

# 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

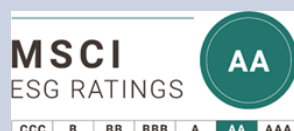
APIR	ETL0072AU
Entry / Exit Price	1.0757/1.0747
Fund Size	\$78.2
Liquidity	Daily
Distributions	Quarterly
Inception Date	31 May 2009
Benchmark	RBA Cash Rate

## 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 Ratings – Investment and ESG



## Fund Metrics

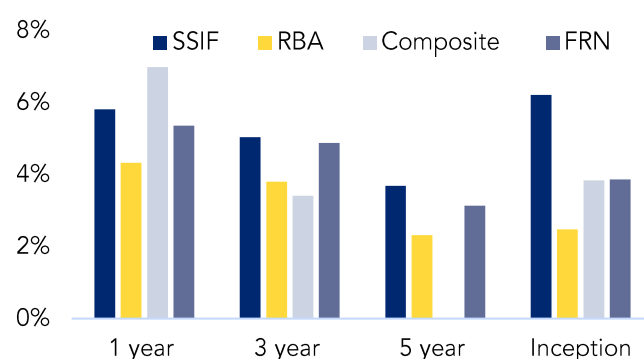
Running Yield	5.91%
Average Yield to Maturity / Call	5.62%
Duration	0.28 years
Credit spread duration	3.07 years
Average credit spread	186bp
Number of positions	70
Percentage floating rate assets	92.6%
Largest drawdown since inception	1.86%
Best monthly return	4.49%
Negative Total return in consecutive months	1/25

## Performance

PERFORMANCE	1 MTH	1 YR	3 YRS	5YRS	SI
Distribution return	0.00	4.58	3.87	3.32	4.49
Growth return	0.93	1.22	1.17	0.37	1.72
Total net return	0.93	5.81	5.04	3.69	6.21
Benchmark (RBA Cash Rate)	0.32	4.33	3.80	2.32	2.48
Active Return	0.61	1.48	1.24	1.37	3.73

<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



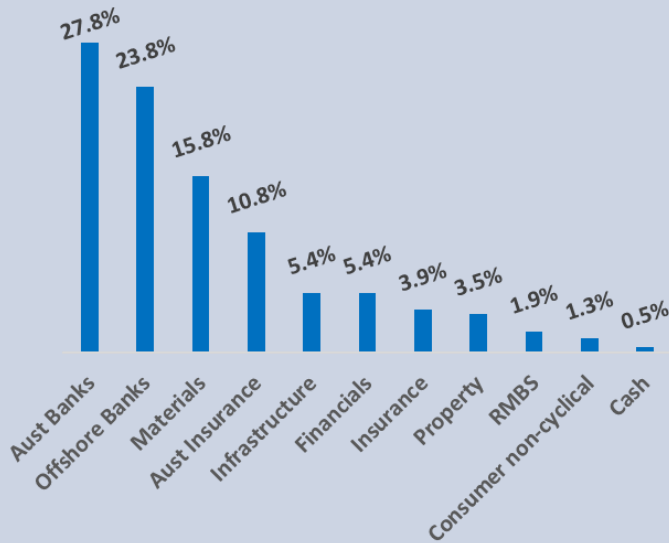
FRN - Bloomberg FRN Index Composite – Bloomberg Composite Index

RBA – RBA Cash rate

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



## Sector Allocation Breakdown



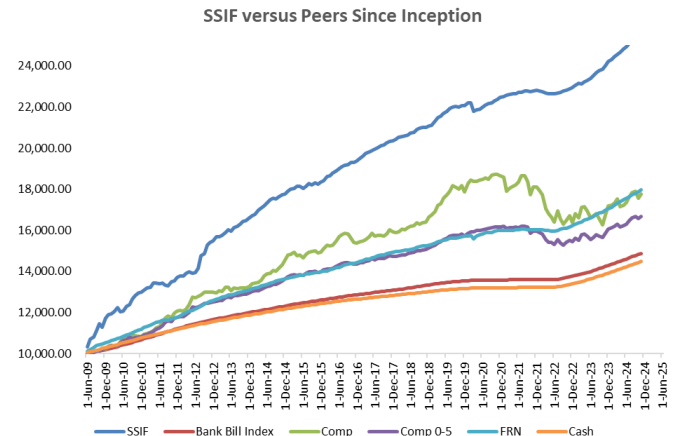
## Top 10 Securities

Macquarie 35'30	4.49%	NAB 27'25	3.24%
New York Life 24/7/29	3.87%	Ampol 54'30	2.95%
ANZ perpetual callable	3.46%	Norfina 3/2029	2.66%
IAG 15/6/37'32	3.45%	Paccar 2027	2.60%
ANZ Perp	3.26%	Ausgrid Finance 2026	2.57%

## Platforms

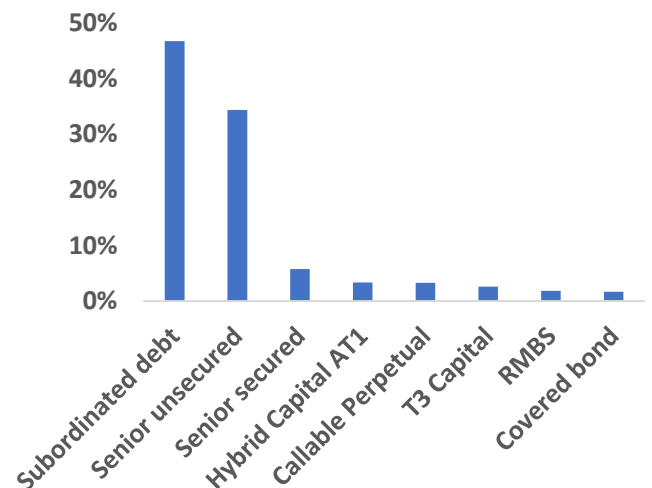
- AMG Super
- Bell Direct
- HUB24
- netwealth
- Ausmaq
- CMC
- Stockbroking
- mFund
- Powerwrap
- Australian Money Market
- Freedom of Choice
- Nabtrade
- uXchange

## Growth of \$10,000 since inception

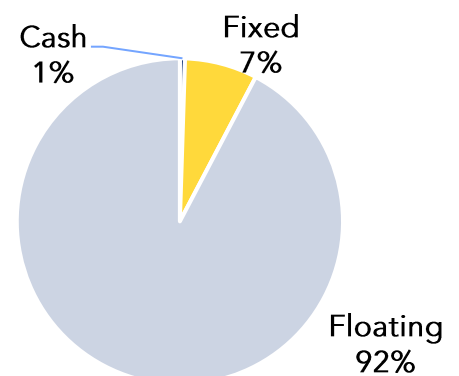


FRN - Bloomberg FRN Index  
Comp - Bloomberg Composite Index  
Comp 0-5 - Composite Bloomberg Index 0-5 years  
Cash - RBA Cash rate  
Past performance should not be taken as an indicator of future performance.

## Legal Structure



## Fixed/Floating Rate





## Portfolio Management

Markets remain adrift. Volatility continues and risk on risk attitudes are impacted through uncertainty caused either by Trump's missives or tariff policy.

Markets continue to watch the discourse between Trump and Powell as Trump attempts to influence the Federal Reserve to cut rates. Currently the Federal Reserve Board of Governors, remain resolute in not cutting rates. In fact, both voting members and non-voting members continue to point to the uncertainty in the application of tariffs and looming inflation.

The Federal Reserve remains data dependent with respect to inflation. The Federal Reserve research suggests that the application of tariffs will be passed onto consumers. Walmart for instance has suggested that they will absorb some costs but ultimately those costs will be passed onto the end consumer.

The impact of tariffs and looming inflation is pointing to the Federal Reserve holding steady or even raising rates. Meanwhile the bond market has priced in several rate cuts, and this possibly looks like a rerun of 2024 when the bond market anticipated several rate cuts which did not eventuate.

The current mood is one of risk off. This has allowed credit spreads to retrace some 60-70% of the widening in spreads that occurred in April.

One remains wary because the rally in equities is premised on improving profits, yet company guidance is one of uncertainty with a number of businesses reporting they will provide no forward guidance.

The 90 days before all tariffs will be introduced is rapidly looming and there is yet to be a trade deal of any consequence negotiated.

The bottom line is that uncertainty will arise from time to time and volatility is likely to rise.

Whilst rate cuts in the U.S. are likely to be less than anticipated, rate cuts in Australia is looming. Inflation is moderating and growth remains somewhat steady allowing the market to price in several rate cuts.

How rate cuts will impact the economy is interesting. The first-rate cut did little to stimulate demand in property, however the second-rate cut has stimulated significant interest in property. Once again, the Australian economy could be led by a housing boom and especially as a lot of infrastructure is being built around new developments, and social and affordable housing.

Stagflation remains a fear in the U.S. The Federal Reserve appears to be taking that chance seriously.

Of note, its worth considering the talk around the term premia for long bonds. In the U.S. there has

## Market Commentary

The markets since April have moved with an interesting trajectory. Equity markets continue to rally despite uncertainty and possible stalling of the bond rally in the U.S.

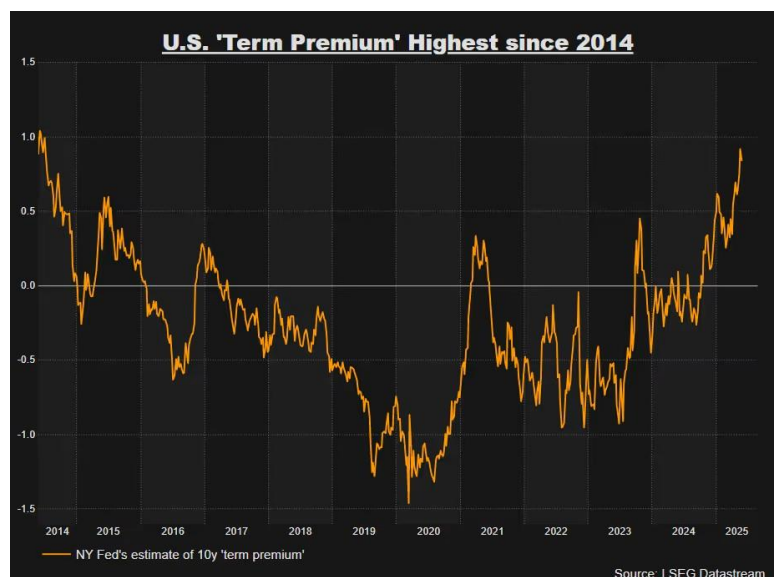
Bond markets remain on alert. Various spokespeople from the Federal Reserve have commented that they are watching the data and expect that once the tariffs are applied, at least one quarter will be required to see the impact of higher prices on inflation.

Bond markets have the jitters with concerns over inflation but also a new theme is presenting. The recent U.S. budget bill has the deficit widening a further \$2 trillion over the next 10-years according to the non-partisan Congressional Budget Office. The net result is uncertainty over bond yields and is the U.S. overextending itself.

The U.S. enjoys a privileged position as both its bond markets and equity markets are highly liquid and at this stage without peer. That could be gradually changing as investors start to focus on the deficit and this is especially so for international investors. And especially so if the mooted changes in tax rates for both coupons and dividends are increased for international investors. This comes at a time when the U.S. faces an increasing reliance upon foreign capital to finance its ballooning debt. Investors are starting to question U.S. exceptionalism.

It will take some time for sentiment to alter significantly, however we will catch a glimpse when the 30-year bond auctions occur. The 30-year is seen as a barometer for international investors and poor auctions or falling demand could trigger a rethink in interest. And this may already be occurring. During the first quarter, foreign holdings declined by some \$22 billion, and this is the weakest overseas demand since 2012. Japan was a net seller of \$4b of agency securities. The largest declines in agency investments were seen in both Canadian and Chinese holdings.

The biggest impact however, appears to be the term premium. From the chart below its easy to see just how far the term premia has moved since 2014.



\* Pressure on US to follow Japan in debt profile rethink: Jamie McGeever  
Reuters 28 May 2025

There is some justified concern that if the U.S. deficit continues to widen, debt investors will demand an ever-higher premia to invest.



been a widening of the premia leading to higher bond yields. If the bond market feels that Trump's budget deficit is getting too large, then a selloff in the long end becomes likely and then the repercussions filter down through the various markets.

The portfolio is gradually being shifted towards a higher 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 remains well supported with new issues often being oversubscribed 3-4 times. There is a healthy demand, but that demand has not necessarily translated into further spread compression. This raises an interesting conundrum. It appears that credit is fairly priced but there is no significant incentive to compress spreads further.

During the month investments were made in senior bank paper, a hybrid investment infrastructure.

**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 realise capital gains.

The portfolio has an average coupon of 6.09% and a running yield of 5.91%. The yield to maturity is currently 5.62%. The portfolio returned 0.93% over the month and 5.81% year-on-year. The average credit spread is 186 basis points, with potential for further increase.

Interestingly there is some recent chatter in Europe between the European Central Bank and policy makers, discussion about a mechanism required to provide an alternative to the U.S. by providing an alternative risk-free bond. If such an idea was to develop traction, then there could be an alternative to the U.S. treasury. The alternative Eurobond could conceivably allow European nations to borrow cheaper and provide a cheaper source of debt for European companies.

The alternative would require exchanging national bonds for "blue bonds" up to 25% of GDP. This would allow sufficient issuance without raising safety fears. The proposed debt switch would leave average debt to GDP at the eurozone level at around 60% vs 87% last year for Europe and 100% for the U.S. (according to sources). Scale will be an issue as the U.S. has \$28tr of outstanding debt and Germany by way of example has \$2tr. However, if the new Euro bond is rated AAA there may be sufficient investor demand to drive the blue bond as an alternative to the US bond. This a development to watch and has the potential to have far reaching consequences for the U.S. market.

For Australia any change in the structure of global debt markets will have an impact. If Europe turns out to be more liquid or as liquid but providing cheaper sources of funding, then borrowers may prefer to issue into Europe. This could be meaningful in the context of Australian Banks as they are major issuers in global markets.

This development highlights how quickly things can change especially when there are forced changes caused through uncertainty.

#### 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

**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). The Investment 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 (TMD) before making a decision about whether to invest in this product.

Spectrum Strategic Income Fund's TMD is available <https://swift.zeidlerlegalservices.com/tmds/ETL0072AU>. A TMD 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.