



Fact Sheet

May 2017



Fact Sheet – 31 May 2017

Investment Objective	The Fund aims to generate higher returns than the RBA Cash Rate over the short to medium term with lower volatility than equity.
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	\$29.2mil

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
31/05/2017	1.0628	1.0612	1.0596

Performance as at 31/5/2017*	1 mth %	3 Mths %	6 Mths %	1 Yr %	3 Yr % p.a.	Inception % p.a.
Total Net Return ²	0.43	1.36	3.00	5.25	4.98	8.96
Average RBA Cash Rate	0.125	0.38	0.75	1.54	1.97	2.75

*Past performance is not an indicator of future performance

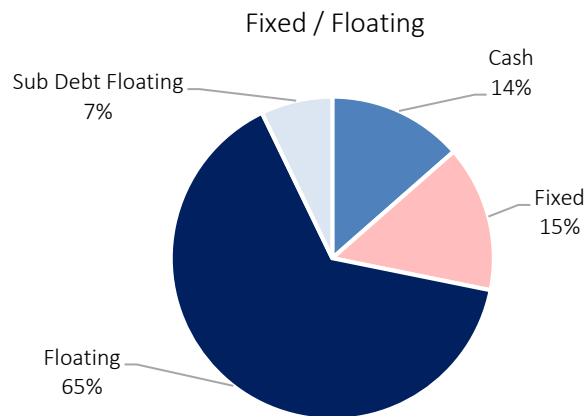
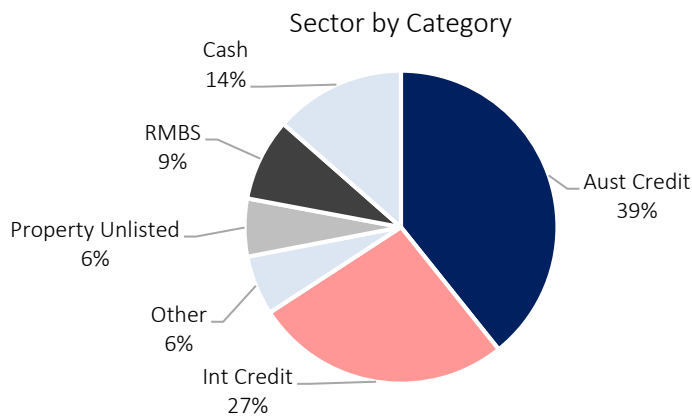
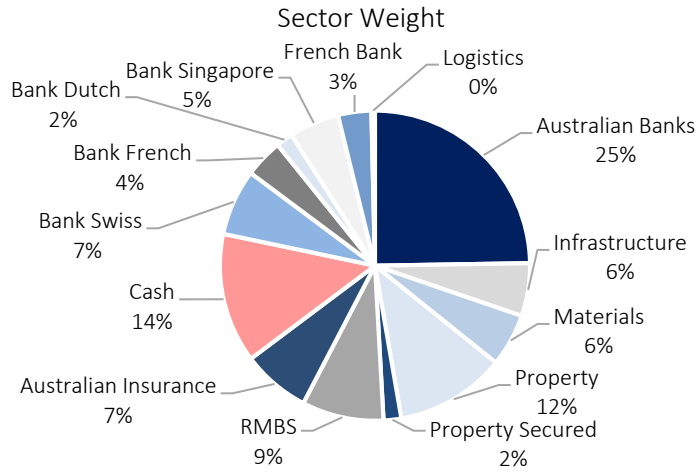
Income distributions	30/06/2016	30/09/2016	31/12/2016	31/3/2017
Distribution rate (cents per unit)	2.6762	0.54	0.9578	0.5705

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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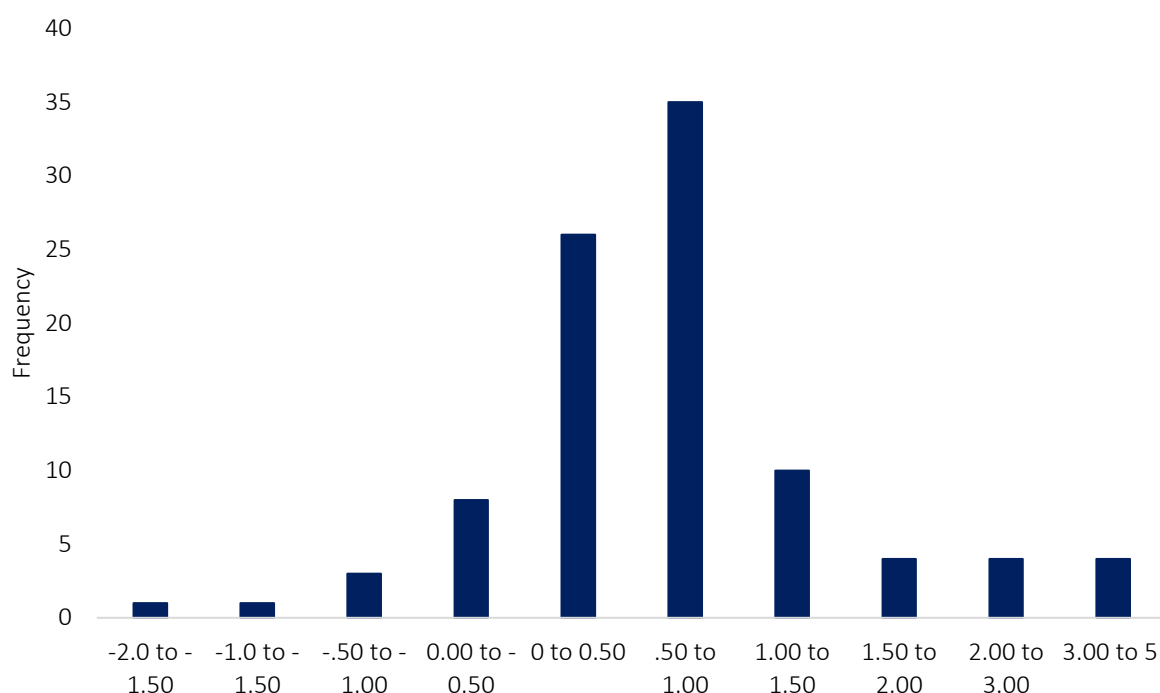
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Spectrum Strategic Income Distribution of Returns since Inception



Sources: Spectrum

Returns in bucket of 50 bp range.

Each bucket contains the number of results in each band

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	Fund Statistics
Correlation to Bloomberg FRN Index	0.4%
Correlation to Bloomberg Composite Index	-0.01%
Tracking error to Bloomberg FRN Index	1.7%
Proportion of positive Fund returns %	86%
Proportion of negative Fund returns %	14%
Number of consecutive positive returns	18 Months
Largest drawdown %	-1.6%
Time to recovery from largest drawdown	2 Months
Average drawdown %	-0.2%

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Commentary

The Fund has now recorded 18 consecutive positive months.

Markets remain in a state of flux as the Trump Administration lurches from one problem to the next of its own making. Trump's problems arise first with the repeal of Obamacare. It seems that the initial bill that went through congress required significant changes before it could be put to the senate. The changes require a passage through congress before any bill can be put the senate. Trump's budget request is experiencing similar difficulties. The goals are too broad and with little detail Republicans are finding the request difficult to vote favourably for.

For many Republicans, there are issues such as the tax offsets and taxations levels as well as the spending required. Trump's request is for significantly lower taxation for business and the ultra-wealthy, building a wall, increasing military spending and funding a Medicaid of sorts. The other issue Trump faces is that without spending cuts and a slowdown in tax receipts the Administration will shortly hit the debt ceiling. Previously when the democrats held the presidency any changes to the ceiling was non-negotiable. A number of Republicans are also questioning the Trump's administrations math over the tax receipts. Trumps ambitious goals are dependent on 3% growth, if 3% growth is not achieved then the U.S. faces a significant increase in its debt burden.

This uncertainty is making economic conditions for investment and the decision by the Fed to hike rates difficult. The release of the Beige Book minutes, describe slowing economic conditions and concerns across the Fed districts. After the Fed hiked rates, they also provided guidance on the potential tapering of its bond buying program. There is a chance that the Fed cannot ease if it needs to stimulate the economy once the tapering begins.

All this is relevant to Australian markets because our market direction is dictated by the U.S. The current outlook for the U.S. is a slowing economy and for Australia we are between a rock and a hard place. Australia looks set to slow if the U.S. and especially China, slows. Already we have seen the demand for commodities slow significantly whilst our housing market also slows. If the slowdown accelerates in China, Australia could be set for a possible recession. Suddenly fixed income and especially credit looks interesting.

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