

ADVANCE CASH MULTI-BLEND FUND

As at 28 February 2022

FUND OVERVIEW

	Wholesale
Inception date	June 2002
APIR	ADV0069AU
Fund size (AUD millions)	\$2,645.50
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

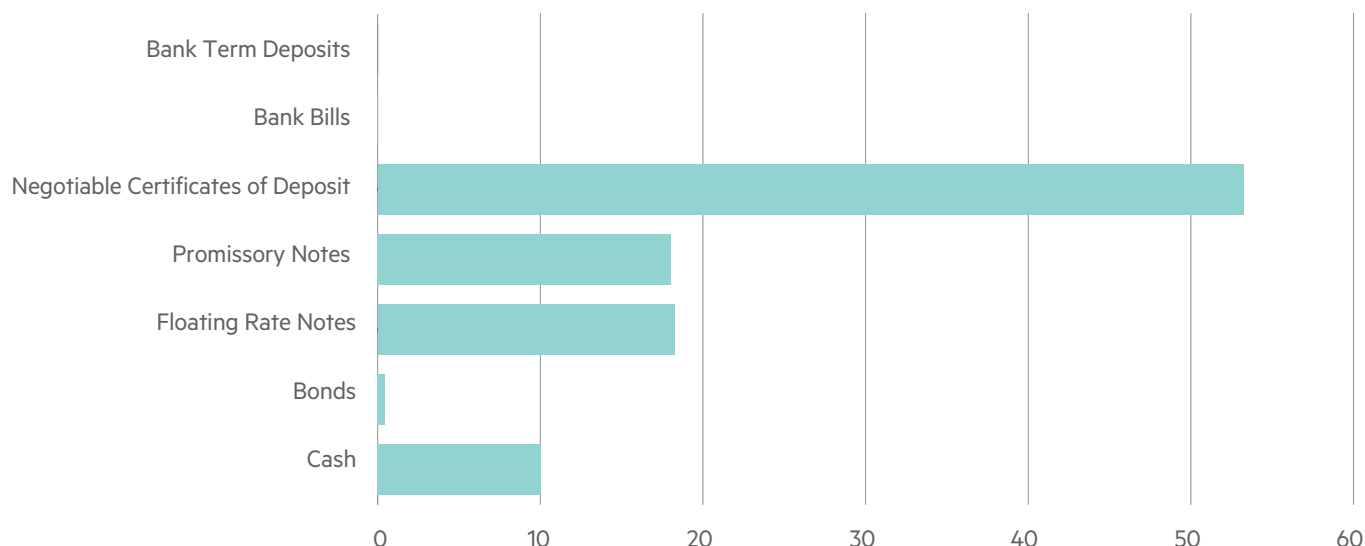
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.00	0.02	0.07	0.65	1.24	2.60
Growth return	-	0.01	(0.10)	(0.03)	(0.02)	0.15
Distribution return	0.00	0.01	0.16	0.68	1.25	2.45
Benchmark return	0.01	0.01	0.03	0.51	1.05	2.37

Benchmark: Bloomberg AusBond Bank Bill IndexSM

TOP 5 ISSUERS

	Fund (%)
Sumitomo Mitsui Banking Corp. (Sydney Branch)	11.17
Bendigo and Adelaide Bank Limited	9.50
Oversea-Chinese Banking Corporation Limited	6.39
GPT Group	5.86
MUFG Bank Ltd. (Australia)	5.67

SECTOR ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	0.00
AA	21.43
A	49.62
BBB	17.97
Sub Investment Grade	0.00
Not Rated	0.94
Cash & Derivatives	10.03

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	0.16	0.12
Years to Maturity (Years)	0.26	0.12
Effective Yield (%)	0.22	0.05

FUND UPDATE

The portfolio remained flat during the month, marginally underperforming the benchmark during February.

Both Pandal and Blackrock contributed to the portfolio's performance.

The short end of the of the yield curve steepened further. It is likely that yield curve strategies rather than the excess margin from longer dated debt will be the key driver for outperformance in the nearer term. Floating Rate Notes (FRN's) were sold down early in the month. The reasons were twofold:

- > The credit environment is likely to deteriorate in the near term and,
- > The rise in short-end yields means it is more appealing to hold six-month Negotiable Certificate of Deposits (NCD's), rather than FRN's referencing three-month Bank Bill Swap Rates (BBSW) that are still sub 0.10%.

Commercial paper also continues to offer attractive margins over bank bills of around 0.20% to 0.30% and our underlying managers have continued to roll-over selected maturities in this sector.

Altogether, the excess yield from non-major bank money market securities and the margin from FRN's has resulted in the portfolio yielding a higher rate than the index.

It was a volatile month for markets in February with inflationary concerns seeing yields move higher for most of the month before geopolitical events saw risk aversion increase.

Central bank meetings in Europe early in the month saw European yields soar with the European Central Bank (ECB) turning notably hawkish. Whilst policy settings remain unchanged, ECB President Lagarde in a press conference noted that the Governing Council were unanimous with their "serious concern about the inflation outlook". Previous references to rate hikes being unlikely in 2022 were notably missing in the conference. The ECB's data dependence was highlighted and Lagarde signalled an openness to rate hikes against upside inflation risks.

On the same day, the Bank of England (BoE) tightened monetary policy by a further 25 basis points to 0.50%. Despite the near 50 basis point move, the BoE Governor Bailey's tone in the press conference was more dovish than his ECB counterpart. The Governor noted that in the second half of the year there is a clear risk that inflation is moving lower and "there is a clear risk we could go under target".

In the United States and after months of undershooting expectations, non-farm payroll data finally came out stronger than expected. Even more impressive was the upward revision of 709k jobs over the past two months. Had it not been for Omicron, the numbers may have been even greater. The unemployment rate at 4% was a little higher than expected, but even this was due to positive developments with the participation rate rising by 0.3% as more people are re-entering the workforce.

In Australia, market moves followed those offshore over the month. The Reserve Bank of Australia (RBA) released their latest set of forecasts in their Statement on Monetary Policy (SOMP). For the RBA to tighten monetary policy they need to see actual inflation sustainably around 2.5%. In their forecasts the RBA see trimmed mean peaking at 3.25% for the year ending June 2022. After that, the RBA sees annual inflation at 2.75% until mid-2024. Yet somehow, despite their own forecasts having inflation at 2.75% or above for the next 2.5 years, the RBA don't see that inflation as having been sustainable. The unemployment rate is forecast to reach 3.75% by the end of 2022 and remain there over the forecast horizon. The reason for the RBA's deference is that wage inflation is seen as only reaching 3% by mid-2023. Wage inflation is one of the last dominoes that the RBA is waiting to fall before embarking on monetary policy tightening. Wage price index data for the fourth quarter was released during the month, showing wages rose by 0.65% and taking the annual increase to 2.3%. The increase however won't be enough to shake the RBA from their belief that the cash rate will remain unchanged for an extended period.

Despite a rally late in the month, bond yields ended the month higher. In Australia, 3-year bond yields, having peaked at 1.7%, ended the month 26 basis points higher at 1.54%. 10-year bonds sold off by 26 basis points to 2.17%.

- 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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