



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

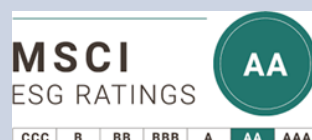
APIR	ETL0072AU
Entry / Exit Price	1.0854/1.0844
Fund Size	\$90.7m
Liquidity	Daily
Distributions	Quarterly
Inception Date	31 May 2009
Benchmark	RBA Cash Rate

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

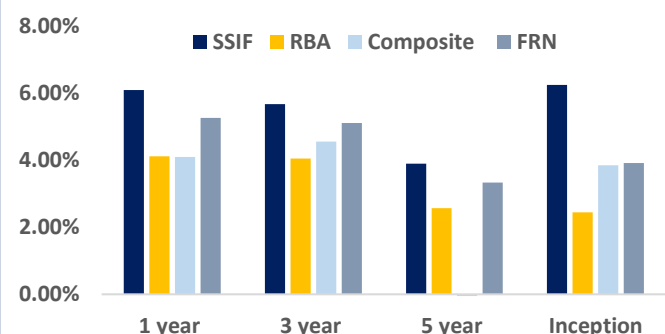
Running Yield	5.17%
Average Yield to Maturity / Call	4.87%
Duration	0.22 years
Credit spread duration	3.68 years
Average credit spread	133 bp
Number of positions	62
Percentage floating rate assets	93.2%
Largest drawdown since inception	1.86%
Best monthly return	4.49%
Negative Total return in consecutive months	0/5month

Performance

PERFORMANCE	1 MTH	1 YR	3 YRS	5YRS	SI
Distribution return	1.31	4.83	4.40	3.40	4.55
Growth return	-0.63	1.26	1.26	0.49	1.68
Total net return	0.57	6.09	5.66	3.89	6.23
Benchmark (RBA Cash Rate)	0.30	4.11	4.04	2.56	2.44
Active Return	0.27	1.98	1.62	1.33	3.79

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.

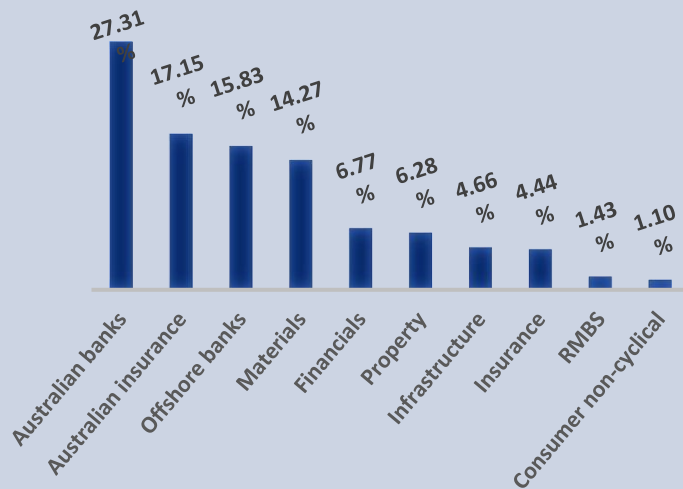
Performance comparisons



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



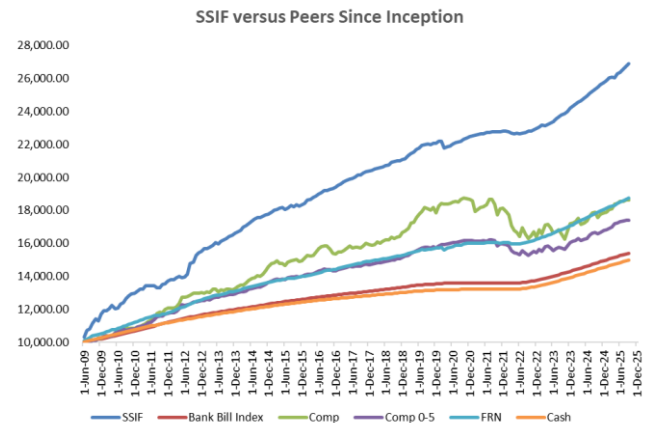
Top 10 Securities

New York Life 24/7/29	4.44%	Scentre Group 27/11/2029	3.31%
Norfina 3/29	3.91%	WBC 9/29	3.30%
Macquarie Bank 2/2/35'30	3.90%	ANZ 16/1/2034'29	3.00%
AMPOL 11/12/2054'30	3.64%	ANZ T1 Hybrid	2.92%
IAG 15/6/37'32	3.55%	AMP 4/11/2027	2.79%

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

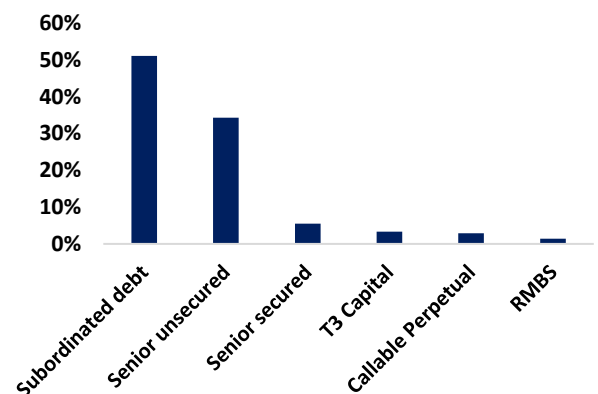
Comp - Bloomberg Composite Index

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

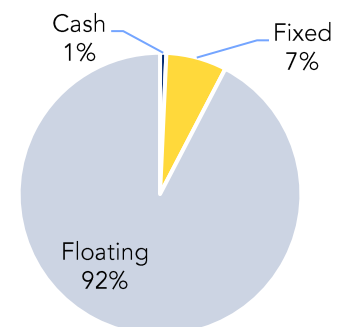
Cash - RBA Cash rate

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

Legal Structure



Fixed/Floating Rate





Portfolio Management

The month started with a view that cash rates may be eased several times over the next 12 months. Recent economic data has swayed opinion to the belief that the RBA has perhaps one more cut to reach the terminal rate. The market is currently pricing a terminal rate around 3.35%. Once this terminal rate level is achieved the market is expecting interest rates to remain steady for a period.

So, what's changed? It's because the economy appears to once again moved into the 'Goldilocks' zone. That is, a benign environment for equity and a positive outlook for credit with economic growth, credit growth and demand for credit remaining strong.

However, one cannot be complacent. There are still risks to the outlook.

The portfolio under the changing credit view is looking for opportunities. The Fund has participated in several new issues and is slowly rebalancing. The A- level for the portfolio remains intact.

Notably, credit cohorts are skewing. The AAA sector is evolving. AA and single A credit weightings are increasing. The portfolio has cherry picked some new BBB cohort issuers and have redeemed the only unrated security in the portfolio. That security was replaced with a BBB rated entity.

Spread compression has continued. The Fund is opportunistically taking profit, where appropriate, and reinvesting.

The Fund continues to invest in higher grade securities. These investments will buffer the portfolio during times of stress and also provide liquidity should we see any significant widening of spreads. The portfolio will continue to invest in BBB rated securities strategically and as a source of additional performance and coupon.

Over the month the Manager added to the Transgrid position. Utilities remain in focus, providing reliable annuity like performance. The portfolio added a new investment Kiwi Bank and continued to invest in the insurance sector investing in QBE, IAG and New York Life.

The portfolio remains heavily invested in floating rate assets. This position is unlikely to change soon. There are a couple inaugural issues pending which are fixed rate securities. The Manager may choose to take a short-term view and accordingly the fixed rate percentage could increase. However,

Market Commentary

Changes are afoot and things as we knew may be changing. Let me explain. The world of risk assets appears to be moving.

Despite all the disturbances to markets, the U.S. economy, the European economy and the Australian economies continue to thrive.

What could possibly go wrong? Markets have several points of contention to be wary of. These being the possible firing of Governor Lisa Cook, the removal of the Head of the Government Statistics Department, a Government Shutdown and the never-ending challenge of tariffs chopping and changing. Any one of these events in the past would have preceded a correction, but this time the market has rallied!

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

The U. S. economy remains buoyant, and this is reflected in the U.S. equity market. Overlaying the U.S. equity market with the Australian equity market we can see similarities. Revenues are robust, credit growth is buoyant to strong and inflation, whilst rising, is likely to slow the rate of easing of interest rates by both central banks.

The outlier of course is employment, and employment applies to both the Australian and U.S. economies. Under the current market conditions, it is easy to be suspicious.

The big moves relate to traditional Government bond markets and credit.

Government markets face the uncertainty of budget deficits leading to further issuance. There is an expectation that as crypto or meme coins develop there will be a demand for short U.S. treasuries. This does not apply to the long end. We could see a bifurcation.

The uncertainty in treasury markets has already seen (in some countries) strong corporate credits trading around or inside levels that Governments issue. In France 7% of corporate issuers trade inside the respective OAT (Government Bonds). In the U.S. Microsoft is trading a mere 2-3 bp above U.S. treasuries. John Deere, an A rated entity, recently issued +50bps over treasuries - unheard of a few years ago.

The point is one should be aware that the risk free, defensive asset is changing.

Does this mean the demise of treasury markets? Absolutely not. Treasury markets will become ever more at risk to bond vigilantes. The coming test for Governments will be the bond vigilantes. At some point the levels of Government debt will become problematic. Recently we have seen significant outflows in yen bonds as investors grapple with the potential of higher interest rates.

Credit may therefore be viewed as "the defensive asset". If this thesis is true, then the view that credit spreads are too tight may need to change. Corporate credit cannot continue to borrow without an impact on ratings. Corporates in general are bound by profitability, gearing and demand. So, corporates must be somewhat conservative. This is certainly the case for investment grade credits.

As markets have demonstrated investment grade credits with solid ratings and perception are seeing spreads tighten. Recent issuance suggests that demand for credits remains very strong. If the economy is growing, credit growth continuing, labour remains reasonably solid and inflation remains as expected, then there is every reason to see credit spreads continue to compress.

Dispersion of spreads between credits within investment grade cohorts remains tight and shows little hint of stress. Median spread dispersion is tight and anchored towards the lower end of historical spreads.

Our credit market is now reminding one of the Yankee Market, and how the respective issuers trade. Liquidity and demand remain strong and this in turn builds confidence.

Are spreads too tight? Hindsight will tell us one day. For the moment though across most cohorts' spreads are slightly more than one standard deviation expensive on a 15-year basis. This is not a sign of an over exuberant market as Credit may yet become the new defensive asset!

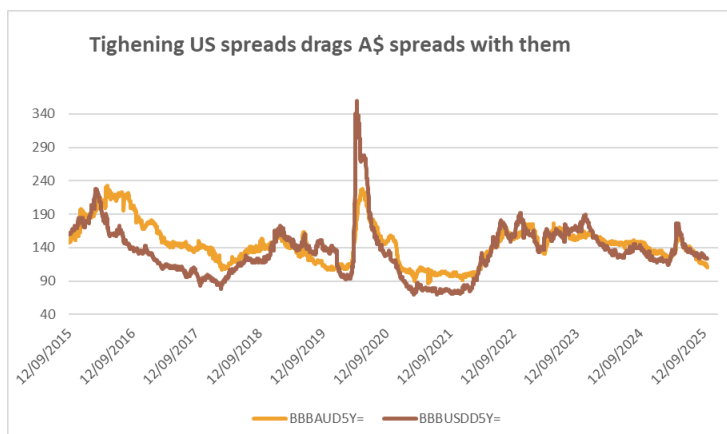


the increase will not be significant. At time of issue the Manager will be taking duration and market conditions into consideration.

The portfolio has an average coupon of 5.33% and a running yield of 5.17%. The yield to maturity is currently 4.87%. The portfolio returned 0.57% over the month and the rolling annual return is 6.08%.

If spreads continue to perform as expected, the portfolio is well positioned.

The underlying thesis is that economic resilience continues, the labour market will remain stable and credit growth will continue - albeit at a slowing rate of change. The global outlook should remain positive with a possible increase in M&A activity.



*Courtesy LSEG EQT SSIF

Enquiries:

Investment Manager - Equity Trustees Limited

Email egtassetmanagement@egt.com.au

Phone 02 9458 5544

Website www.egt.com.au

Unit Registry - Apex Group

Email info@apexgroup.com

Phone 1300 133 451

DISCLAIMER Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity and the Investment Manager of the Spectrum Strategic Income Fund ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This publication has been prepared by Equity Trustees to provide you with general information only. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Equity Trustees, nor any of their related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accept any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement and Target Market Determination before making a decision about whether to invest in this product.

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.

Morningstar Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN 95 090 665 544, AFSL 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/fsg. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is an insufficient basis for an investment decision.

^^ SQM The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research received a fee from the Fund Manager for the research and rating of the managed investment.

MSCI Certain information contained herein (the "Information") is sourced from/copyright of MSCI Inc., MSCI ESG Research LLC, or their affiliates ("MSCI"), or information providers (together the "MSCI Parties") and may have been used to calculate scores, signals, or other indicators. The Information is for internal use only and may not be reproduced or disseminated in whole or part without prior written permission. The Information may not be used for, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product, trading strategy, or index, nor should it be taken as an indication or guarantee of any future performance. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund's assets under management or other measures. MSCI has established an information barrier between index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user assumes the entire risk of any use it may make or permit to be made of the Information. No MSCI Party warrants or guarantees the originality, accuracy and/or completeness of the Information and each expressly disclaims all express or implied warranties. No MSCI Party shall have any liability for any errors or omissions in connection with any Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.