

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
- Low duration portfolio
- Diversified portfolio of AUD denominated corporate securities.
- Consistent top quartile performance

APIR	ETL0072AU
Entry / Exit Price	1.0783/1.0773
Fund Size	\$64.8
Liquidity	Daily
Distributions	Quarterly
Inception Date	31 May 2009
Benchmark	RBA Cash Rate

Income Distributions

FY25	SEP
Distribution (CPU)	1.27

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

Fund Rating



Fund Metrics

Running Yield	6.00%
Average Yield to Maturity / Call	5.77%
Duration	0.77 years
Credit spread duration	2.94 years
Average credit spread	138 bp
Number of positions	60
Percentage floating rate assets	89.1%
Largest drawdown since inception	1.86%
Best monthly return	4.49%
Consecutive positive monthly returns	19

Performance

PERFORMANCE	1 MTH	1 YR	3 YRS	5YRS	SI
Distribution return	0.00	5.02	3.25	3.09	4.50
Growth return	0.60	1.82	0.62	-0.11	1.75
Total net return	0.60	6.84	3.87	2.98	6.25
Benchmark (RBA Cash Rate)	0.36	4.42	2.99	1.89	2.44
Active Return	0.24	2.42	0.88	1.09	3.81

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

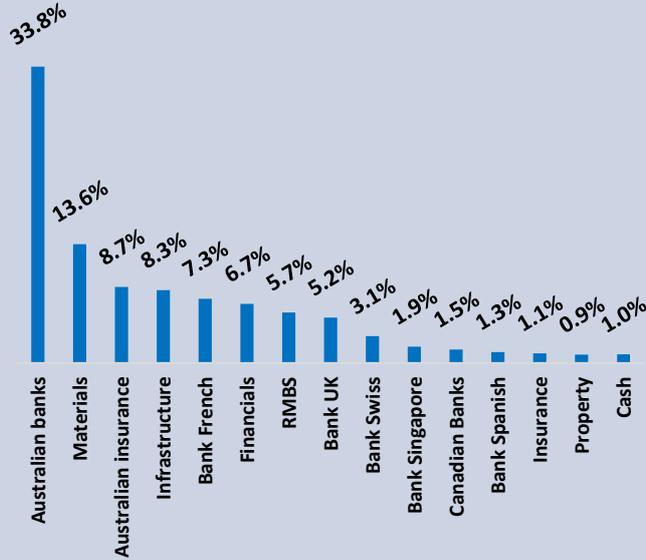
Composite – Bloomberg Composite Index

RBA – RBA Cash rate

Past performance should not be taken as an indicator of future performance.



Sector Allocation Breakdown



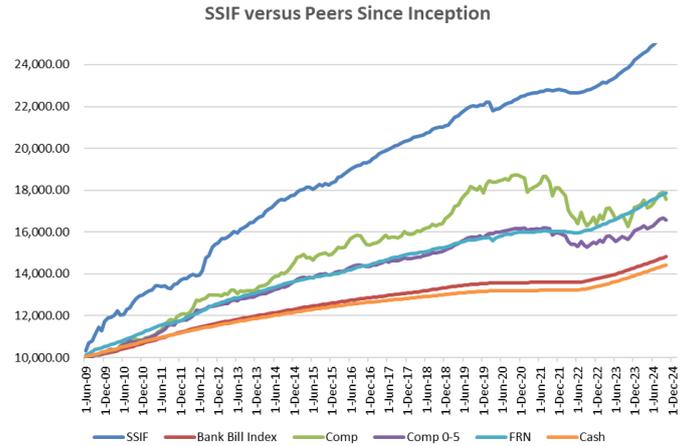
Top 10 Securities

Macquarie 35'30	5.46%	Paccar 2027	3.15
ANZ 34'29	4.15%	IAG 45'25	3.11%
ANZ perpetual callable	3.99%	Ausgrid 2026	3.07%
NAB 27'25	3.90	New York Life Funding	3.07%
Norfina 2029	3.18%	Toronto Dominion	3.06%

Platforms

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

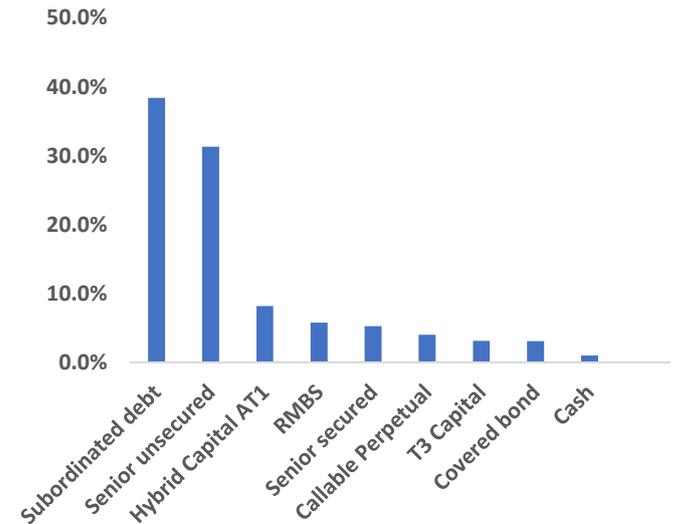
Growth of \$10,000 since inception



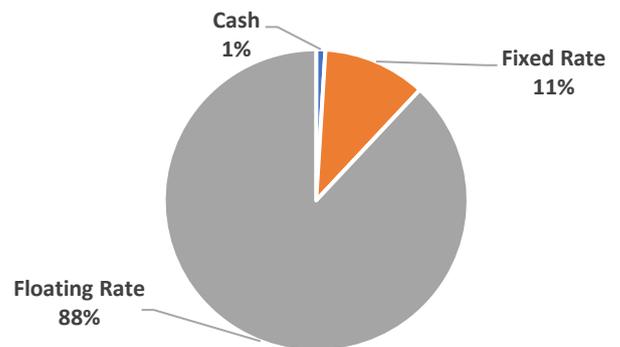
FRN - Bloomberg FRN Index
Comp – Bloomberg Composite Index
Comp 0-5 – Composite Bloomberg Index 0-5 years
Cash – RBA Cash rate

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Legal Structure



Fixed/Floating Rate





Portfolio Management

The month of October was challenging for many in terms of performance. The international global credit indices produced a negative total return. These returns were due to the spike in yield in U.S. Treasuries which could be attributed to the Trump trade. Risk assets were affected.

The portfolio, however, was able to negotiate this pathway and take advantage of some spread movement and new issues. Of note, investments were made in Hollard Insurance, a new AMP 3 year and BPCE Tier 3 (BPCE French bank). The Fund continues to take advantage of new issues and the opportunities to diversify holdings and economic exposures.

The RBA appears unlikely to ease anytime soon and most likely we could expect an easing in February if inflation falls in a meaningful way. This should mean that bonds will trade in a relatively tight band and credit continue to attract a bid.

Credit is currently enjoying solid liquidity because of good two-way flows. This has meant several new issues have tightened significantly as a result. Credit spreads have compressed, in general 10 or more basis points over the month, and this trend we believe should probably continue. Most new issues are attracting strong bid interest with many new issues oversubscribed by 3-4 times.

Bank spreads have compressed and Bank T2 spreads have moved significantly. Last month the spread ratio of Tier 2 and senior was slightly above 2, and the ratio is now 1.8 times. Some of this compression may be due to the recent APRA announcement that Bank tier1 securities are to be phased out.

The strategy moving forward will be to continue to opportunistically invest in Tier 2 securities. Attention towards corporates will continue, especially infrastructure issues.

Credit spreads in general are tight but are not significantly different to the mean. There is still capacity for further compression especially when compared to peers.

The floating component of the portfolio is now 90% with just 10% of the portfolio fixed. Of the fixed component about 9% of the portfolio is invested in securities with a tenor of 3-years or less. It is not anticipated that duration will be extended unless we see a spike in bond yields.

Credit in general is in a relatively benign environment. Equities both domestically and internationally continue to perform and are likely to continue to be supported as the U.S. Federal Reserve and other central banks continue to

Market Commentary

Market volatility continued in October. This was largely driven by the political outlook in the U.S. and expectations built around the Presidential candidates. The market response was driven by the policies of each candidate and the expectation of a particular candidate being elected President of the U.S.A.

As the month wore on, markets became very attuned to a possible Trump win. The net result being weakness in the Fixed Income market and movement in the equity market. The resulting uncertainty saw the fixed indices weaken and equity indices weaken.

The weakness in the fixed income market and equity markets was driven by fears of fewer rate cuts should Trump win. Concerns in the equity markets were being driven by fears a repricing in the bond market could have a negative impact on forward PE's. Should a repricing occur then equity markets could have a large fall given forward Price-Earnings ratio's in the U.S. market are elevated.



Courtesy LSEG

Given Trump's policies include significant borrowing alongside tariffs for its trading partners, the real fear is that we could see a fall in earnings in European corporates, bond investors may be less willing to purchase bonds. If the Fed loses control of the curve, then the 10-year through to 30-year bonds become vulnerable to a rise in bond yields.

If the market loses faith the buyer of last resort becomes the Federal Reserve. As a marker, the reverse repo market which is a proxy for liquidity has seen excess liquidity drained and is the lowest for 3.5 years (see graph below).



normalise interest rates. Our RBA is expected to ease February 2025. If this scenario continues then we should see credit continue to compress and provide solid returns. The Manager has maintained a risk weighted average for the portfolio of A-

Duration has shortened marginally over the month. The average coupon is now 6.2% and running yield is 6%. The yield to maturity is currently running at 5.8%.

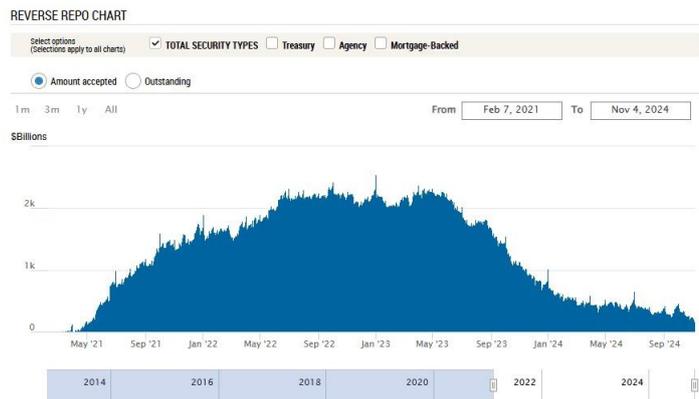
The portfolio returned 0.6% over the month and 6.8% for the rolling year on year. The average credit spread is 138bp and with time this spread should increase further.

Liquidity as always remains important. The portfolio remains very liquid with all securities marked to market daily and with over 90% of the portfolio actively traded via the screens.

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Source: LSEG Datastream / Chuck Mikolajczak

Markets will need to reflect on their choices.

The Trump trade is relevant for investors. Equities are expected to perform as the fiscal outlook is positive. Credit will run alongside equity until leverage starts to impact ratings and outlook. A pause in rate cuts could impact equity markets as that could potentially increase borrowing costs offsetting the incentive for acquisition related debt.

The initial movement by markets has been for equity to rally, credit spreads in the U.S. tighten markedly and especially so high yield.

Australian assets no doubt will also be impacted. The expectation will be that there will be a compression in spreads following in from the U.S. Our credit spreads are still wide, comparatively. A rate cut is not expected until February 2025, however the, RBA could decide to hold and see how quickly Trump implements tariffs and then form a decision about the likely outcome of those tariffs.

If the RBA was to remain on hold, then fixed rate securities would likely remain in a trading pattern of around 20-30 bp and credit spreads will likely follow the movements in offshore spreads. Navigating the next few months will be very interesting.

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