

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	1.0757/1.0747
Fund Size	\$75.6
Liquidity	Daily
Distributions	Quarterly
Inception Date	31 May 2009
Benchmark	RBA Cash Rate

Income Distributions

FY25	SEP	DEC	MAR	
Distribution (CPU)	1.27	1.18	1.33	
FY24	SEP	DEC	MAR	JUN
Distribution (CPU)	1.06	1.68	1.19	1.01

Fund Rating



Fund Metrics

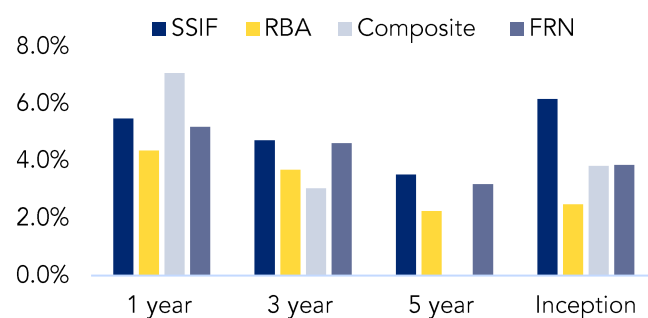
Running Yield	5.81%
Average Yield to Maturity / Call	5.75%
Duration	0.30 years
Credit spread duration	2.99 years
Average credit spread	190 bp
Number of positions	69
Percentage floating rate assets	92.6%
Largest drawdown since inception	1.86%
Best monthly return	4.49%
Negative Total return in consecutive months	1/25

Performance

PERFORMANCE	1 MTH	1 YR	3 YRS	5YRS	SI
Distribution return	0.00	4.58	3.87	3.32	4.51
Growth return	-0.17	0.92	0.86	0.22	1.67
Total net return	-0.17	5.50	4.73	3.54	6.18
Benchmark (RBA Cash Rate)	0.34	4.37	3.70	2.26	2.49
Active Return	-0.51	1.13	1.17	1.28	3.69

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

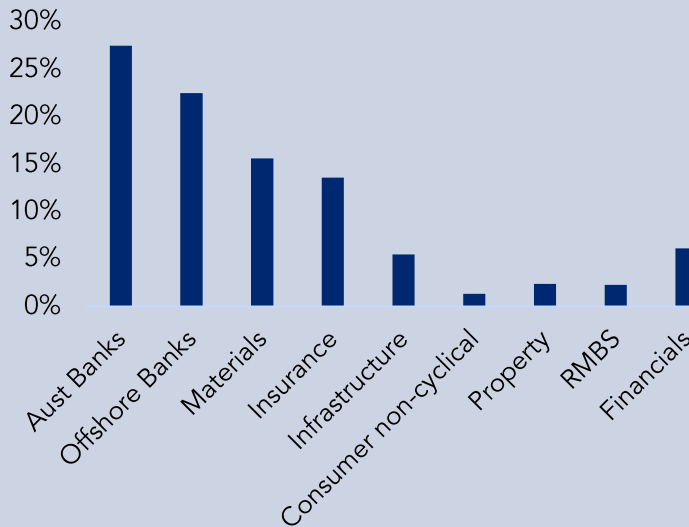


FRN - Bloomberg FRN Index Composite - Bloomberg Composite Index
RBA - RBA Cash rate

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



Sector Allocation Breakdown



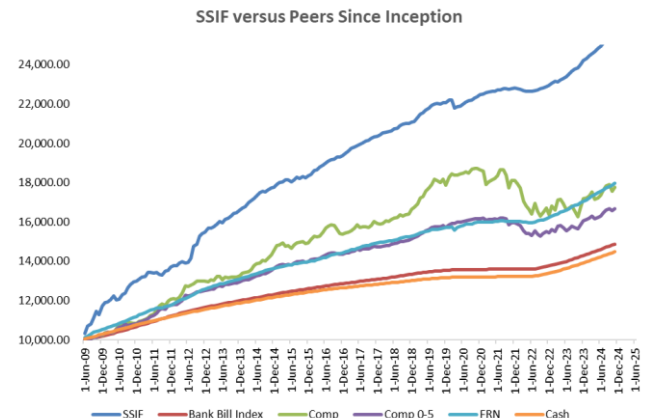
Top 10 Securities

Macquarie 35'30	4.62%	Cash	3.19%
ANZ 34'29	3.51%	Ampol 54'30	3.01%
IAG 15/6/37'32	3.48%	Paccar 2027	2.72%
ANZ perpetual callable	3.34%	Norfin 2029	2.70%
NAB 27'25	3.30%	Ausgrid Finance 2026	2.63%

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

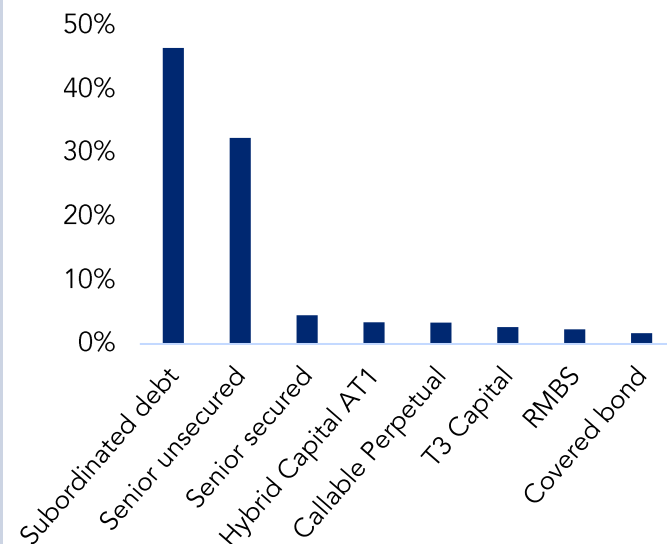
Comp - Bloomberg Composite Index

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

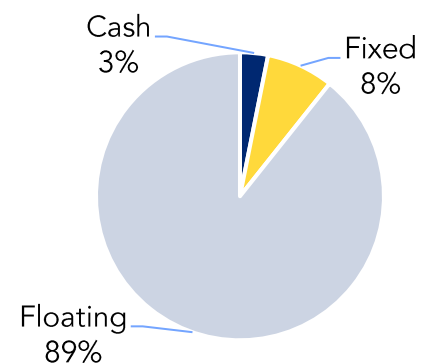
Cash - RBA Cash rate

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

Legal Structure



Fixed/Floating Rate





Portfolio Management

Trump's tariffs signalled a changing of market expectations. For much of the month the asset markets were in risk off mode. The resultant was that there was a big move towards government bonds out of risk assets and markets in the U.S. and Australia baked in at least three rate cuts because of Trump's tariffs.

During the chaos credit spreads widened significantly, with both generic single A spreads and triple B spreads widening significantly. Spreads currently are near or through their long-term averages or at the long-term average.

As month end approached markets had a better read of what was happening and settled. Optimism gradually returned after Trump suggested a moratorium of 90 days allowing countries to negotiate trade terms before tariffs would be adjusted and implemented.

The volatility and rapidly changing market sentiments were difficult to judge and adjust the portfolio.

There is a lot to consider. The markets have priced in rate cuts, some of these expectations could be premature. In Australia we have 3 rate cuts priced in the futures and the 2-year bond currently yielding 3.26 as of Friday 2 May certainly has a number of cuts factored in the current yield.

The economic rationale for at least one rate cut in Australia seems fair, however three in the U.S. may prove to be unlikely. Central banks will be laser focussed on inflation and how inflation will be impacted by the pending tariffs and also the quantum of the tariffs remain important.

Intrinsically many of the recent company reports have been around expected results. Companies are reasonably well placed at this stage and profitability remains. The unknown is how these companies are impacted when and if Trump proceeds with the announced tariffs or if some trade negotiations take place to ease some of the burdens. We won't know the answer until we know what is happening with tariffs.

The big fear for markets is stagflation and, in that scenario, rates go up and the equity market stalls. Investments in companies that protect earnings and better credit quality are preferred. The portfolio in this case is well positioned as the portfolio has seen investments over the month in higher rated entities and companies that have solid earnings have increased. The average credit rating of the portfolio is A-.

During the month investments were made in senior bank paper, kangaroo senior insurance paper and a hybrid investment in the NSW electricity network. Opportunistic investments will continue as the portfolio has benefitted recently from the investments made in April.

Market Commentary

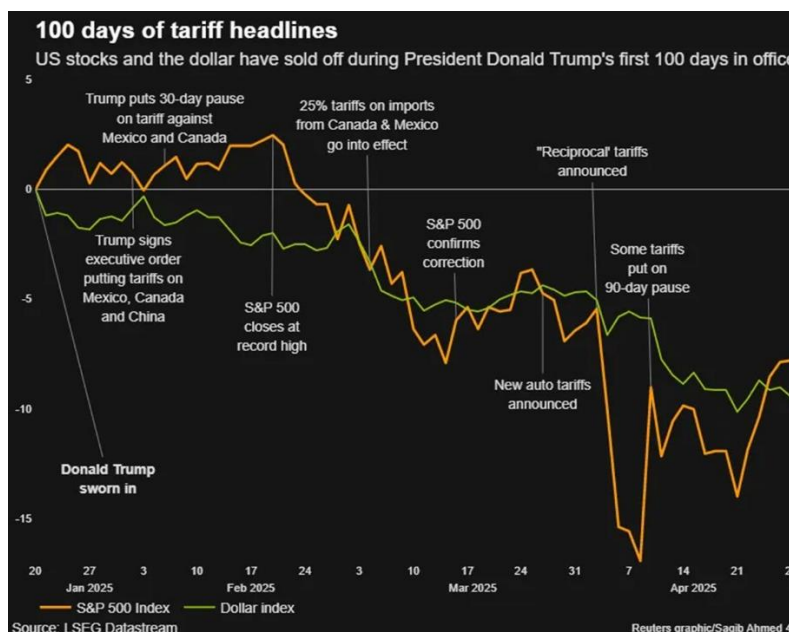
Uncertainty creates confusion and that was how April played out. Credits spreads widened across the board and over the month liquidity was partially drained from the market. Traders showed a reluctance to sell at the new levels whilst investors proved unwilling to buy, certainly in the earlier weeks as spreads widened up to 40 basis points on some securities. Bid offer Spreads have retreated somewhat and are now quoted between 10 and 20 basis points depending upon the security.

The chart below demonstrates the level of movement in triple B spreads.



*Courtesy LSEG and EQT Limited.

Stocks were volatile and this caused heavy selling pressure earlier in the month. This in turn squeezed credit spreads forcing spreads to widen. The chart below highlights the market volatility post Trump's tariff announcement.



*Courtesy LSEG late rally propels Dow, S&P 500 to slight gains. Chuck Mikolajczak 30 April 2025

The U.S. bond market forced Trump's hand causing Trump to delay the enforcement of tariffs whilst providing 90-days for countries to reach some form of trade agreement. This timeline appears to be very



The portfolio remains heavily skewed in floating assets and should the RBA hold off cutting more than once these assets will perform. Meanwhile in early May we have already seen bonds adjust as traders build in the possibility of U.S. treasuries moving higher in yield.

Liquidity has slowly filtered back into the domestic credit markets as we see more active two-way flows return.

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 5.96% and a running yield of 5.81%. The yield to maturity is currently 5.75%. The portfolio returned -0.17% over the month and 5.5% year-on-year. The average credit spread is 190 basis points, with potential for further increase.

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optimistic as the experience in trade negotiations is that they usually take longer than a year to negotiate.

Markets have about 90 days to determine what happens next in the direction of investments. The amount of volatility experienced will be determined by the economic data being released and commentary from either Trump or commentary from the various parties.

It appears that markets may have gotten ahead of the Federal Reserve regarding rate cuts. It is expected that the Federal reserve will be keenly focussed on inflation and supporting data. The U.S. economy appears to be in reasonable shape and so too in general corporate profitability. There possibly is an argument why there should be no rate cut in the U.S. in the immediate future.

For Australia that pattern is changing. Uncertainty and cost of living pressures appear to be forcing the RBA's hand. Markets have priced in three rate cuts. Inflation remains a possible issue given the surrounding uncertainty. The economy does appear to be slowing although we are seeing a small pickup in property prices post the recent rate cut.

Markets will continue to trade nervously until there is some consistency. In early May we are told that the Chinese are considering trade discussion with the U.S. That announcement was enough to cause a rally and move markets to a more positive outcome. Equities rallied, credit tightened, and government bonds were higher in yield, reflecting a more bullish economic outlook.

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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.