



Fact Sheet

October 2019





Spectrum Strategic Income Fund – Fact Sheet – 31 October 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	\$74.3m

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
31/10/2019	\$1.0866	\$1.0850	\$1.0833

Performance as at 31/10/2019*	1 mth %	3 mths %	6 mths %	1 yr %	3 yr % p.a.	Inception % p.a.
Total Net Return ²	-0.07%	0.31%	2.16%	4.69%	4.49%	7.85%
Average RBA Cash Rate	0.08%	0.23%	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

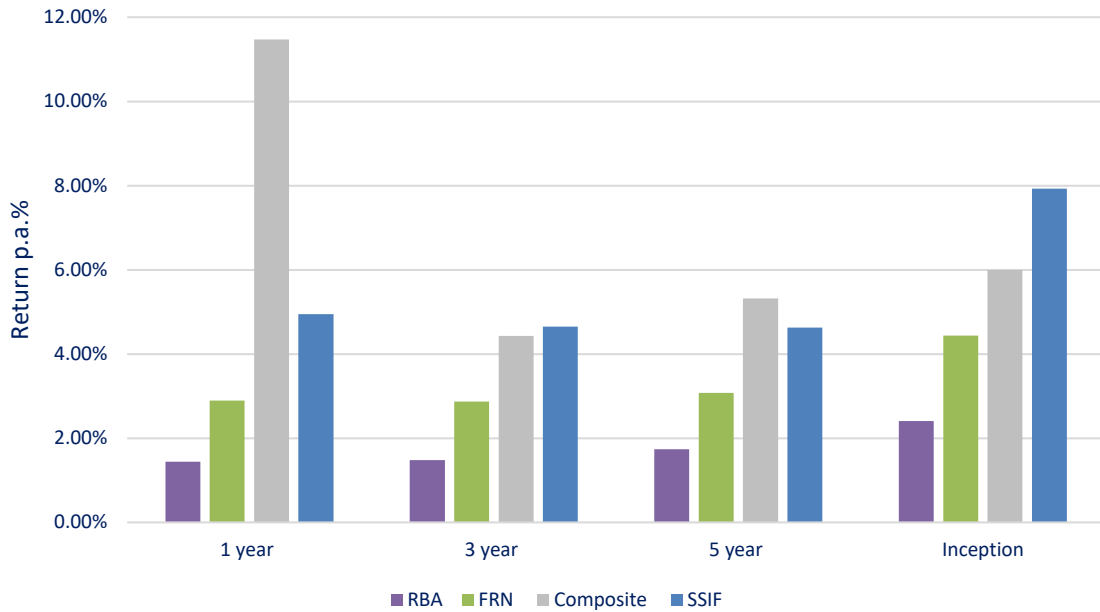
¹ Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").

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

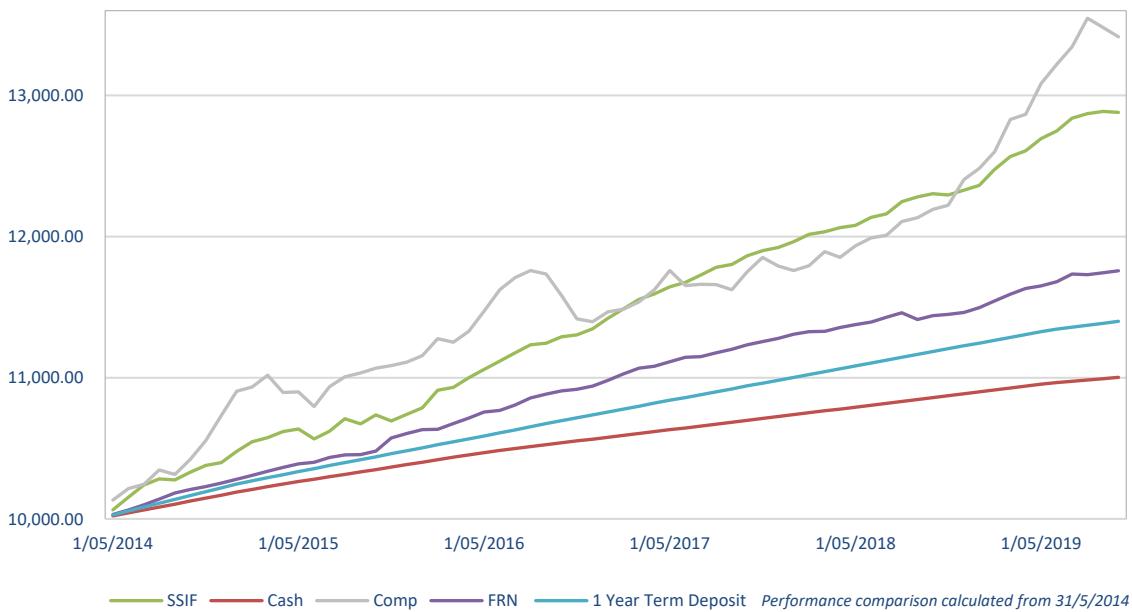
For more information visit our website - www.spectruminvest.com.au

This report was prepared by Spectrum Asset Management Limited (Spectrum) (ABN 31 096 442 198, AFSL 225069) as investment manager for the Spectrum Strategic Income Fund (Fund). Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT), is the Responsible Entity of the Fund. This document has been prepared for the purpose of providing general information only, and not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision an investor needs to consider, with or without the assistance of an advisor, whether the advice is appropriate in the light of particular investment needs, objectives and financial circumstances of the investor. Past performance is not a reliable indicator of future performance. Investment returns cannot be guaranteed. In deciding whether to acquire, or to continue to hold, units in the Fund please read the current Product Disclosure Statement (PDS) available from Spectrum of Equity Trustees. The information contained in this report has been obtained from sources believed to be reliable. Neither Spectrum, Equity Trustees Ltd, nor any of its related parties, its directors or employees, provide warranty of accuracy or reliability in relation to information on this publication or accepts liability to any person who relies on it. This Fact Sheet reflects the information available as at the date this Fact Sheet and is subject to change without notice to the recipient.

Return Comparisons



Spectrum vs Benchmarks

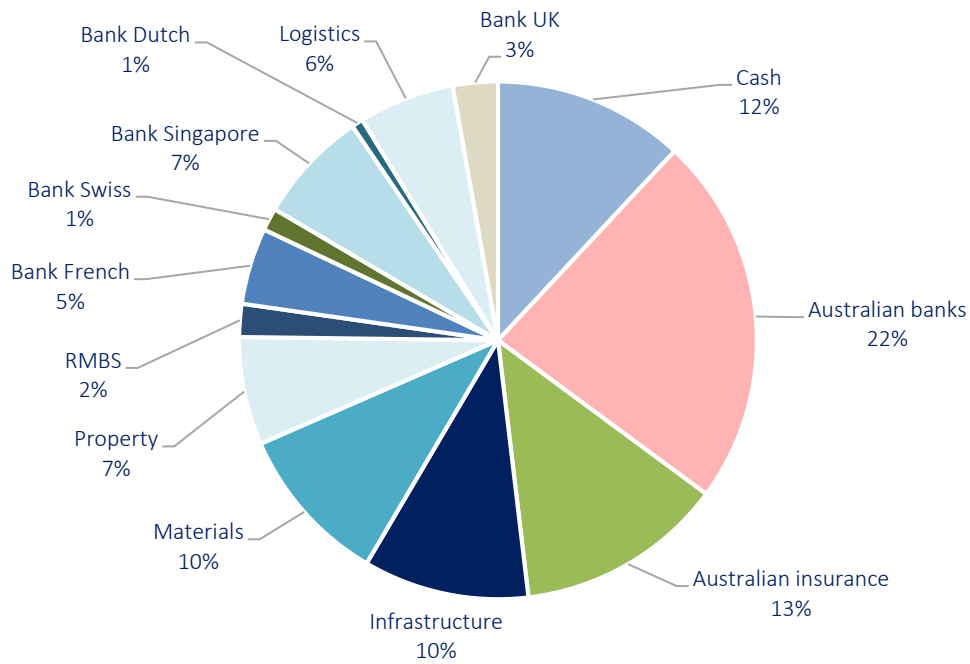


*Past performance is not an indicator of future performance. SSIF – Spectrum Strategic Income Fund, Composite – Bloomberg AusBond Composite 0+ Yr Index, FRN – Bloomberg AusBond Credit FRN 0+ Yr Index, RBA – RBA Cash Rate

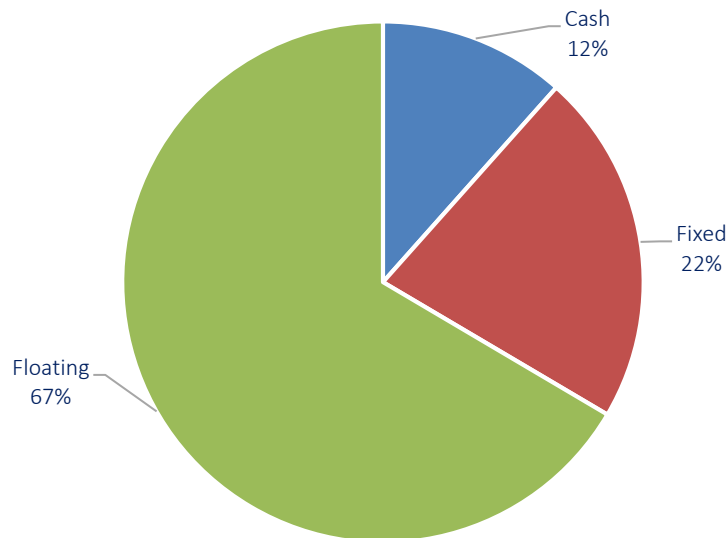
For more information visit our website - www.spectruminvest.com.au

This report was prepared by Spectrum Asset Management Limited (Spectrum) (ABN 31 096 442 198, AFSL 225069) as investment manager for the Spectrum Strategic Income Fund (Fund). Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT), is the Responsible Entity of the Fund. This document has been prepared for the purpose of providing general information only, and not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision an investor needs to consider, with or without the assistance of an advisor, whether the advice is appropriate in the light of particular investment needs, objectives and financial circumstances of the investor. Past performance is not a reliable indicator of future performance. Investment returns cannot be guaranteed. In deciding whether to acquire, or to continue to hold, units in the Fund please read the current Product Disclosure Statement (PDS) available from Spectrum of Equity Trustees. The information contained in this report has been obtained from sources believed to be reliable. Neither Spectrum, Equity Trustees Ltd, nor any of its related parties, its directors or employees, provide warranty of accuracy or reliability in relation to information on this publication or accepts liability to any person who relies on it. This Fact Sheet reflects the information available as at the date this Fact Sheet and is subject to change without notice to the recipient.

Spectrum Strategic Income Fund - Sector allocation



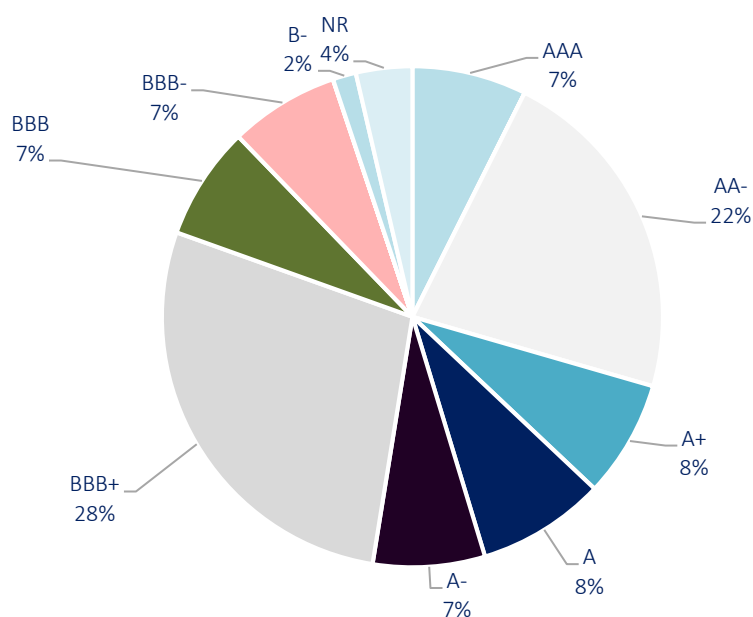
Spectrum Strategic Income Fund - Fixed / Floating



For more information visit our website - www.spectruminvest.com.au

This report was prepared by Spectrum Asset Management Limited (Spectrum) (ABN 31 096 442 198, AFSL 225069) as investment manager for the Spectrum Strategic Income Fund (Fund). Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT), is the Responsible Entity of the Fund. This document has been prepared for the purpose of providing general information only, and not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision an investor needs to consider, with or without the assistance of an advisor, whether the advice is appropriate in the light of particular investment needs, objectives and financial circumstances of the investor. Past performance is not a reliable indicator of future performance. Investment returns cannot be guaranteed. In deciding whether to acquire, or to continue to hold, units in the Fund please read the current Product Disclosure Statement (PDS) available from Spectrum of Equity Trustees. The information contained in this report has been obtained from sources believed to be reliable. Neither Spectrum, Equity Trustees Ltd, nor any of its related parties, its directors or employees, provide warranty of accuracy or reliability in relation to information on this publication or accepts liability to any person who relies on it. This Fact Sheet reflects the information available as at the date this Fact Sheet and is subject to change without notice to the recipient.

Spectrum Strategic Income Fund - Credit rating breakdown



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. Over the month hybrid securities recorded their first negative month since February 2019 and this movement had an adverse effect on the performance of the portfolio.

The portfolio is positioned to take advantage of movements in spreads or rates. With a healthy 11.6% 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 31st of October 2019, 96% of the portfolio has an official credit rating from one (or both) of these agencies.*

For more information visit our website - www.spectruminvest.com.au

This report was prepared by Spectrum Asset Management Limited (Spectrum) (ABN 31 096 442 198, AFSL 225069) as investment manager for the Spectrum Strategic Income Fund (Fund). Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT), is the Responsible Entity of the Fund. This document has been prepared for the purpose of providing general information only, and not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision an investor needs to consider, with or without the assistance of an advisor, whether the advice is appropriate in the light of particular investment needs, objectives and financial circumstances of the investor. Past performance is not a reliable indicator of future performance. Investment returns cannot be guaranteed. In deciding whether to acquire, or to continue to hold, units in the Fund please read the current Product Disclosure Statement (PDS) available from Spectrum of Equity Trustees. The information contained in this report has been obtained from sources believed to be reliable. Neither Spectrum, Equity Trustees Ltd, nor any of its related parties, its directors or employees, provide warranty of accuracy or reliability in relation to information on this publication or accepts liability to any person who relies on it. This Fact Sheet reflects the information available as at the date this Fact Sheet and is subject to change without notice to the recipient.

Top Ten Holdings

Top ten	Holding %
AUSTRALIAN DOLLAR	11.6%
SUNCORP GROUP LTD	6.8%
NATIONAL AUSTRALIA BANK	6.6%
DBS GROUP HOLDINGS LTD	5.5%
QPH FINANCE CO PTY LTD	4.2%
PACCAR FINANCIAL	4.2%
SUNCORP METWAY LTD	4.1%
TOYOTA FINANCE AUSTRALIA	4.1%
MULTIPLEX SITES TRUST	3.7%
SHINHAN BANK	3.1%

Source: Spectrum

More of the Same

As in the case of September, October was a month where fixed rates slid in price as yields rose. The rise in yields was linked to two factors. One factor being Brexit news providing some respite from the selloff with UK bank paper tightening 8bp. The second factor being the release of dovish news relating to the trade war between the U.S. and China. This last factor set the scene for a more positive equity market which in turn provided some respite for credit. Australian dollar credit tightened 5 bp over the month with Lower T2 paper trading even tighter.

Rate cuts were once again on the agenda both in Australia and in the U.S. where rate cuts of 25bp were delivered. The response to the cuts in both countries has seen equity markets rally and fixed income markets weaken. Fears of recession appear to be evaporating as the economic data appears to be improving. Should this trend continue, fixed income markets will continue to see yields rise and prices weaken. Stronger equity prices should mean credit remains tight for a while yet.

As this scenario unfolds, the risk will be a slowdown of economic activity caused by retreating rates. Bond investors in the U.S. may have to juggle expectations of a \$1 trillion deficit and the impact of issuance on bond yields. In Australia, the issue will be if the rise in interest rates causes the economy to slow. The Australian economy is in good shape with the Government set to deliver a budget surplus. However, the low level of interest rates means that in a recession the RBA may need to look

For more information visit our website - www.spectruminvest.com.au

This report was prepared by Spectrum Asset Management Limited (Spectrum) (ABN 31 096 442 198, AFSL 225069) as investment manager for the Spectrum Strategic Income Fund (Fund). Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT), is the Responsible Entity of the Fund. This document has been prepared for the purpose of providing general information only, and not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision an investor needs to consider, with or without the assistance of an advisor, whether the advice is appropriate in the light of particular investment needs, objectives and financial circumstances of the investor. Past performance is not a reliable indicator of future performance. Investment returns cannot be guaranteed. In deciding whether to acquire, or to continue to hold, units in the Fund please read the current Product Disclosure Statement (PDS) available from Spectrum of Equity Trustees. The information contained in this report has been obtained from sources believed to be reliable. Neither Spectrum, Equity Trustees Ltd, nor any of its related parties, its directors or employees, provide warranty of accuracy or reliability in relation to information on this publication or accepts liability to any person who relies on it. This Fact Sheet reflects the information available as at the date this Fact Sheet and is subject to change without notice to the recipient.

to other methods to stimulate the economy. Monetary policy in its current guise may not be a suitable tool to stimulate the economy should economic activity slow.

Markets in Australia remain confused as investors grapple with mixed economic data and offshore markets. Australian fixed-rate securities will continue to see price declines as yields rise and especially so if U.S. Treasuries continue to weaken in price. For the moment default rates are relatively stable and borrowing rates are not impacting on either business or retail, however, this relationship can change rapidly. Weakness in business activity could lead to significant weakness at the consumer level. Should such an event happen the Australian economy could slide rapidly into a recession.

Bond yields need to be watched closely and should they rise too quickly, or too high, economic activity may become affected and this has the potential to stymie growth leading to weakness in the economy or possibly even a recession. In Australia, a slowing economy could lead to weakness in the housing sector which if combined with the weakness caused by drought in the rural sector has the potential to cause a deep recession.

Diversification remains imperative.



© 2019 Morningstar, Inc. All rights reserved. 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/s/fsg.pdf. 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 insufficient basis for an investment decision.

For more information visit our website - www.spectruminvest.com.au

This report was prepared by Spectrum Asset Management Limited (Spectrum) (ABN 31 096 442 198, AFSL 225069) as investment manager for the Spectrum Strategic Income Fund (Fund). Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT), is the Responsible Entity of the Fund. This document has been prepared for the purpose of providing general information only, and not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision an investor needs to consider, with or without the assistance of an advisor, whether the advice is appropriate in the light of particular investment needs, objectives and financial circumstances of the investor. Past performance is not a reliable indicator of future performance. Investment returns cannot be guaranteed. In deciding whether to acquire, or to continue to hold, units in the Fund please read the current Product Disclosure Statement (PDS) available from Spectrum of Equity Trustees. The information contained in this report has been obtained from sources believed to be reliable. Neither Spectrum, Equity Trustees Ltd, nor any of its related parties, its directors or employees, provide warranty of accuracy or reliability in relation to information on this publication or accepts liability to any person who relies on it. This Fact Sheet reflects the information available as at the date this Fact Sheet and is subject to change without notice to the recipient.