

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	1.0768/1.0758
Fund Size	\$82m
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

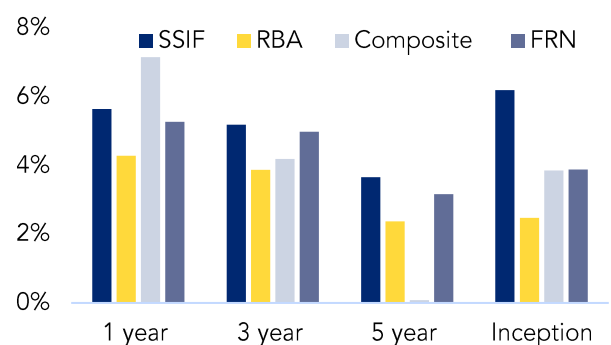
Running Yield	5.72%
Average Yield to Maturity / Call	5.54%
Duration	0.22 years
Credit spread duration	3.08 years
Average credit spread	181bp
Number of positions	69
Percentage floating rate assets	92.3%
Largest drawdown since inception	1.86%
Best monthly return	4.49%
Negative Total return in consecutive months	0/2 month

Performance

PERFORMANCE	1 MTH	1 YR	3 YRS	5YRS	SI
Distribution return	0.00	4.78	4.16	3.24	4.49
Growth return	0.31	0.86	1.03	0.42	1.72
Total net return	0.31	5.64	5.19	3.66	6.20
Benchmark (RBA Cash Rate)	0.32	4.29	3.88	2.38	2.47
Active Return	-0.01	1.36	1.31	1.28	3.73

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.

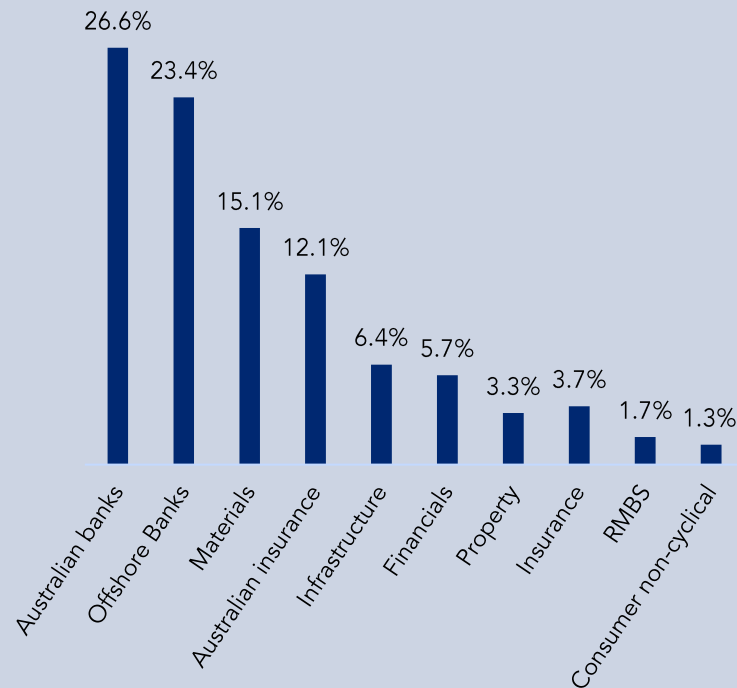
Performance comparisons



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



Sector Allocation Breakdown



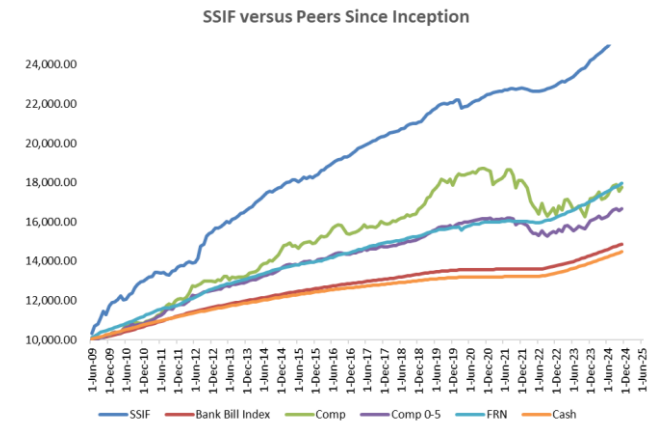
Top 10 Securities

Macquarie 35'30	4.50%	NAB 27'25	3.10%
IAG 15/6/37'32	3.88%	Ampol 54'30	2.79%
New York Life 24/7/29	3.72%	Norfina 3/2029	2.52%
ANZ perpetual callable	3.33%	Paccar 2027	2.50%
ANZ Perp	3.13%	Ausgrid Finance 2026	2.47%

Platforms

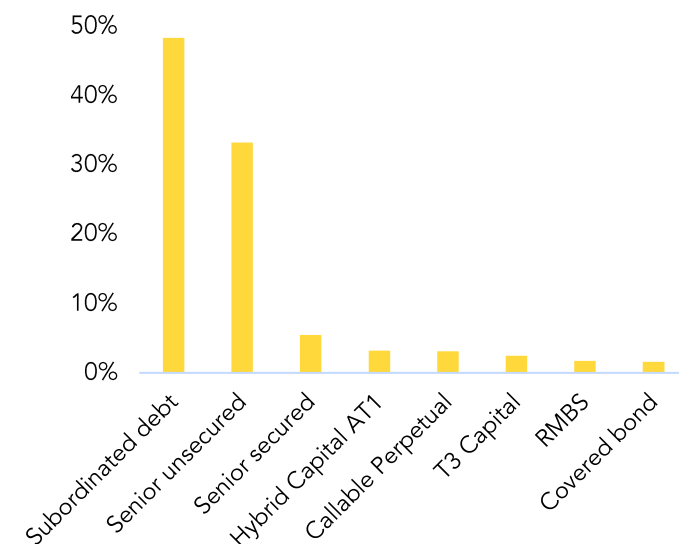
- AMG Super
- Bell Direct
- HUB24
- netwealth
- Ausmaq
- CMC Stockbroking
- Powerwrap
- Australian Money Market
- Freedom of Choice
- Nabtrade
- uXchange

Growth of \$10,000 since inception

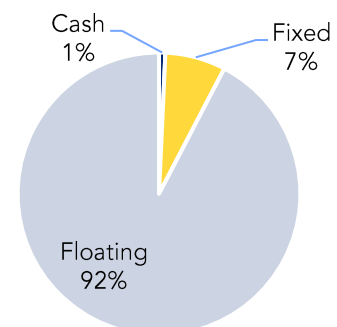


FRN - Bloomberg FRN Index
Comp - Bloomberg Composite Index
Comp 0-5 - Composite Bloomberg Index 0-5 years
Cash - RBA Cash rate
Past performance should not be taken as an indicator of future performance.

Legal Structure



Fixed/Floating Rate





Portfolio Management

Inflation remains a key concern for bonds, but we also have some technical factors that could influence bonds in the U.S. A potential change to banking capital rule by lowering the statutory liquidity ratio ((SLR) for banks from 5% to 3.5% could allow the banks to purchase an additional \$225b of treasuries. Excluding treasuries from the SLR calculation would cause banks to not only purchase more bonds, but actively trade the bonds more, helping liquidity, demand and lowering cost of debt.

A rate cut in Australia is now assumed at the next RBA meeting, following the latest decision by the Board to keep rates on hold, contrary to the expectations of virtually all in the market. The major banks still expect further rate cuts in the second half of the year.

Credit spreads over the month were volatile. Whilst conditions remain sound with private credit growing, money supply slowly expanding and interest rates falling financial conditions should benefit credit.

Credit bifurcated with senior bank rallying and bank sub and corporate hybrid paper stalling. For example, the QBE 29-39 Tier 2 over the month widened slightly whilst the WBC 29-34 tier 2 rallied with the net spread widening of 18bp. Solid issuance diminished the appeal of corporate hybrids and some bank T2. To date corporate hybrid paper now accounts for one third of the issuance to date. On a positive note, the redemption of Bank AT1's and in particular the call of the NAB perp/ July 2025 could see some buying as funds replace the redeeming bonds. The relative appeal of the credit market is losing its lustre with Europe looking a more attractive proposition.

A shortage of paper should help drive spreads tighter.

Markets of course will be transfixed by the comments from Trump or his Administration regarding tariffs and trade talks. This discussion will shape sentiment and inflationary expectations.

The current mood is one of risk off. Uncertainty and volatility at present are the two brothers in arms and one that has the potential to shape the direction of asset prices.

With reporting season looming, the markets will have the opportunity to review performance and will be looking for signals. Those signals could include re-ratings of earnings, profits and outlook. The reports will be watched keenly.

The portfolio is moving towards a higher average credit rating average. Currently the Fund is on the cusp of an average weighting of A- trending towards a rating of A. The backdrop for Australian credit remains sound.

New issuance fatigue has settled in for the moment following a month of solid issuances. It appears that credit remains fairly priced with no significant incentive to compress spreads further.

Market Commentary

Markets continue to wrestle with the unknown as we review June's market performance. Volatility is persistent and yet for the moment we see some green shoots. The trouble is those green shoots can quickly turn brown.

Trump set a goal of reaching trade agreements with its trading partners by July 4. To date, apart from the UK, Vietnam, and China (which incidentally squeezed the U.S) no other major trade deals have been made. And worryingly we still have relatively little information as to the rate of tariffs imposed.

Without knowing the full extent of tariffs to be imposed, the market is unclear on inflation and the extent to the rise in inflation. The latest economic data in the U.S. may suggest normalising rates could occur, falling unemployment and inflation but these may still be an aberration.

It is expected that we will have a clearer idea of inflation in the 4th quarter or perhaps the 1st quarter 2026. The Federal Reserve Chairman has been reluctant to say when rates could be eased, and this has drawn the ire and scorn of President Trump who clearly believes rates should be lower.

What is more important is that Trump's Big Beautiful Bill finally passed with a score of 51 to 50, so barely. Importantly the Bill adds a further \$3.3tr to the \$28tr deficit to the coming years. The budget deficit (debt) to GDP languishing around 5-6% and increasing in percentage terms. Should the U.S. slip into a recession, this number becomes ugly very quickly. The Federal Reserve would have little wiggle room. If growth and money supply contract as a result of tariffs one could expect a correction.

In Australia, despite the overwhelming expectation of a rate cut in July, the RBA decided to hold rates steady and wait for further data. How many easing's within this cycle will depend on a variety of influences and especially inflation. The RBA is in a much better position. Debt to GDP is moderate at 33.9% and the budget deficit to GDP is 1.5% and smartly improving. The RBA has wiggle room and can ease when and if required.

Markets look certain to be profoundly affected by Trump's musings. The Trump bump for equities could easily come asunder as his dealings with Powell and the Federal Reserve, as well as his willingness to test legal boundaries could come more into focus.

Over the past few months there has been a steady exit from the U.S. market by international investors, however this has not deterred domestic retail investors, who have helped propel the U.S. equity market to higher levels.

The term premium for bonds remains intact, rising slightly, the fear index suggests that the economy is not under any serious constraints yet. Loans and leases in bank credit continues to rise suggesting the economy is in reasonable shape and that there is no urgency to ease.

The charts below highlight the economy is steady and does not require too much intervention. We now have fiscal stimulus in the form of tax cuts and this stimulus could impact inflation and also tariffs which will likely have an impact. However, we probably won't have a clear idea until the last quarter.

Powell and other voting member especially Bostic continue to urge caution. Whilst the Ratings Agencies have also called for some fiscal restraint. If and when bond markets react, it's hard to know, but as the economist Rudiger Dornbush quotes, "in



During the month investments were made in senior bank paper, a corporate and bank senior insurance tier 2 paper and bank tier 2 paper.

The portfolio remains heavily skewed in floating rate assets.

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 has an average coupon of 5.89% and a running yield of 5.72%. The yield to maturity is currently 5.54%. The portfolio returned 0.31% over the month and 5.65% year-on-year.

Unfortunately, the Fund missed its RBA cash +1.50% benchmark by 14 bp. The small negative result in April was just sufficient to cause the miss. The average credit spread is 181 basis points, with potential for further increase.

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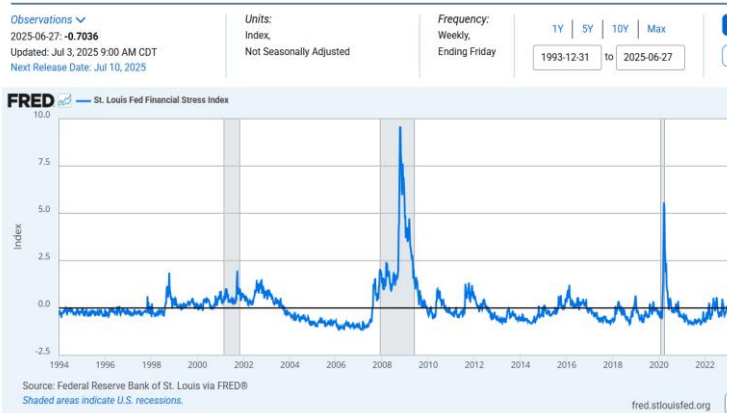
Unit Registry - Apex Group

Email info@apexgroup.com

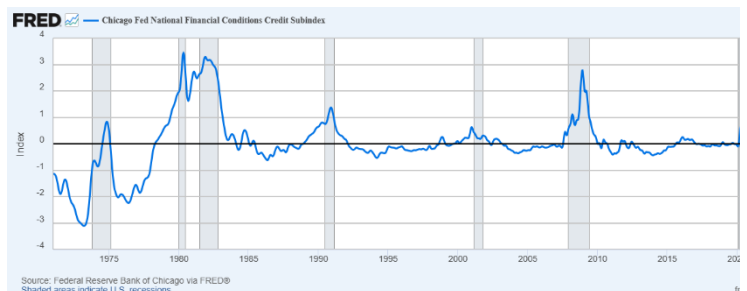
Phone 1300 133 451

economics, things take longer to happen than you think they will, and they happen faster than you think they could".

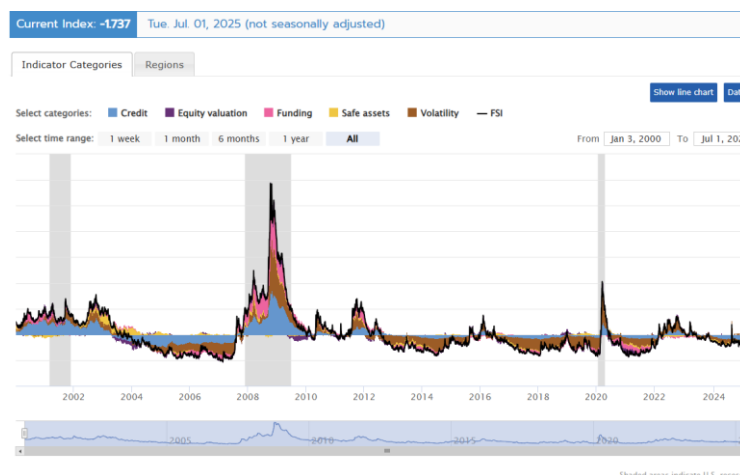
☆ St. Louis Fed Financial Stress Index (STLFSI4)



*Federal Reserve Bank of St. Louis, St. Louis Fed Financial Stress Index [STLFSI4], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/STLFSI4>, July 3, 2025.



*Federal Reserve Bank of Chicago, Chicago Fed National Financial Conditions Credit Subindex [NFCICREDIT], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/NFCICREDIT>, July 3, 2025.



*Office of Financial Research. "OFR Financial Stress Index." OFR, updated daily. <https://www.financialresearch.gov/financial-stress-index/> (accessed Fri. Jul. 04, 2025).

Assets in the near term will react according to what is being said and geopolitical interventions. The next few months look set to be volatile, however if the system does not break then there should be good opportunities for credit and equity, and especially so with upward revisions of earnings and stable or falling interest rates.



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