February 2023

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 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	$1.0559 / $1.0549
Fund Size	$51.3m
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 (%)	0.44	1.94	1.75	1.42	2.44	6.29
RBA Cash Rate (%)	0.28	1.45	1.83	0.71	0.93	1.93
Spread to RBA (%)	0.16	0.49	-0.08	0.71	1.51	4.36
Income Distribution		1.25	1.90	2.45	2.73	3.63

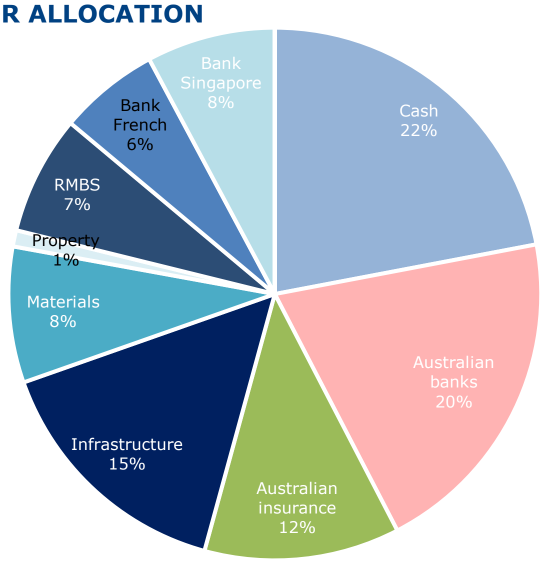
NOTE: Past performance is not a reliable indicator of future performance. Returns greater than 1 year are annualized.

INCOME DISTRIBUTIONS

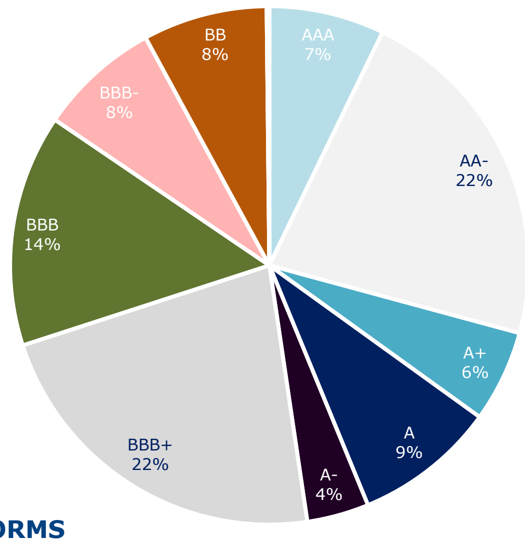
2022	Mar	Jun	Sep	Dec
Distributions (cents per unit) *	0.30	0.36	0.57	0.68

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

SECTOR ALLOCATION



CREDIT RATING



RATINGS

Superior
SQM RESEARCH

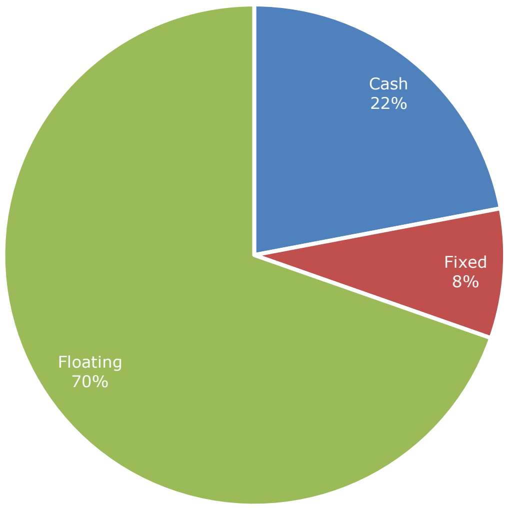
PLATFORMS

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

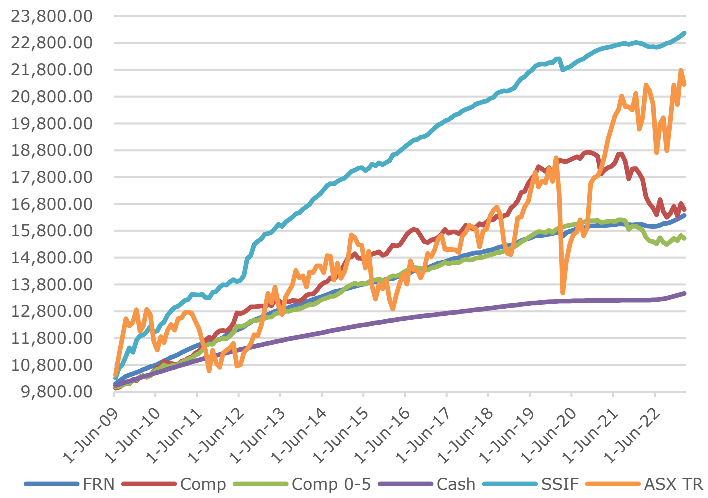
February 2023

SPECTRUM STRATEGIC INCOME FUND

FIXED / FLOATING



GROWTH OF $10,000 SINCE INCEPTION



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

TOP TEN HOLDINGS as Securities

Cash	11.8%	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

Confusion reigned supreme again in the month of February, and once again the various fixed indices reacted accordingly. The month saw some protracted volatility as markets reacted to inflation and workforce data. Both series at this stage appear relatively robust and especially so inflation. How central banks and our own central bank deals with inflation will be interesting.

The inflation data as suggested by Governor Lowe is being skewed by wages, however wages are only a small part of the increase Wages account for a mere 18% of the increase in inflation, excess profits account for 69%. This is according to a study by Dr Jim Stanford Profit Price Spiral: The Truth Behind Australia's Inflation February 23, 2023 of the Australia Institute Centre for Future Work. This report is at odds with Lowe's comments. Real wages fell 4.5% in 2022, the largest fall on record. This is partially because of the high rate of inflation. The point though is that without the excess profits some of the 9 rate hikes may not have occurred, as inflation would be more aligned with the RBA's inflation band. The major corporate winners have been Qantas, up $1.4b half year, Woolworths posting 25% increase in profits, Coles up 11%, Santos up 221% full year, Ampol first half profit up 30%, to name a few.

The RBA is expected to continue to raise rates in line with its U.S. counterpart.

The Australian bond curve remains flat in the period 0-5 years, and inside the U.S. bond curve out to 10 years. Both curves remain normal and reflect expectations that growth will continue albeit subdued. Interesting that the market does not appear to have picked up on the RBA commentary that the RBA has released two interesting pieces of analysis. The RBA is forecasting two years of poor economic growth in years 24, and 25. The RBA has estimated real household income is likely to take longer to recover than in the 1990's recession. With that in mind one could be confused in thinking that the RBA would not be keen to press the interest rate hike button too soon.

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

PORTFOLIO MANAGEMENT

Investment Strategy

Recent events on the geopolitical stage and inflation numbers continue to impact markets. Various Federal Reserve Governors have suggested the need for higher interest rate and our RBA Governor has suggested likewise. In Australia's case this could lead to a recession and the RBA has forecast slower growth in the years ahead. With this in mind the portfolio will remain in the better rated credits, limit any exposure to bricks and mortar, RMBS and look for securities where risk is rewarded through higher credit spreads.

Interest rates in Australia are likely to increase more and that means exposure to duration will be limited. The Fund will remain heavily skewed into floating rate assets to limit the impact of interest rate rises, harvest those increases and pay out accordingly as a distribution and maintain a strong credit worthiness within the Fund.

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.

We expect credit to remain in demand and provide opportunities from time to time.

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. On a risk adjusted basis the Fund outperforms many of its peers and remains one of only a few funds that is returning a positive annual return. The Fund is liquid unlike some of our competitors.

Number Negative Returns	1 Yr	3 Yr	5 Yr
Bloomberg FRN Index	3	9	10
Bloomberg 0-5 Years Composite Index	8	14	17
Bloomberg All Maturities Index	8	19	23
SSIF	**3**	**7**	**10**

SPECTRUM STRATEGIC INCOME FUND

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	142
Best monthly return	4.49%
Consecutive Positive Returns	8

SSIF vs Correlation to	1yr	3yr	5yr	10yr	Incep.
FRN Index	91.4%	83.0%	79.9%	68.4%	61.6%
Composite Index	44.8%	20.0%	34.1%	38.0%	3.2%
ASX 200 Total Return	5.32%	66.7%	60.2%	42.6%	35.1%

The Fund is rated 4 Stars by SQM Research.

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