

# ADVANCE CASH MULTI-BLEND FUND

As at 31 January 2022

## FUND OVERVIEW

	Wholesale
Inception date	June 2002
APIR	ADV0069AU
Fund size (AUD millions)	\$2,691.63
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 <sup>1</sup>	0.12
Buy/sell spread (%)	0.00 / 0.00

## FUND PERFORMANCE<sup>2</sup>

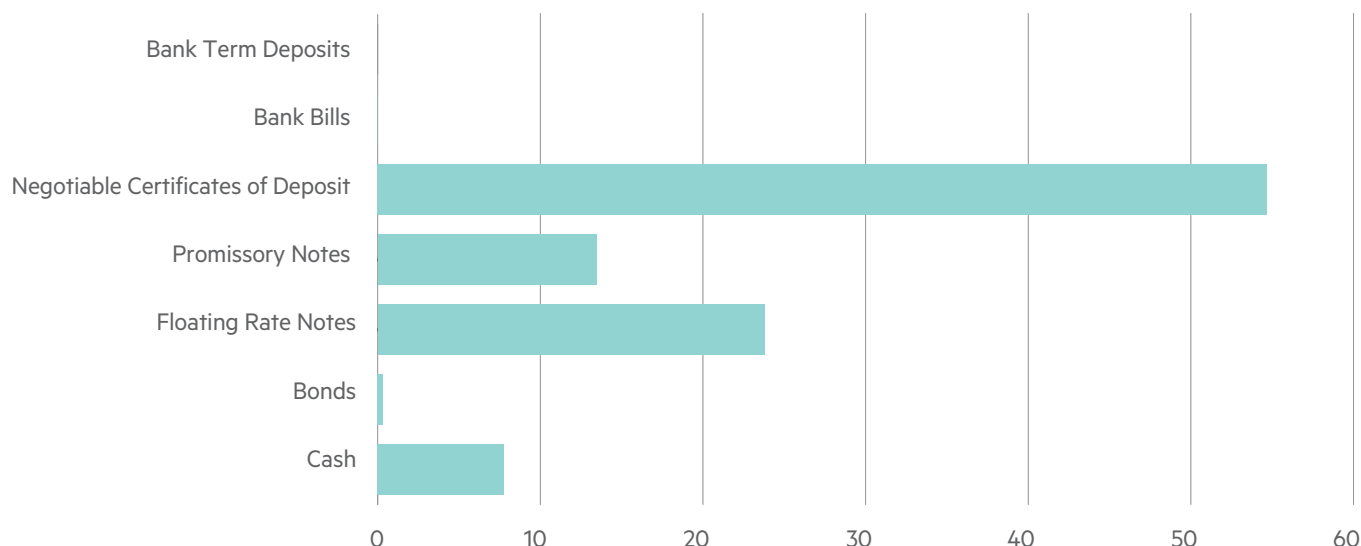
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.00	0.03	0.08	0.72	1.28	2.62
Growth return	-	0.01	(0.10)	(0.03)	(0.01)	0.15
Distribution return	0.00	0.02	0.18	0.75	1.28	2.47
Benchmark return	0.01	0.01	0.03	0.57	1.08	2.39

Benchmark: Bloomberg AusBond Bank Bill Index<sup>SM</sup>

## TOP 5 ISSUERS

	Fund (%)
Sumitomo Mitsui Banking Corp. (Sydney Branch)	12.40
Bendigo and Adelaide Bank Ltd.	9.71
ING Bank N.V.	4.83
Oversea-Chinese Banking Corporation Ltd.	4.38
Bank of Queensland Ltd.	4.23

## SECTOR ALLOCATIONS<sup>3,4</sup>



## CREDIT QUALITY<sup>3,4,5</sup>

	Fund (%)
AAA	0.00
AA	28.21
A	43.93
BBB	19.15
Sub Investment Grade	0.00
Not Rated	0.93
Cash & Derivatives	7.78

## FUND CHARACTERISTICS<sup>6</sup>

	Portfolio	Benchmark
Effective Duration (Contribution)	0.15	0.12
Years to Maturity (Years)	0.28	0.12
Effective Yield (%)	0.22	0.05

## FUND UPDATE

The Advance Cash Multi Blend Fund underperformed the benchmark during January.

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.

Ongoing inflation concerns and the spectre of more imminent and aggressive monetary policy tightening saw bond yields globally move higher over the month and led to increased volatility in equity markets. Tensions between Russia and Ukraine also weighed on sentiment.

With no Reserve Bank Australia (RBA) meeting held in January, the main focus domestically for the month was the release of the quarterly inflation numbers. Core trimmed mean and weighted median inflation all exceeded expectations by a considerable margin. The trimmed mean rose by 1% in the 4th quarter, producing annual trimmed mean inflation of 2.6%. The weighted median rose by 0.9% over the quarter, to see weighted median inflation at 2.7% over 2021. With the numbers now above the midpoint of the RBA's 2-3% target band and the move to more imminent policy tightening offshore, the market understandably brought forward the timing for when the RBA can be expected to raise the cash rate.

In the United States, the Federal Reserve (the Fed) announced that Quantitative Easing will end in March, paving the way for a rate hike. Whilst this was anticipated, the tone of Fed Chair Powell's press conference was seen as more hawkish than expected. In his conference Powell highlighted that this cycle was different from the previous one, with a higher inflation starting point, a tighter labour market and growth running above trend leading to an unwillingness to rule out a rate rise at every Fed meeting this year. The inflation numbers in the US continue to be eye-wateringly high. Annual headline inflation hit 7% at the end of 2021, its highest level since mid-1982.

In Europe, German inflation also exceeded expectations and saw 10-year bund yields rise back into positive territory for the first time since April 2019. Monthly inflation rose 0.4% (expectation -0.2%), resulting in annual inflation of 4.9%. Not to be outdone on the exceeded inflation expectations, annual headline inflation in the UK rose by 5.4% and the core measure rose by 4.2% (expectations were for 5.4% and 4.2% increases).

After peaking at 1.9% intra month US 10-year bond yields ended the month 27 basis points higher at 1.78%. Australian bonds also ended the month higher in yield. Three-year bonds rose 30 basis points to end at 1.28% and ten-year bonds rose 22 basis points to close the month at 1.9%.

- 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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