

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	1.0923/1.0913
Fund Size	\$87.8m
Liquidity	Daily
Distributions	Quarterly
Inception Date	31 May 2009
Benchmark	RBA Cash Rate

Income Distributions

FY25	SEP	DEC	MAR	JUN
Distribution (CPU)	1.27	1.18	1.33	1.23

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

Fund Ratings – Investment^{^^} and ESG^{##}



Fund Metrics

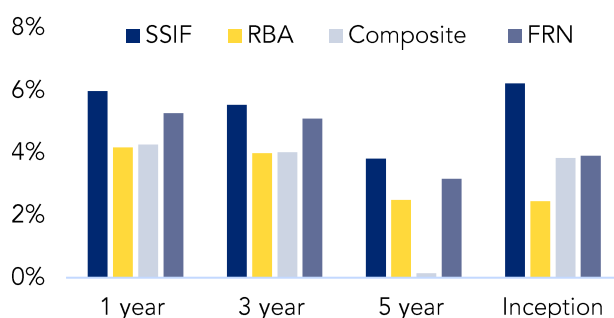
Running Yield	5.26%
Average Yield to Maturity / Call	5.00%
Duration	0.20 years
Credit spread duration	3.45 years
Average credit spread	139 bp
Number of positions	64
Percentage floating rate assets	92.4%
Largest drawdown since inception	1.86%
Best monthly return	4.49%
Negative Total return in consecutive months	0/4 month months

Performance

PERFORMANCE	1 MTH	1 YR	3 YRS	5YRS	SI
Distribution return	0.00	4.80	4.17	3.25	4.52
Growth return	0.55	1.20	1.38	0.57	1.71
Total net return	0.55	5.99	5.55	3.82	6.22
Benchmark (RBA Cash Rate)	0.30	4.18	4.00	2.50	2.46
Active Return	0.25	1.81	1.55	1.32	3.76

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.

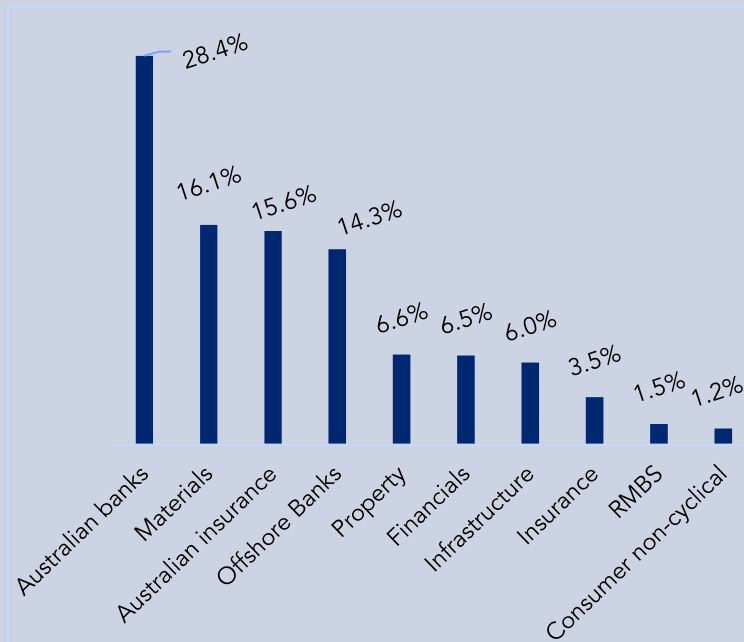
Performance comparisons



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



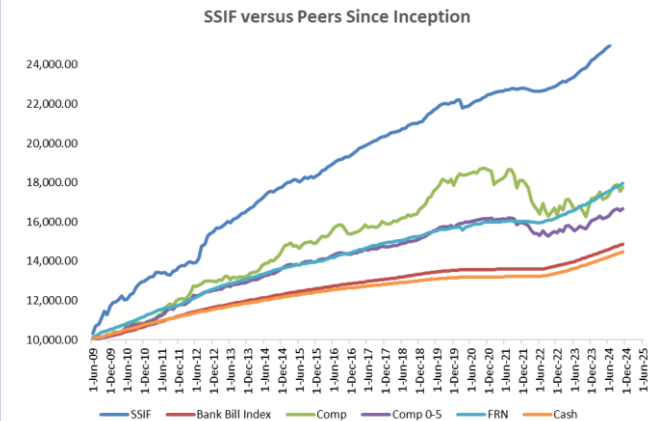
Top 10 Securities

IAG 15/6/37'32	4.86%	NEW York Life	3.46%
Norfina 3/29	4.11%	Scentre Group 27/11/2029	3.44%
Macquarie Bank 2/2/35'30	4.04%	ANZ 16/1/2034'29	3.11%
AMPOL 11/12/2054'30	3.85%	ANZ T1 Hybrid	3.01%
WBC 9/29	3.47%	AMP 4/11/2027	2.90%

Platforms

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

Growth of \$10,000 since inception



FRN - Bloomberg FRN Index

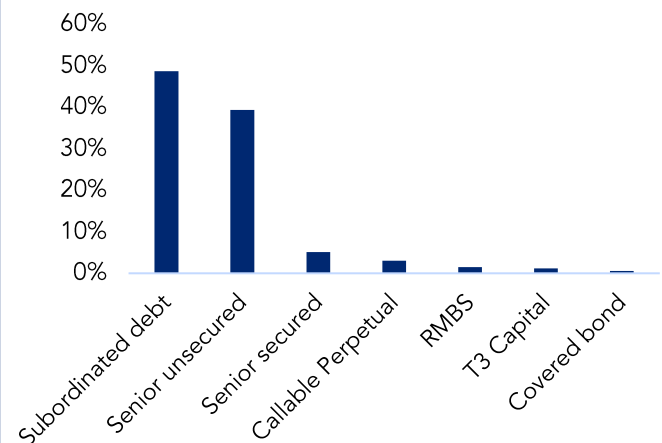
Comp - Bloomberg Composite Index

Comp 0-5 - Composite Bloomberg Index 0-5 years

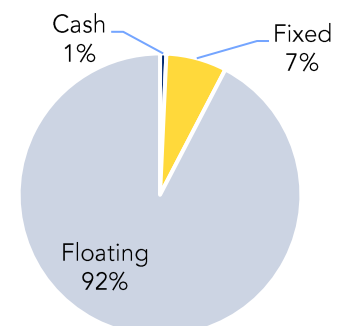
Cash - RBA Cash rate

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

Legal Structure



Fixed/Floating Rate





Portfolio Management

Concerns over asset movements in the U.S. continue to impact portfolio decision making. With market movements somewhat subdued despite a plethora of information, one must wonder whether we are the slow boiling frog or if we are in paradise.

With much of the discussion in the U.S. centred around tariffs and inflation one has to be quite mindful of what is driving asset markets in the U.S.

If we overlook Trump's wants, then asset markets are behaving exactly as we expect. Company reporting season has been relatively kind both here and in the U.S. and that is supportive of credit. However, Trump's disruptor impacts cannot be overlooked and that is what the changes in the portfolio are attempting to mitigate.

Further changes have been made to bolster the creditworthiness of the Fund. The Portfolio is slowly moving towards a weighting of single A up from A-, with more investments being steered towards domestic exposures and reducing those investments that may be at risk to Trump's tariffs or inflation.

The RBA cut rates in August however the sting in the tail was inflation or rather concerns over inflation. With companies reporting a reasonable outlook coupled with solid to heavy demand for new issues, the market looks set benefit from further spread compression. Are spreads too tight? Perhaps not.

The Australian market is now regarded as one of the more liquid markets, whether they are the government bond market, or the credit market. Australia has now surpassed several peer markets over the years and is considered the third most liquid behind the U.S. and the EU. Higher liquidity drives increasingly attractive issues and more interestingly draws new issuers, new investors and new entrants. Ultimately any arbitrages will quickly close.

The test for markets currently will be whether the domestic market suffers some digestion issues in bedding down the increasing number of new issues and how international markets react if and when Trump gets his way with the Federal Reserve.

I expect the Federal Reserve to cut in September, but there is a real risk that with the impact of inflation unknown and concerns over what the Trump appointees

Market Commentary

Once again Trump has managed to deliver uncertainty into a world of near certainties. Trump aired a number of missives over the month. After turning his ire towards India and threatening further tariffs on Russia if Russia continues to attack Ukraine, the markets have had a bit to think about.

For many the seed of doubt is whether the Federal Reserve (The Fed) will ease rates anytime soon. The Fed Chairman Powell has been very reluctant to adjust interest rates and has raised concerns over tariffs, the constantly changing tariff outlook and the impact this has on the economy.

To be fair, inflation has yet to really impact the U.S. economy but may be starting to stir. Companies are now starting to pass on the tariff increases to customers. U.S. companies continue to report solid earnings; the economy is solid running around 2-2.5%.

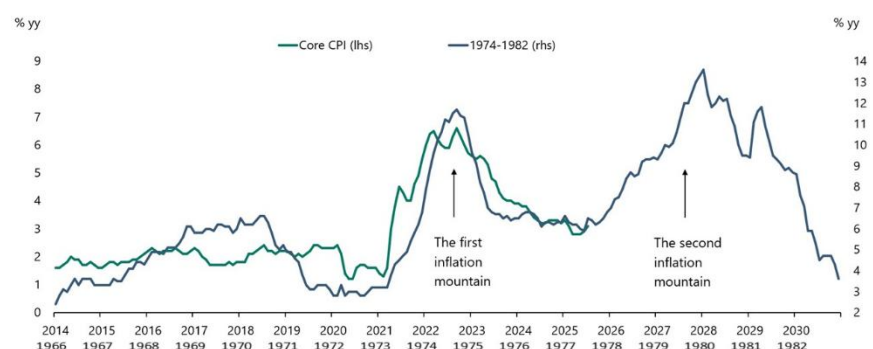
Powell is concerned about inflation and more particularly is trying to avoid stagflation. Powell must now juggle an uncertain inflationary outlook caused by tariffs but also productivity!

In two rounds of government layoffs, the U.S. government workforce has shed some 15% of workforce. These layoffs reach deep into the U.S. economy. Many of these jobs support or provide impetus to companies. Many of the jobs lost are high paying, highly skilled roles in engineering, finance, IT, science, design and marketing. The Administration want manufacturing jobs, but these tend to be lesser paying positions. Meanwhile the economy has lost better paying, highly skilled workers. As trade and the economy slows, capex is likely to fall, hiring is likely to freeze, and we still have the great unknown of inflation. That outlook has not been helped with Trump firing the Commissioner of the Bureau of Labour Statistics (BLS) and stating any unfavourable numbers are 'fake news'. Worryingly we are also seeing the trucking industry slow markedly. There is no activity in the transportation equipment industry, and this can be directly attributed to tariffs.

Trump continues to emphasize his executive powers and is looking to unleash that on the Fed one way or the other. If he can sack Federal Reserve Governor Cook, as he is trying, then he would then have a skewed Fed and that could work to his advantage in his call for lower interest rates.

Should Trump succeed, this will raise questions over the independence of the Fed and will cast a shadow over expectations for inflation. Previous experience would suggest taking away independence from a central bank is not a good idea. Türkiye tried that a while ago and succumbed to massive inflation, and Nixon tried that back in the 70's. The then Governor Arthur Burns was seen as possibly the worst Fed Governor and left the U.S. mired with inflation. It took almost 10 years to rectify.

Will we see a repeat of 2021 and the 1970s?



Courtesy Apollo Management Torsten Slok The Daily Spark 31 August 2025 "Will We See a Repeat of 2021 and the 1970's?"



do that bonds could sell off. One must bear this in mind with the portfolio.

Currently the Fund is on the cusp of an average weighting of A- trending towards a rating of A and will skew towards single A. The backdrop for Australian credit remains sound.

The portfolio remains heavily skewed in floating rate assets. Over time, adjustments will be made to reduce risks, increase diversification, and realize capital gains.

The portfolio has an average coupon of 5.42% and a running yield of 5.26%. The yield to maturity is currently 4.99%. The portfolio returned 0.55% over the month and 5.99% year-on-year. During the month the portfolio was rebalanced, and some higher yielding securities were sold in order to capture capital gain and take some risk off the table, given the uncertainty of current global economic conditions.

How the bond market in the U.S. reacts will impact Australia. In the U.S. we should expect the curve to steepen, and this steepening should flow into Australia although the impact won't be as strong. The RBA has done a remarkable job in navigating the outlook when several of their peers have been challenged. We may see one more rate cut and that possibly could be the last for some time. With lots of uncertainty and the economy steady, the RBA may decide to sit back and watch the proceedings.

The market still has several rate cuts baked in pricing, but as we know that view can rapidly change. Currently the recent rate cut has spurred some domestic demand, housing prices have increased whilst credit growth continues to expand. These factors are somewhat positive for credit.

What we will be watching: productivity both in Australia and the U.S., inflation and employment.

What happens to the Fed Board will no doubt impact markets as and if it happens, until something happens, markets are likely to show indifference.

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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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