

ADVANCE CASH MULTI-BLEND FUND

As at 31 December 2021

FUND OVERVIEW

	Wholesale
Inception date	June 2002
APIR	ADV0069AU
Fund size (AUD millions)	\$2,850.45
Investment objective	To provide investors with a total investment return (before fees and taxes) that outperforms the benchmark over one year, maintaining liquidity, avoiding unnecessary risk and therefore seeking to maintain capital value.
Recommended investment timeframe	1 year
Minimum initial investment	\$5,000
Distribution frequency	Monthly
Management costs (%) pa ¹	0.12
Buy/sell spread (%)	0.00 / 0.00

FUND PERFORMANCE²

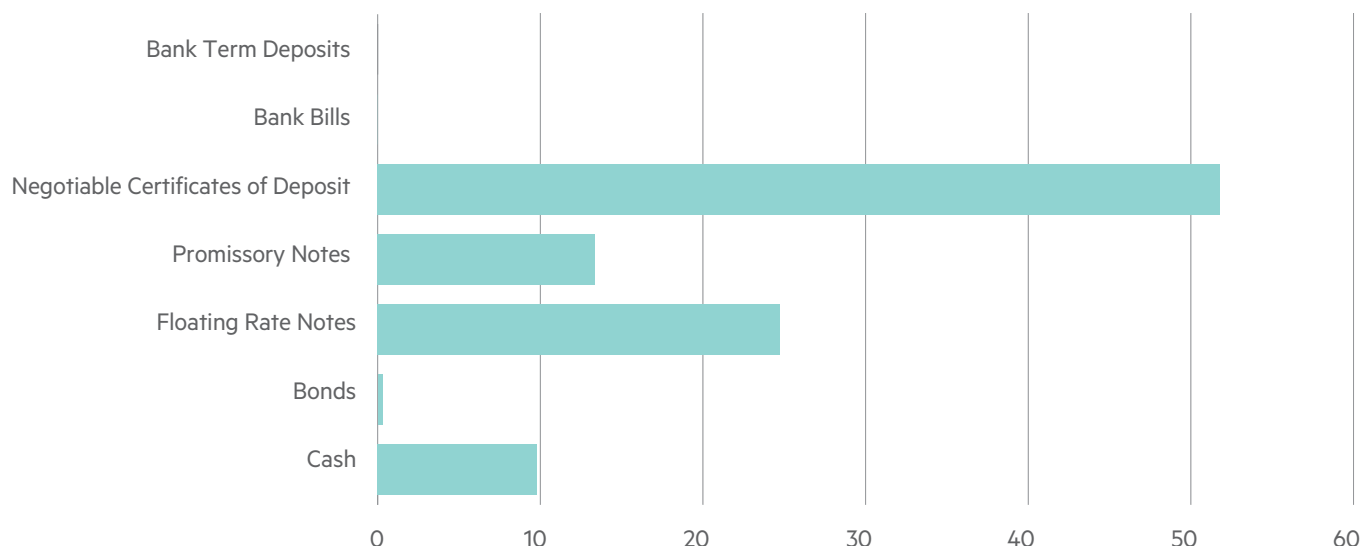
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.01	0.01	0.08	0.78	1.32	2.64
Growth return	0.01	(0.01)	(0.13)	(0.03)	0.00	0.15
Distribution return	0.00	0.02	0.20	0.81	1.32	2.49
Benchmark return	0.00	0.01	0.03	0.63	1.11	2.41

Benchmark: Bloomberg AusBond Bank Bill IndexSM

TOP 5 ISSUERS

	Fund (%)
Sumitomo Mitsui Banking Corp. (Sydney Branch)	10.47
Bendigo and Adelaide Bank Ltd.	9.64
ING Bank N.V.	4.56
Oversea-Chinese Banking Corp. Ltd.	4.14
Bank of Queensland Ltd.	4.00

SECTOR ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	0.00
AA	26.78
A	44.15
BBB	18.38
Sub Investment Grade	0.00
Not Rated	0.88
Cash & Derivatives	9.81

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	0.17	0.13
Years to Maturity (Years)	0.32	0.13
Effective Yield (%)	0.21	0.05

FUND UPDATE

The Advance Cash Multi Blend Fund outperformed the benchmark during December. Both Pandal and Blackrock contributed to the portfolio's outperformance.

Portfolio positioning remains consistent with prior months. The excess yield from non-major bank money market securities and the margin from Floating Rate Notes (FRN's) has resulted in the portfolio yielding a higher rate than the index. The portfolio remains conservatively positioned relative to its benchmark. The Term Funding Facility expired at the end of June and will eventually result in financial institutions issuing debt rather than tapping funding at 0.10%. This is a welcome development. Offsetting that is ongoing quantitative easing that sees banks remaining flush with cash, which in turn resulting in ongoing margin contraction.

The portfolio remains highly liquid and with a higher running yield than the benchmark is reasonably well positioned to outperform in the near term.

Risk markets performed strongly, and central banks continued their more hawkish tilt during the month despite the emergence of the omicron variant.

The Reserve Bank of Australia (RBA) left policy settings unchanged at their December meeting. In their statement the RBA acknowledge the uncertainty posed by the Omicron strain but do not expect it to derail the recovery. There was a slight tweak regarding the underlying inflation forecast. Underlying inflation is forecast to 2.5% over 2023 whereas in their November statement underlying inflation was forecast to be no higher than 2.5% at the end of 2023. So, inflation may be higher at the end of 2023 than what the RBA previously forecast, potentially bringing forward the timing of when they expect to hike next.

The other key part of their statement was in relation to their bond purchase program and whether it is extended when the current program ends in February. The RBA pointed out the three considerations to guide its decision: the actions of other central banks, how the Australian market is functioning and progress towards the goals of full employment and inflation consistent with the target. On current indications, there is sufficient evidence on all three fronts to warrant a cessation of the program.

Offshore, the more hawkish rhetoric from Fed officials in November was backed up at the Fed meeting during the month. The Fed announced that it would accelerate the pace of tapering from \$15bn to \$30bn which would in turn see Quantitative Easing end by March 2022. In its statement the Fed noted that inflation has exceeded 2% for some time and that given the improvement in the labour market that it was appropriate to reduce the pace of its net asset purchases. The Fed's dot plot also reflected 3 rate hikes as the central forecast for 2022.

The inflation numbers out of the US continue to be elevated with annual headline inflation reaching 6.8% in November and annual core inflation rising by 4.9%. Some of this is transitory with used car prices and airfares likely to fall over the coming year, although the owner equivalents rents component has shown recent strength. This is expected to continue given the strength of the US housing market.

In Europe the Bank of England (BoE) surprised the market when it raised the overnight rate by 15 basis points to 0.25%. The labour market has proved more resilient than expected despite concerns that the end of the Coronavirus Job Retention Scheme in September would result in job losses. The BoE now sees the unemployment rate falling to 4% by year end, from a forecast of 4.5% in November. Inflation is forecast to peak at 6% in April 2022 although is expected to remain elevated driven in large part by pay and energy costs.

Australian 10-year bonds ended the month slightly lower at 1.68%, resulting in a rise of 70 basis points over the year. Three-year bond yields ended the month 5 basis points higher in yield at 0.98%, an increase of 70 basis points over the year.

- 1 The Management Costs included in this fact sheet are inclusive of the Management Fee and any Performance Fees and includes the effect of GST (net of RITC). They do not include other indirect costs. Refer to the Product Disclosure Statement and online disclosures for further information.
- 2 Past performance is not a reliable indicator of future performance. The Fund performance is net of management costs. Growth and Distribution returns may not equal the Total Net return due to rounding. Performance Since Inception is 1 February 2010.
- 3 Allocations may not equal 100% due to rounding
- 4 Where a negative number is shown, this may indicate the use of derivatives and physical securities to create short positions in the portfolio.
- 5 The credit quality has been determined based on the Standard & Poor's credit rating tiers. Where a negative number is shown, this may indicate the use of derivatives and physical securities to create short positions in the portfolio. Allocations may not equal 100% due to rounding.
- 6 Calculated using weighted average. Where a negative number is shown, this may indicate the use of derivatives and physical securities to create short positions in the portfolio. Specifically, for the reporting of effective duration, negative numbers can also arise when security prices move in the same direction as interest rates where long positions are held in the portfolio.

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