



Fact Sheet

July 2017



Fact Sheet – 31 July 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	\$33.2mil

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
31/07/2017	1.0578	1.0562	1.0546

Performance as at 31/7/2017*	1 mth %	3 Mths %	6 Mths %	1 Yr %	3 Yr % p.a.	Inception % p.a.
Total Net Return ²	0.45%	1.15%	2.68%	4.94%	4.62%	8.87%
Average RBA Cash Rate	0.125%	0.38%	0.75%	1.50%	1.92%	2.72%

*Past performance is not an indicator of future performance

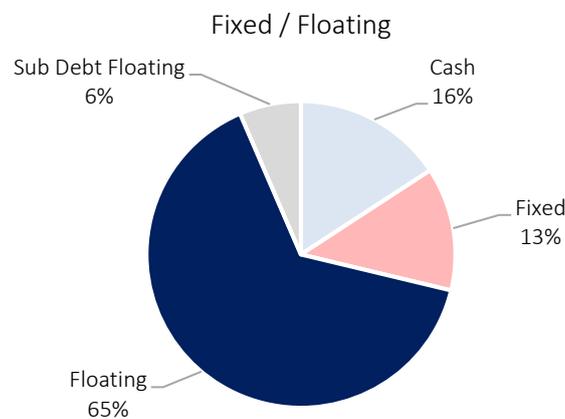
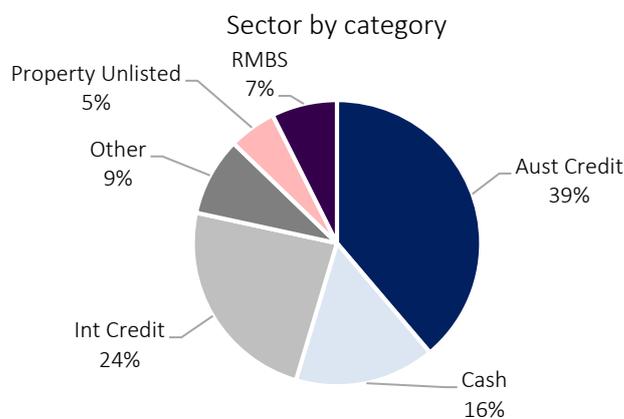
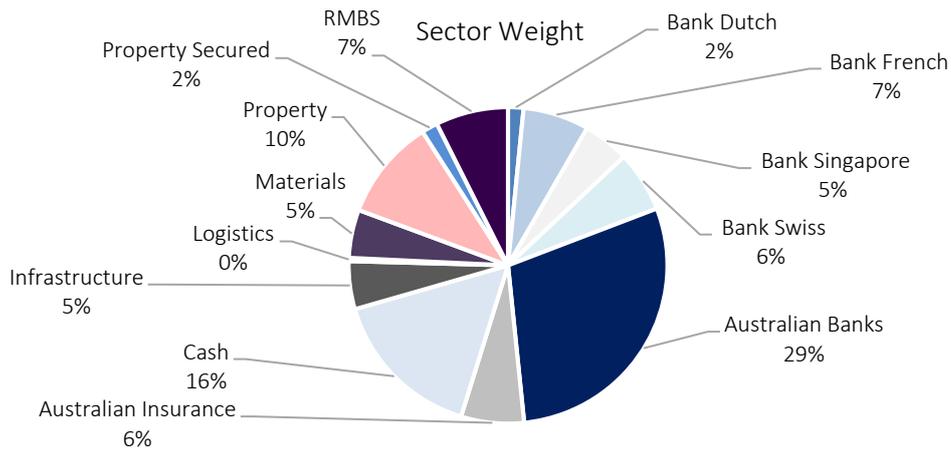
Income distributions	30/09/2016	31/12/2016	31/3/2017	30/6/2017
Distribution rate (cents per unit)	0.5400	0.9578	0.5705	1.2600

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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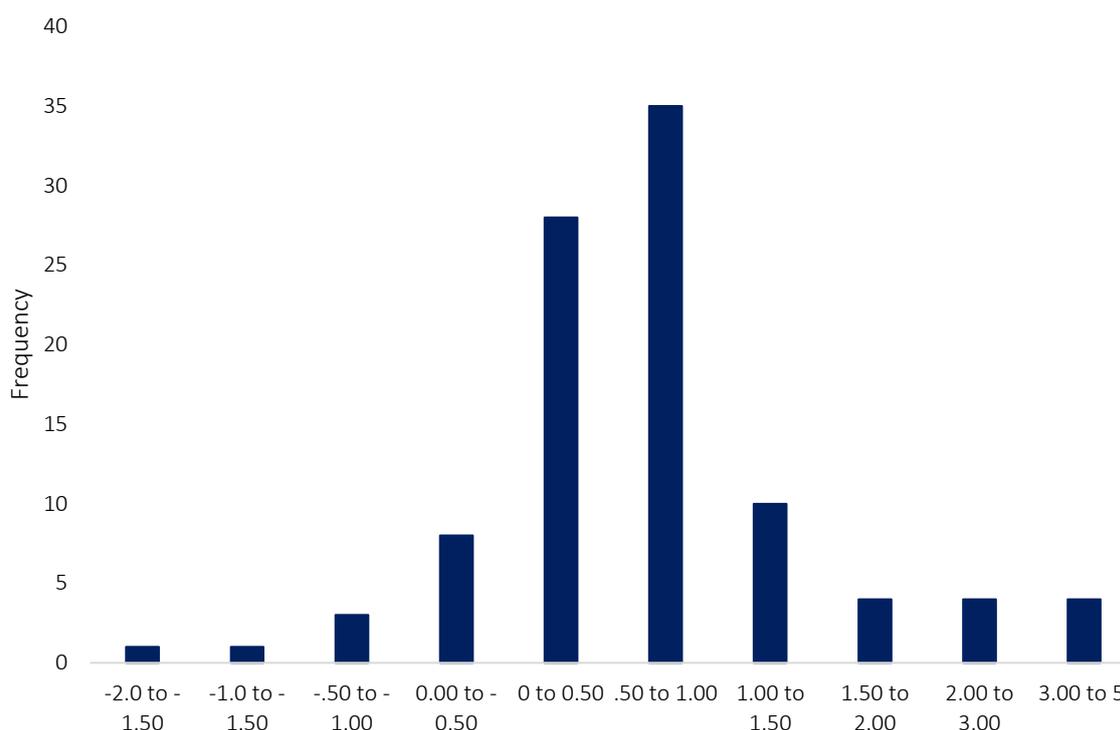
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Spectrum Strategic Income Distribution of Returns since Inception



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	35%
Correlation to Bloomberg Composite Index	-0.3%
Tracking error to Bloomberg FRN Index	1.7%
Proportion of positive Fund returns %	87%
Proportion of negative Fund returns %	13%
Number of consecutive positive returns	20 Months
Largest drawdown %	-1.6%
Time to recovery from largest drawdown	2 Months
Average drawdown %	-0.2%

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Commentary:

Credit spreads continue to grind tighter as equity markets rally in response to improving global economic conditions and accommodative global central bank policy. The real test for the markets will come as a result of a failure by the Republicans and the Trump Administration to push through legislation relating to tax cuts, repealing Obama Care, and financing of the proposed wall between the US and Mexico. To date the Trump Administration has failed on all three accounts.

With Trump, away on a seventeen-day working holiday, one expects that markets could quieten down and investors could focus on the things that matter such as inflation or rather the lack of inflation, prevailing economic conditions, and the direction of interest rates.

Central banks have now been struggling for some time with reconciling growth with the lack of inflation. With the inflation genie seemingly stuck in its bottle, the conundrum that central banks face is when the appropriate time to hike rates will be when inflation looks likely to remain persistently low. This dilemma is one not only faced by the Fed, but also, the ECB and many central banks including the RBA.

Presently the global outlook appears to be global growth running around a little under 3% and this augers well for equities and credit. The demand for investments is currently driving spreads tighter and equity markets higher and looks likely to continue until central banks stop buying assets. The Fed has indicated it has stopped buying bonds and may shortly start reducing its holdings gradually. The impact could see spreads widen marginally as currently, demand far outweighs supply. As and when the ECB ceases buying bonds, the announcement could trigger a further widening of spreads. It will however be some time before all surplus cash is invested and allowing spreads to normalise. In the meantime, spreads look likely to continue to tighten based on a weight of money.

Under the current economic conditions, it appears unlikely that the RBA will do anything to short term interest rates. One area of concern is falling productivity leading to wage growth stagnation. This is not just an Australian problem but also a global problem.

The real test for markets will be as and when the Trump Administration has legislation passed relating to its tax cuts. The debt ceiling issues will be discussed in late August and early September as the Treasury Secretary Mnuchin has to come up with a viable plan to allow the Government to continue meeting its funding requirements to avoid a shutdown of Government services.

With economic conditions improving and job growth continuing, economic expansion is expected to continue. Wages remain sluggish and so too inflation. Until these factors change it is hard to see rates rising aggressively. The outlook remains positive for credit under these circumstances.

The Fund has now returned 20 consecutive months of positive returns.

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