



Fact Sheet
November 2019





Spectrum Strategic Income Fund – Fact Sheet – 30 November 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	\$76.1m

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
30/11/2019	\$1.0896	\$1.0880	\$1.0864

Performance as at 30/11/2019*	1 mth %	3 mths %	6 mths %	1 yr %	3 yr % p.a.	Inception % p.a.
Total Net Return ²	0.29%	0.36%	1.76%	5.06%	4.55%	7.82%
Average RBA Cash Rate	0.08%	0.21%	0.48%	1.23%	1.41%	2.36%

*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

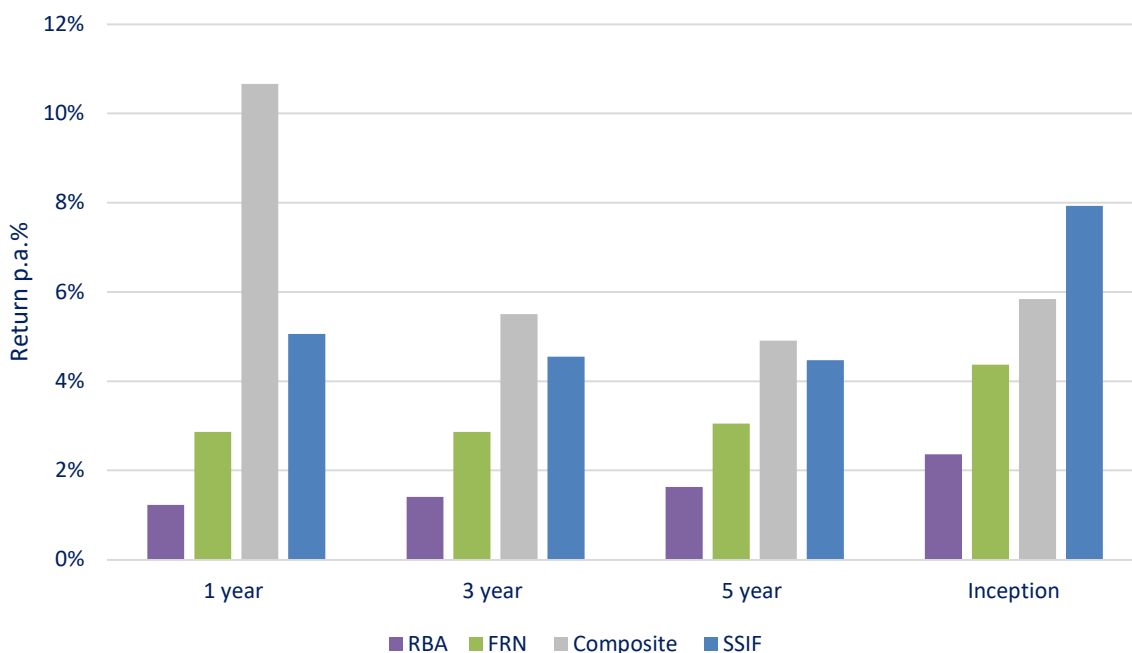
¹ Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").

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

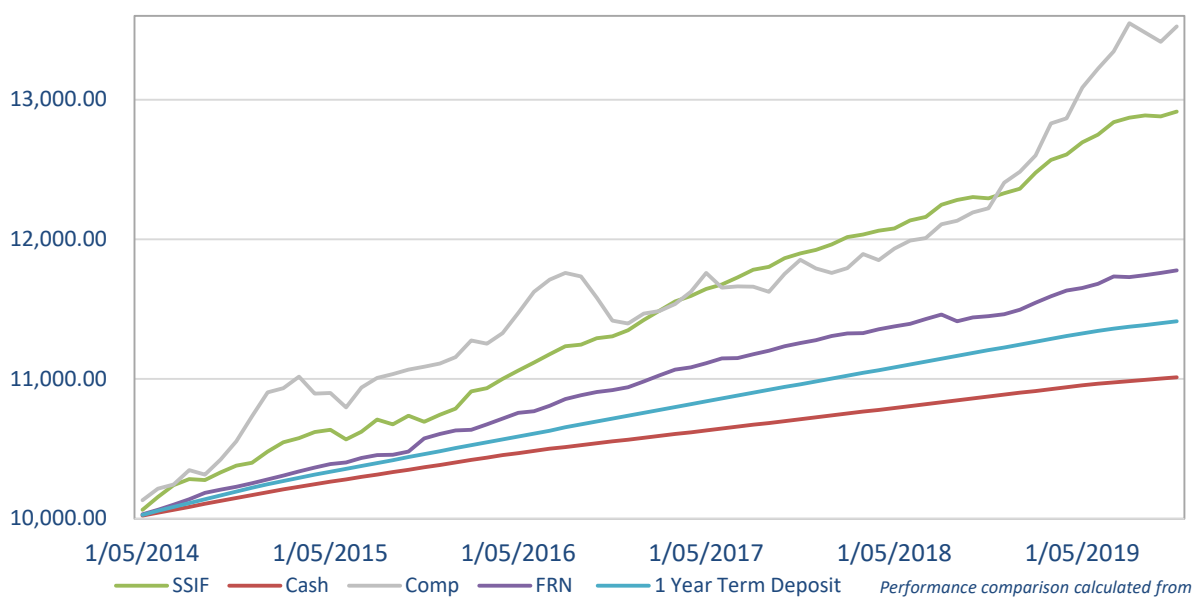
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Return Comparisons



Spectrum vs Benchmarks

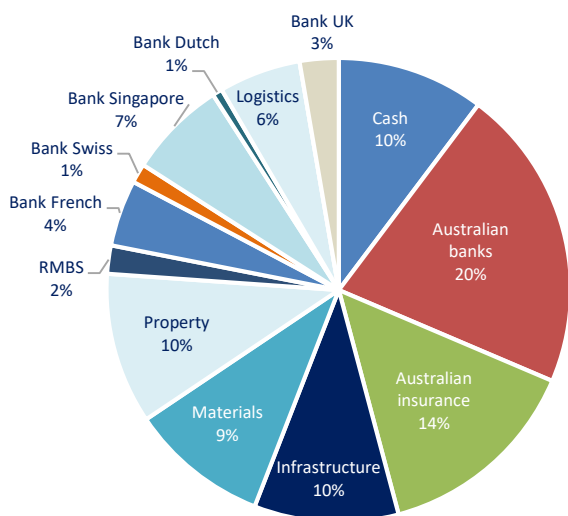


*Past performance is not an indicator of future performance. SSIF – Spectrum Strategic Income Fund, Composite – Bloomberg AusBond Composite 0+ Yr Index, FRN – Bloomberg AusBond Credit FRN 0+ Yr Index, RBA – RBA Cash Rate

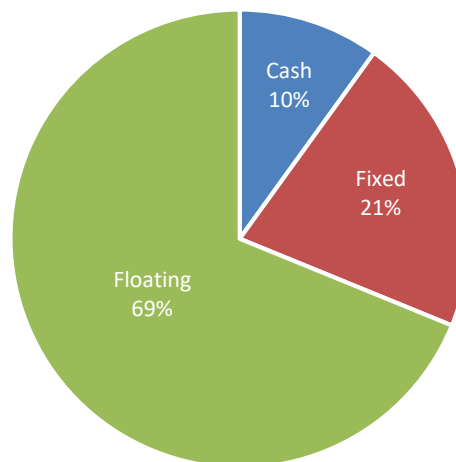
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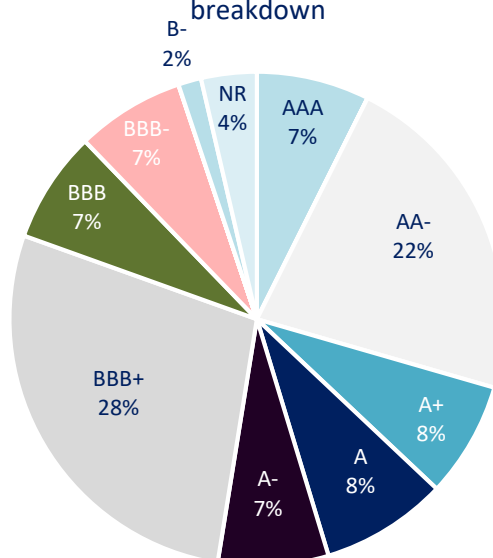
Spectrum Strategic Income Fund - Sector allocation



Spectrum Strategic Income Fund - Fixed / Floating



Spectrum Strategic Income Fund - Credit rating breakdown



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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 28% and senior secured represents 11% of the portfolio. The fund holds 14% in ASX listed securities.

The portfolio is positioned to take advantage of movements in spreads or rates. With a healthy 10% 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 investment-grade rating with an average credit rating of BBB+.

**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 November 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	10.0%
SUNCORP GROUP LTD	8.6%
MULTIPLEX SITES TRUST	7.5%
NATIONAL AUSTRALIA BANK	6.5%
DBS GROUP HOLDINGS LTD	5.3%
AMP LTD	4.9%
IAG LTD	4.6%
QPH FINANCE CO PTY LTD	4.1%
PACCAR FINANCIAL	4.1%
TOYOTA FINANCE AUSTRALIA	4.0%

Source: Spectrum

Movement by Twitter

Once again the dominant feature for market movements in the month of November was President Trump's twitter announcements. After starting the month with a conciliatory tone towards China the month ended with a cautionary tone towards China. The twitter commentary was the catalyst for a strong equity market earlier in the month and this trend changed quickly once trade became a football.

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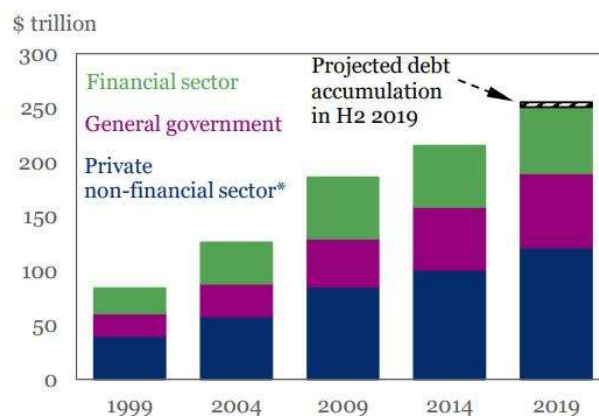
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The big announcement over the month was the U.S. Congress and Senate censuring China over Hong Kong. The response by Beijing was immediate and initially cast doubt over any agreement being reached.

Increasing tensions will ensure that the market will be on its toes.

Global debt continues to grow and over time may represent a problem and especially so if U.S. interest rates rise or interest rates rise globally or inflation rises. Meanwhile, markets will focus on the level of underemployment, falling productivity due to trade uncertainty and falling investment in CAPEX. Default rates continue to remain subdued.

Chart 1: Global debt on track to surpass \$255 trillion in 2019



Source: IIF, BIS, IMF

Markets in Australia will continue to be influenced by market movements in the U.S. and the markets will continue to take their lead from the U.S. markets. Credit should continue to perform and especially so if equities continue to rally. The extra return provided by credit is proving to be attractive and especially so in the low interest rate environment.

The outlook for interest rates and bond yields in Australia remain somewhat confused. The RBA Governor Lowe has discussed QE in the context of the Australian economy and his rhetoric is once again dovish. The comments suggest that the RBA remain concerned about the state of the Australian economy and this raises the prospect of further rate cuts. Meanwhile, GDP growth remains subdued and productivity and retail sales are sluggish. A number of bank economists have revised their outlooks again. Rate cuts once again feature in some bank predictions.

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Westpac was in the news this month but all for the wrong reasons. Westpac is under investigation for breaching the Anti-Money Laundering Counter-Terrorism Funding Act 2006 and also as a result of that violation whether the Bank adequately informed investors of money laundering violations. The Bank's spreads widened slightly.

Diversification remains an imperative.



As at 30/11/2019

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