



Fact Sheet
September 2019





Spectrum Strategic Income Fund – Fact Sheet – 30 September 2019

Investment Objective	The Fund aims to generate higher returns than the RBA Cash Rate over the short to medium term with lower volatility than equities.
Investments held	The Fund holds a diversified portfolio of debt and income securities with a view to minimising any loss of income and capital of the Fund. 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.
Investment Manager	Spectrum Asset Management Limited
APIR	ETL0072AU
Commencement	31 May 2009
Fund Size	\$73.4m

Management costs ¹	0.75% p.a.	Buy Spread	+0.15%
Minimum initial investment	\$5,000	Sell Spread	-0.15%

Unit Prices	Purchase	Net Asset Value	Withdrawal
30/9/2019	\$1.0873	\$1.0857	\$1.0840

Performance as at 30/9/2019*	1 mth %	3 mths %	6 mths %	1 yr %	3 yr % p.a.	Inception % p.a.
Total Net Return ²	0.13%	1.09%	2.55%	4.96%	4.65%	7.93%
Average RBA Cash Rate	0.08%	0.25%	0.54%	1.29%	1.43%	2.37%

*Past performance is not an indicator of future performance.

Income distributions	31/12/2018	31/03/2019	30/06/2019	30/09/2019
Distribution rate (cents per unit)	0.4975	0.7400	2.5016	0.5676

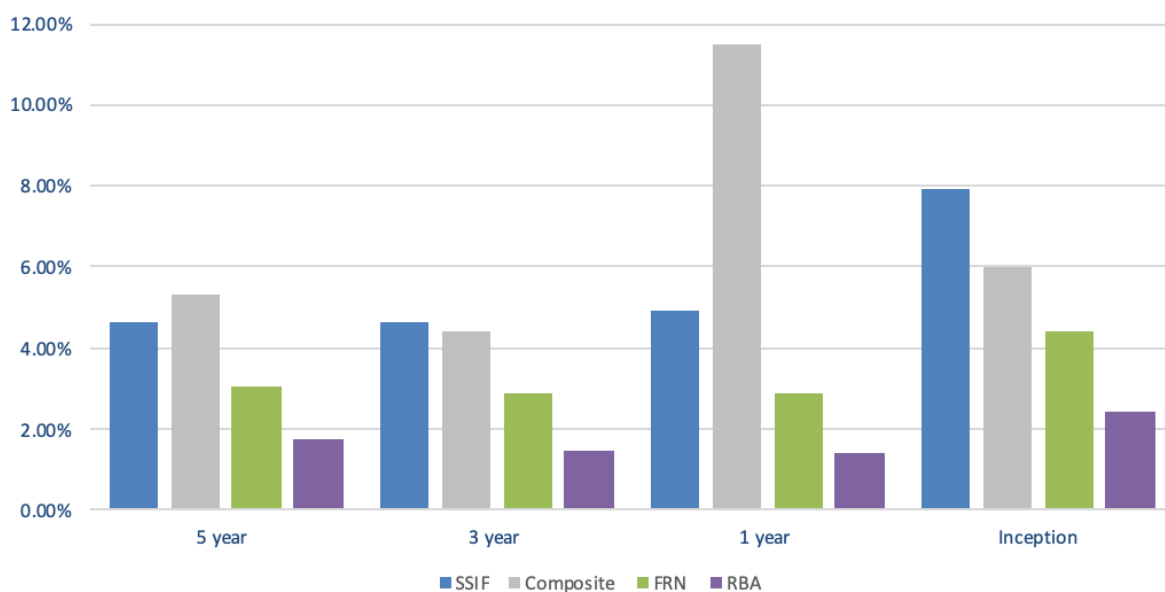
¹ Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").

² Total Net Return is the Fund return after the deduction of ongoing fees and expenses assuming the reinvestment of all distributions.

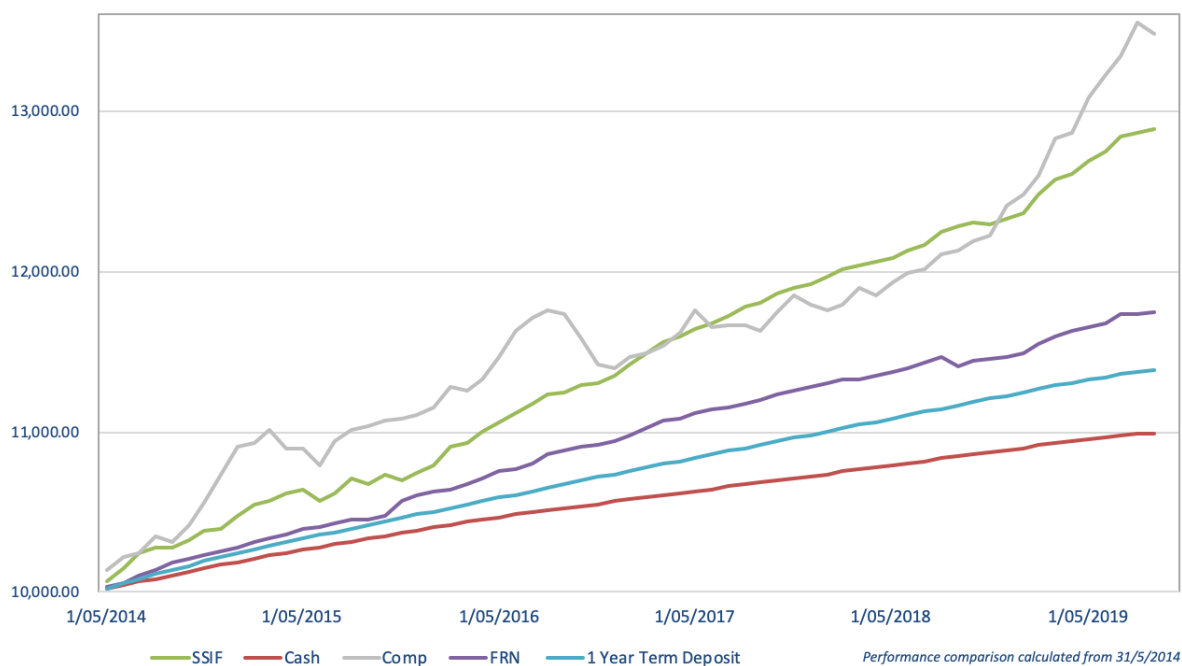
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Return Comparisons



Spectrum vs Benchmarks

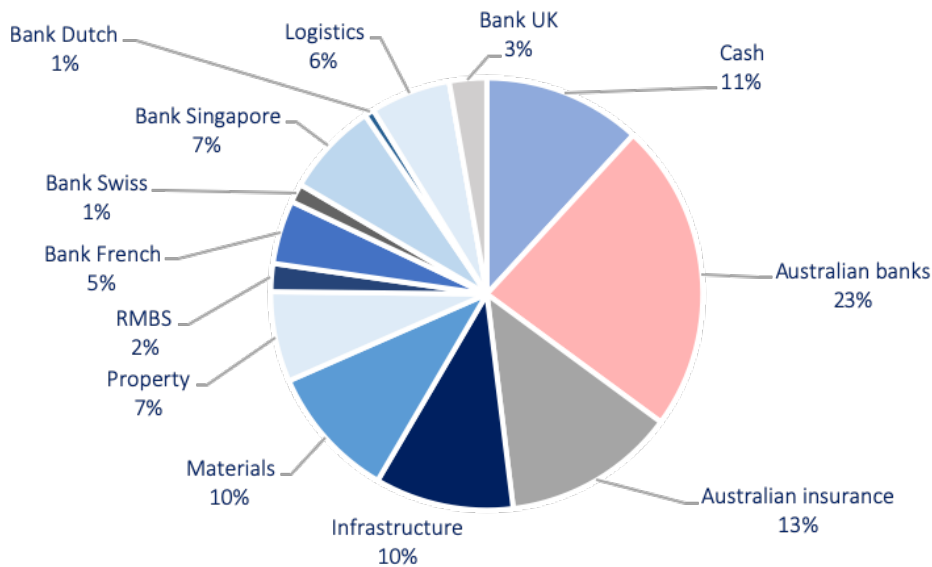


*Past performance is not an indicator of future performance. SSIF – Spectrum Strategic Income Fund, Composite – Bloomberg AusBond Composite 0+ Yr Index, FRN – Bloomberg AusBond Credit FRN 0+ Yr Index, RBA – RBA Cash Rate

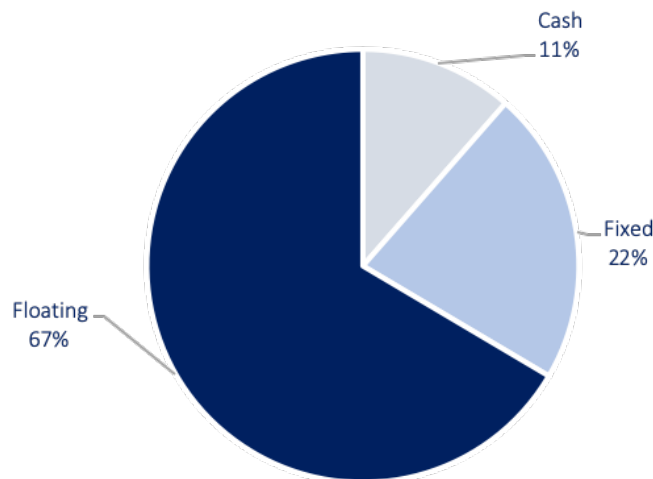
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Spectrum Strategic Income Fund - Sector allocation



Spectrum Strategic Income Fund - Fixed / Floating



The Portfolio remains well diversified with a broad spread of securities by legal structure. Bank T2 capital remains a healthy 25% whilst senior unsecured is 29% and senior secured represents 11% of the portfolio. The fund holds 10% in ASX listed securities.

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The portfolio is positioned to take advantage of movements in spreads or rates. With a healthy 11.5% in cash, the Fund can take advantage of any credit spread weakness. Over time the cash balance will be reinvested.

The portfolio continues to maintain an average credit rating of A-.

**Spectrum utilises a linear credit rating methodology which incorporates the lower of the two credit ratings from S&P and Moodys. For investments which do not carry a credit rating, the investment is deemed as not rated. As at the 30th of September 2019, 96% of the portfolio has an official credit rating from one (or both) of these agencies.*

Top Ten Holdings

Top ten	Holding %
AUSTRALIAN DOLLAR	11.5%
NATIONAL AUSTRALIA BANK	6.7%
SUNCORP GROUP LTD	6.7%
SUNCORP METWAY LTD	5.5%
DBS GROUP HOLDINGS LTD	5.4%
AMP LTD	5.0%
PACCAR FINANCIAL	4.2%
QPH FINANCE CO PTY LTD	4.2%
TOYOTA FINANCE AUSTRALIA	4.1%
MULTIPLEX SITES TRUST	3.7%

Source: Spectrum

Just A Manic Month

After the mad scramble of August where rates rallied, by contrast September saw bond yields rise by some 50bp at one point. The cause for the rise in yields was partly due to the issuance of sum \$100 billion of corporate debt in the U.S. and some pushback from central banks including the FOMC. Buoyancy returned to the market by way of confidence in a trade deal between the U.S and China becoming a possibility and perhaps global growth was not as bad as previously thought. However, any indications that economic growth may be slowing will see bonds rally.

Any further falls in bond yields will see the hunt for yield become more desperate. Technical factors are driving credit spreads tighter and investors are moving up the risk curve in search of higher returns. Risk factors are increasing.

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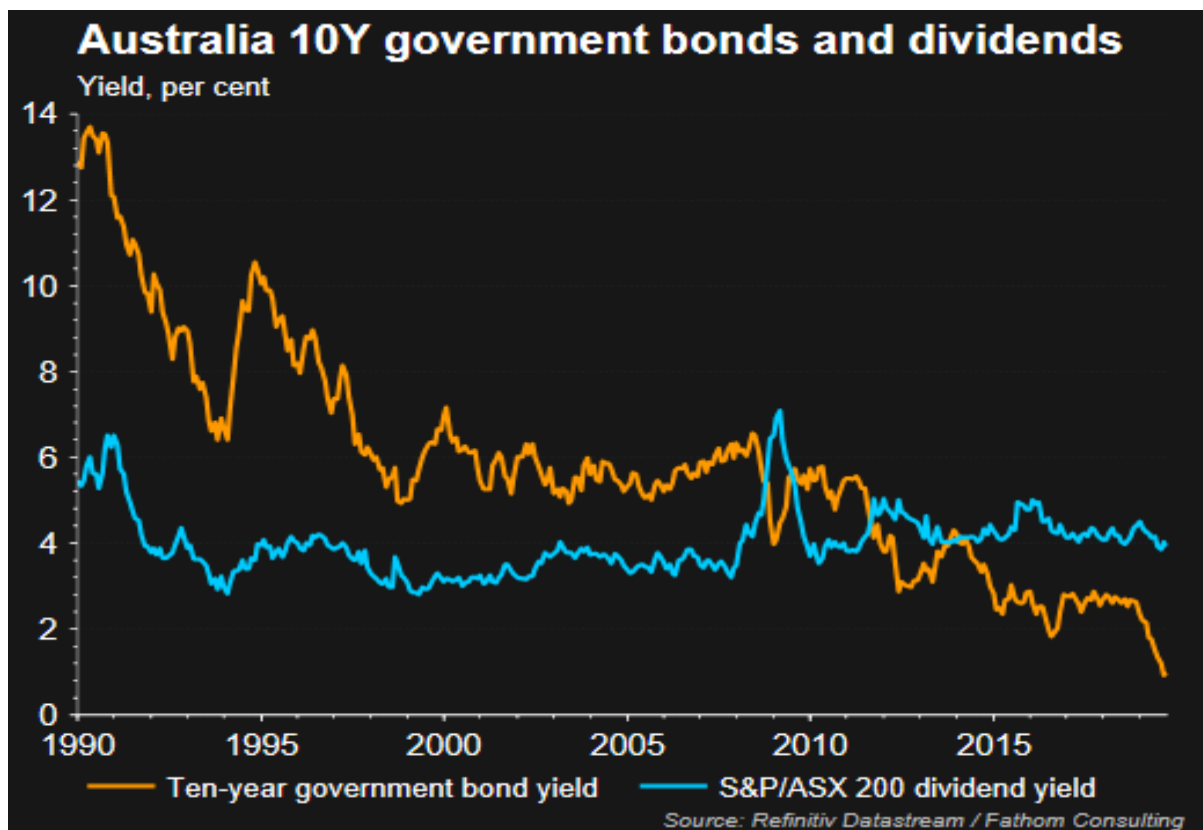
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As expected, the RBA cut rates by 25bp on the 1st October 2019. Market economists are expecting another rate cut by year end. Globally, it appears as though world growth is slowing. The slowdown in economic activity in both the U.S. and Germany is unsettling markets. Economists are expecting further rate cuts in Europe and the U.S.

There is an expectation that the U.S. may make further rate cuts. Should the Fed cut rates this will place further pressure on other central banks to cut interest rates.

If the scenario unfolds then there will be a scramble for yield. This means that investors will be prepared to purchase riskier assets when caution is probably a better choice.

Diversification remains an imperative. Volatility is expected to remain subdued as markets tussle with the push pull of trade negotiations between the U.S. and China and the U.S. and Europe.



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As at 30/9/2019



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