9	13	16
Bloomberg All Maturities Index	8	18	23
SSIF	4	7	10

Fund Metrics	
Tracking error to FRN Index 5 years	0.24%
Tracking error to FRN Index since inception	2.8%
Largest drawdown since inception	1.86%
Total drawdowns since inception	9.70%
Average drawdown	-0.42%
Number of negative months since inception	23
Number of positive months since inception	141
Best monthly return	4.49%
Consecutive Positive Returns	7

January 2023

SPECTRUM STRATEGIC INCOME FUND



SSIF vs Correlation to	1yr	3yr	5yr	10yr	Incep.
FRN Index	90.7%	82.7%	79.6%	67.8%	61.7%
Composite Index	53.8%	21.5%	35.6%	38.4%	3.2%
ASX 200 Total Return	10.9%	67.6%	60.8%	42.2%	35.1%

The Fund is rated 4 Stars by SQM Research.

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Spectrum Strategic Income Fund's **Target Market Determination** is available <https://swift.zeidlerlegalservices.com/tmds/ETL0072AU>. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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