

# 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	1.0863/1.0853
Fund Size	\$84.5m
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<sup>^^</sup> and ESG<sup>##</sup>



## Fund Metrics

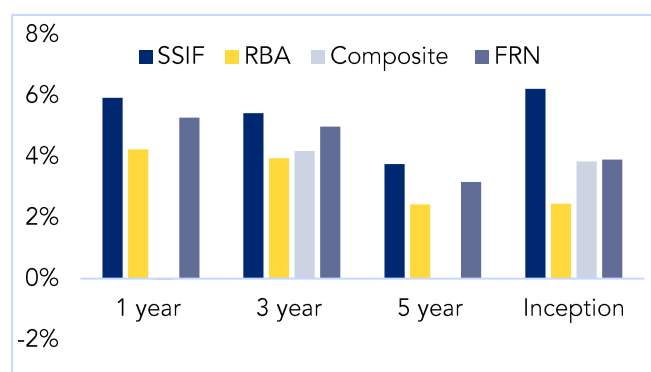
Running Yield	5.24%
Average Yield to Maturity / Call	5.03%
Duration	0.29 years
Credit spread duration	3.47 years
Average credit spread	143 bp
Number of positions	64
Percentage floating rate assets	93.3%
Largest drawdown since inception	1.86%
Best monthly return	4.49%
Negative Total return in consecutive months	0/3 month

## Performance

PERFORMANCE	1 MTH	1 YR	3 YRS	5YRS	SI
Distribution return	0.00	4.79	4.17	3.25	4.52
Growth return	0.88	1.14	1.28	0.51	1.71
Total net return	0.88	5.93	5.44	3.76	6.22
Benchmark (RBA Cash Rate)	0.32	4.24	3.95	2.44	2.46
Active Return	0.56	1.69	1.31	1.32	3.76

<sup>2</sup> 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.

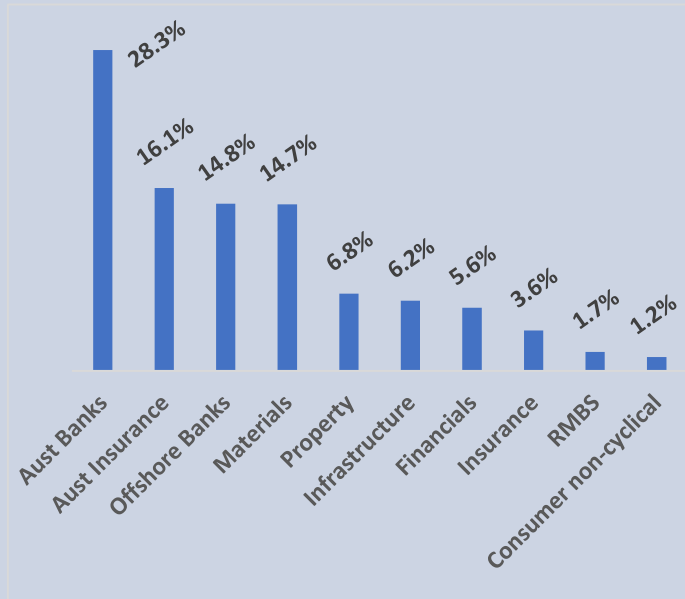
## Performance comparisons



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



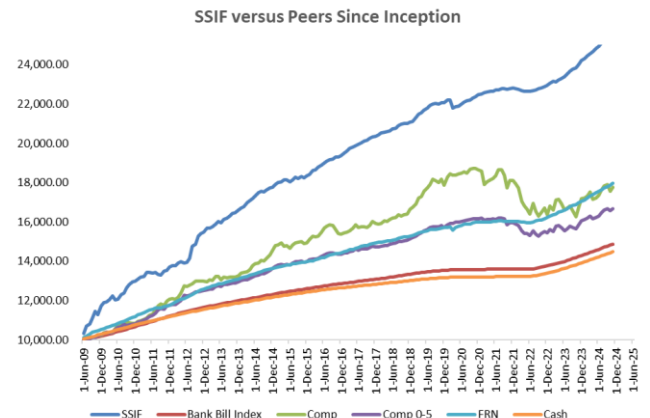
## Top 10 Securities

IAG 15/6/37'32	5.01%	NEW York Life	3.58%
Norfina 3/29	4.25%	ANZ 16/1/2034'29	3.22%
Macquarie Bank 2/2/35'30	4.23%	ANZ T1 Hybrid	3.10%
Scentre Group 27/11/29	3.59%	AMP 4/11/2027	2.99%
WBC 9/29	3.59%	AMPOL 11/12/2054'30	2.74%

## 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

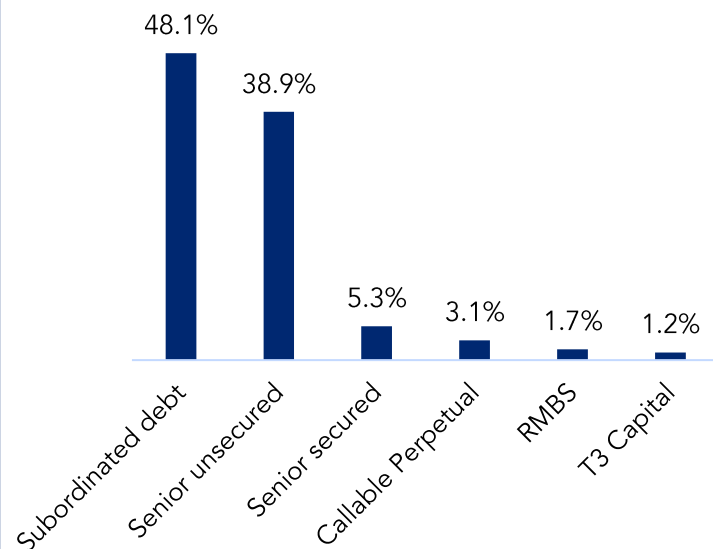
Comp - Bloomberg Composite Index

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

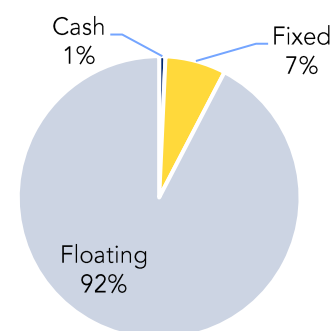
Cash - RBA Cash rate

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

## Legal Structure



## Fixed/Floating Rate





## Portfolio Management

Inflation and the timing of any interest rate cuts remain the focus for the management of the portfolio.

Over the month credit saw strong demand. Demand for higher yielding securities saw Bank Tier2 and corporate hybrids perform strongly over the month.

With offshore remaining on the sidelines during the month, the main drivers of this spread compression was real money.

Improving credit conditions such as increasing retail sales, increasing property prices and a more positive sentiment are the factors creating demand for credit.

The drivers of bank Tier 2 issuance are limited as the majors are on target or ahead of their issuance schedule. This too is creating some demand as surfeit of issuance means that supply over the coming months will be limited and over time this may compress spreads further.

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.

During the month, some profit taking was made. With the rapidly approaching date for Trump's cutoff the portfolio reweighted from several kangaroo issuers from Switzerland and Canada and reinvested the proceeds in Australian credit, in particular infrastructure insurance and property infrastructure. Further investments were made in Scentre Group, IAG, QBE and AMP. Further investments were made in bank senior paper in WBC and Norfina (formerly Suncorp Bank now owned by ANZ)

The portfolio is moving towards a higher average credit rating average, and this is in response to the unknowns such as the application of tariffs, uncertainty surrounding the tenure of Chairman Powell and market reaction to commentary surrounding Trump's commentary regarding Powell.

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.

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 5.40% and a running yield of 5.24%.

The yield to maturity is currently 5.03%. The portfolio returned 0.88% over the month and 5.93% year-on-year.

## Market Commentary

Asset markets remain on alert as the U.S. Administration applies tariffs to countries on what often appears as a whim. Canada, Switzerland, Mexico and Taiwan all appear to have earned Trump's ire. Japan and South Korea appear to have been able to achieve results without too much of an impost. What matters most though is what a country has said it will purchase from the U.S. and how much it would invest. The proof will be in the pudding just how much of these promises will be delivered.

For some countries tariffs have now been delayed allowing the opportunity for further negotiations. Markets will be keenly watching for indications to understand what potentially is coming.

Trump's stoush with outgoing Federal Reserve Chair Powell continues. The recent Federal Reserve meeting was perhaps an opportunity to ease rates but that did not happen. Two of Trump's choices dissented at the recent meeting to decide on the direction of Fed Funds. It is interesting to note both members appear to be vying for Trump's appointment as Federal Reserve Chair. The dissension by the two members is the first since the 1993.

For the Federal Reserve any decision on interest rates is fraught. Inflation does not appear to have spiked to any significant degree whilst employment appears to be steady. There are two factors at play. On inflation, the rates of tariff have not been fully applied for several products and companies have either not passed on increases yet, or they have harmonised pricing globally. Thus, avoiding having to increase prices to any extent in the U.S. This may change.

Employment appears to be holding up despite the significant levels of departures in the Government sector as a result of DOGE. Government spending is an important component in GDP growth and the consequences of various department closings have yet to be felt.

Meanwhile the good news for the U.S. Government is that the tariffs imposed so far to date have had a meaningful contribution to the revenue of the Government. According to U.S. Treasury data U.S. Customs have raised \$152b in July, double the \$78b netted over the same period last fiscal year. For Trump, the experiment appears to be working and his dream of cutting income taxes in favour of tariffs may yet work. The markets are yet to see the full impact of tariffs and they will take some time to flow through the economy.

Meanwhile U.S. equities have performed to date whilst bonds have in general weakened a few basis point and appear to be steady.

In Australia our situation is a little opaquer. The RBA is looking towards an easing cycle and that appears to be due to an economy that is slowing marginally. Inflation appears to be steady and that should allow the RBA to ease.

If the RBA decide to ease, then they need to be careful that the housing sector does not become overstimulated. House prices have been rising recently, and an easing may further stimulate the housing sector.

Markets are pricing in two or possibly three rate cuts in Australia over the next year. A rate cut on August 12 appears to be fully factored in with a probability of 97% with another as soon as by November. The market is looking for the RBA to cut towards 3.1% which is seen as the neutral rate.



The fall in coupon and running yield is a direct result of spread compression, and prices resulting from the compression.

The portfolio was rebalanced, with some higher yielding securities sold in order to capture capital gains and take some risk off the table, given the uncertainty of current global economic conditions.

Return for the month of July saw a strong rebound with the Fund returning 0.88% net of fees and 5.93% as the rolling year on year return.

### Any Enquiries:

Investment Manager - Equity Trustees Limited

Email [egtassetmanagement@egt.com.au](mailto:egtassetmanagement@egt.com.au)

Phone 02 9458 5544

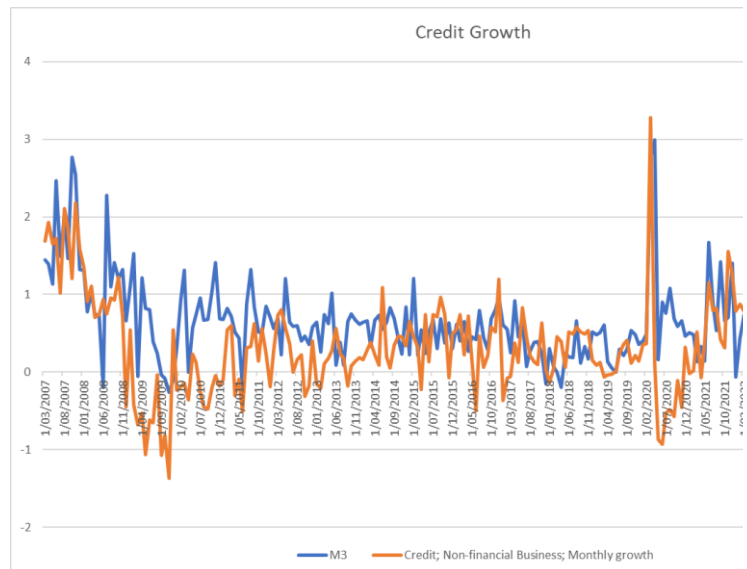
Website [www.egt.com.au](http://www.egt.com.au)

Unit Registry - Apex Group

Email [info@apexgroup.com](mailto:info@apexgroup.com)

Phone 1300 133 451

The Australian economy does appear to have some resilience. Retail sales appear to be pointing towards increasing demand which is positive for credit and consumer exposed credits such as property and infrastructure. Money supply is increasing, and this is supportive of credit creation and growth, factors that are beneficial for credit.



\*Courtesy RBA and EQT SSIF

**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.

^^ 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.

Signatory of: