![Equity Trustees]

31 January 2025

SPECTRUM STRATEGIC INCOME FUND (SSIF)

Investment Objective
The Fund aims to generate higher returns than the RBA Cash Rate over the medium term with lower volatility than equities.

Investment Strategy
The Fund holds a diversified portfolio of listed and unlisted debt and hybrid debt securities. 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
- Short duration portfolio
- Diversified portfolio of AUD denominated corporate securities.
- Consistent top quartile performance

APIR	ETL0072AU
Entry / Exit Price	1.0832/1.0822
Fund Size	$69.5
Liquidity	Daily
Distributions	Quarterly
Inception Date	31 May 2009
Benchmark	RBA Cash Rate

Income Distributions

FY25	SEP	DEC
Distribution (CPU)	1.27	1.18

FY24	SEP	DEC	MAR	JUN
Distribution (CPU)	1.06	1.68	1.19	1.01

Fund Rating

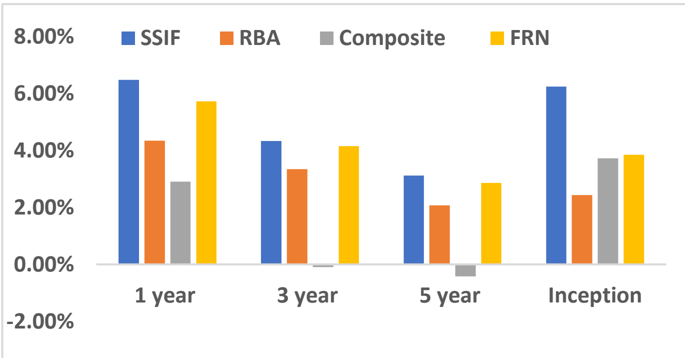
Fund Metrics	
Running Yield	5.91%
Average Yield to Maturity / Call	5.64%
Duration	0.24years
Credit spread duration	3.10 years
Average credit spread	135 bp
Number of positions	63
Percentage floating rate assets	93%
Largest drawdown since inception	1.86%
Best monthly return	4.49%
Negative Total return in consecutive months	0/22

Performance

PERFORMANCE	1 MTH	1 YR	3 YRS	5YRS	SI
Distribution return	0.00	4.64	3.54	3.19	4.53
Growth return	0.49	1.84	0.79	-0.07	1.72
Total net return	0.49	6.48	4.33	3.12	6.25
Benchmark (RBA Cash Rate)	0.36	4.35	3.35	2.07	2.43
Active Return	0.13	2.13	0.98	1.05	3.82

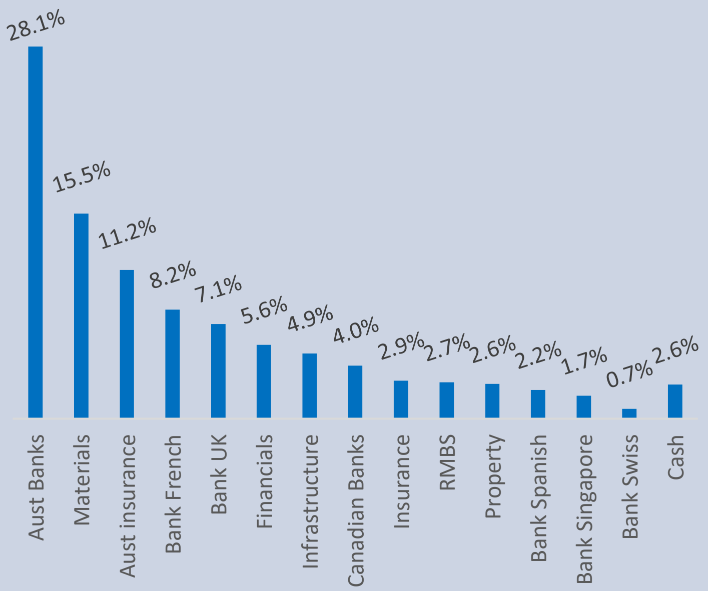
[2] Performance: distribution return is the return due to distributions paid by the Fund. Growth return is the return due to changes in initial capital value of the Fund. Total net return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions. Results greater than one year are annualised. Past performance should not be taken as an indicator of future performance.

Performance comparisons



FRN -Bloomberg FRN Index   Composite – Bloomberg Composite Index
RBA – RBA Cash rate
Past performance should not be taken as an indicator of future performance.

Sector Allocation Breakdown



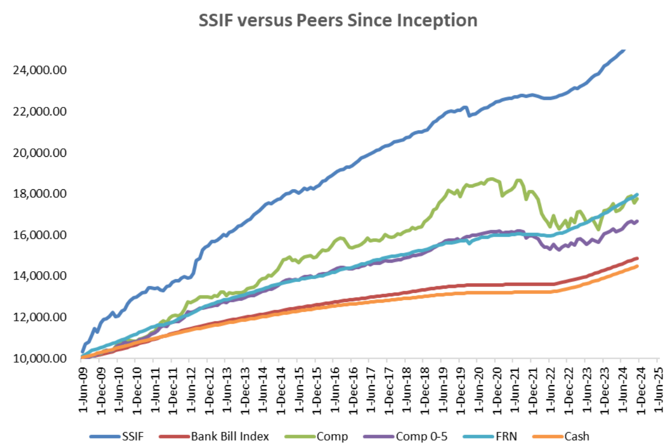
Top 10 Securities

Macquarie 35'30	5.10%	Norfina 2029	2.96%
ANZ 34'29	3.93%	Paccar 2027	2.91%
ANZ perpetual callable	3.77%	New York Life Funding	2.90%
NAB 27'25	3.71%	Ausgrid Finance 2026	2.90%
Ampol 54'30	3.26%	Toronto Dominion 29	2.90%

Platforms

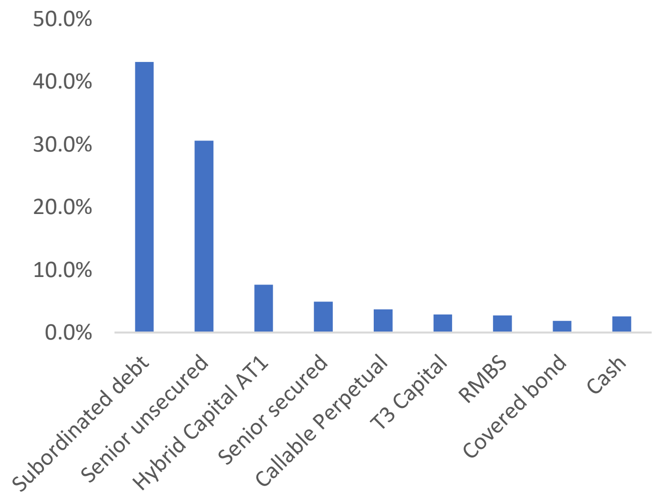
- AMG Super
- Bell Direct
- HUB24
- netwealth
- Ausmaq
- CMC Stockbroking
- mFund
- Powerwrap
- Australian Money Market
- Freedom of Choice
- Nabtrade
- uXchange

Growth of $10,000 since inception

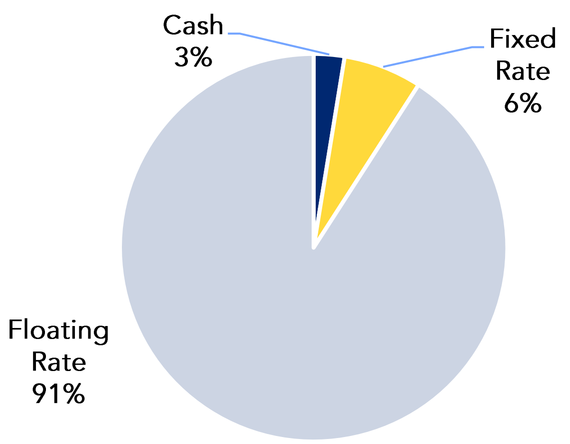


FRN -Bloomberg FRN Index
Comp – Bloomberg Composite Index
Comp 0-5 – Composite Bloomberg Index 0-5 years
Cash – RBA Cash rate
Past performance should not be taken as an indicator of future performance.

Legal Structure



Fixed/Floating Rate



Portfolio Management

Bonds have adopted a risk off attitude and this view seems logical given tariffs, whilst adding to inflation, could cause the U.S. economy to slow and quite possibly also lead to a slowdown in global growth.

Unfortunately, it's not that simple. For the moment we have risk off, but expectations are that this will turn to risk on as President Trump's policies are viewed as market/ equity friendly.

Once again, some subtle adjustments have been made to the portfolio over January. We added a little more diversification away from the Australian economy and whilst reducing and taking a little profit on a long-held position in BoQ 31'26 but with improving credit quality at a better spread.

Over time the less liquid portions are being reduced and substituted with more liquid and at times better rated positions. Concerns persist over the size of the budget deficit in the U.S. and the bond issuance task.

Domestic credit growth continues and so too domestic demand. Both indicators and a positive equity market augur well for the performance of public investment grade credit.

There is a proposed change in the methodology allowing the inclusion of bonds with non-viability triggers into the various Ausbond Indices. The changes, if they occur will impact approximately 80% of $A tier 2 banks, including kangaroo issues and some newly issued insurance bonds into the indices. This is a profound change as these securities represent 12% of bonds currently on issue.

It is expected that if these bonds are included in the various indices there will be strong demand from various passive and index portfolios that need to hold such bonds so they can match their index. If this demand eventuates spreads could compress markedly.

The portfolio has a reasonable holding of these bonds and will benefit as a result of such activity.

Credit spreads have remained tight but still within one standard deviation of the long-term average. Any major selloff would be viewed as an opportunity. The ratios between senior and Tier 2 remain tight and unlikely to widen to any significance with the current Ausbond review taking place.

Portfolio Strategy: The portfolio aims to maintain an average credit rating in the A band. Over time, adjustments will be made to reduce risks, increase diversification, and realize capital gains.

The portfolio consists of 93% floating-rate securities and 7% fixed-rate securities, with the fixed component maturing mostly by 2027. Duration extension is not anticipated unless there is a spike in bond yields.

The portfolio will look to maintain an average credit rating in the rating A band. Over time it is anticipated some adjustments will be made to pare back some risks increase diversification and take some capital gains.

Market Commentary

There is a saying "*the best laid plans of mice and men often go awry*", ditto.

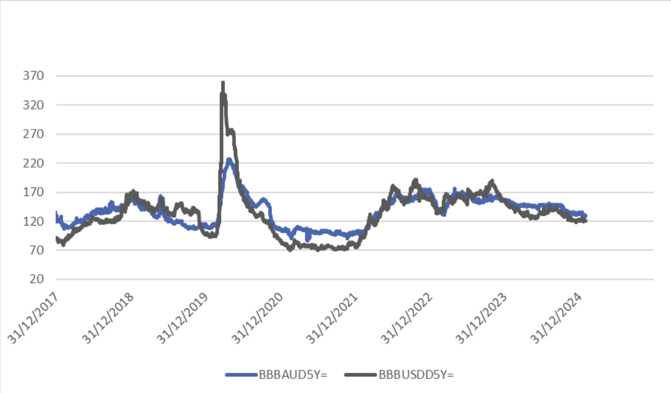
So just what do we do now that Trump is President and is wielding his influence? Tariffs are being imposed and then removed, central bankers are loathe to do anything should inflation arise from the introduction of tariffs, whilst the bond market reels from the comments.

Apart from Trump's comments, the actual environment appears to be asset friendly. Growth is steady the forward Price to Earnings (P/E's) are a little less than they were a week ago. Markets are still discussing and pricing possibly two interest rate cuts.

This bullish sentiment could fade quickly if Trump once again seeks to reimpose tariffs. Earlier we saw Trump state that tariffs had been put in place only for asset markets to adopt a risk off attitude. But it may be possible that Trumps comments were simply there as a negotiating chip. However, tariffs will remain the focus of investors.

Markets remain mixed. Government debt markets are nervous, while equity markets are optimistic about an improving economic outlook with Trump taking office. Inflation remains a concern, but debt markets are focused on inflation and growth.

Triple BBB spread AUD / USD comparison.



Source: Equity Trustees

The chart above highlights not only how quickly spreads adjust but also when markets expect volatility. If EPS growth expectations move from 18x to 14x, the spreads could move considerably as shown in 2018 with a movement of 60bp. Spreads in 2018 are not too dissimilar from current levels.

Economic indicators such as GDPNOW remain solid, with the latest forecast suggesting U.S. economic growth of around 2.7%. Ten-year bond yields have risen by over 75 basis points since October, reflecting concerns over the U.S. fiscal position and issuance. Expectations are for volatile rates and bond yields in 2025.

With Trump back in the Presidency, the Federal Reserve may wait to see what changes he implements. The Fed may decide against further cuts while inflation remains steady in the upper band limits and employment remains resilient.

The portfolio has an average coupon of 6.12% and a running yield of 5.91%. The yield to maturity is currently 5.64%.

The portfolio returned 0.49% over the month and 6.48% year-on-year. The average credit spread is 135 basis points, with potential for further increase.

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A rate cut by the RBA appears increasingly difficult under current conditions. The economy remains sound, but pressures are building. Government spending continues to crowd out the private sector. With changes to the RBA Board and a new interest rate committee starting in March, it is unlikely the RBA will change monetary policy before then. An upcoming election and currency-induced inflation, with a weak AUD potentially increasing inflation, are also concerning for the RBA.

Credit should benefit from a positive economic outlook. Employment growth remains buoyant, but weak productivity growth and a weak AUD suggest some uncertainty. Credit spreads remain within the average. Given interest rate uncertainty, floating rate securities may offer a better outlook.

With an election possibly as early as March 2025, Australian asset markets may have much to consider early in this new year.

Recently, over AUD 2 billion of T2 Bank sub-debt and a further AUD 4 billion of senior debt were issued. All issues experienced price compression from indicated levels and received significant bid interest.