

ADVANCE CASH MULTI-BLEND FUND

As at 31 October 2022

FUND OVERVIEW

	Wholesale
Inception date	June 2002
APIR	ADV0069AU
Fund size (AUD millions)	\$1,391.74
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

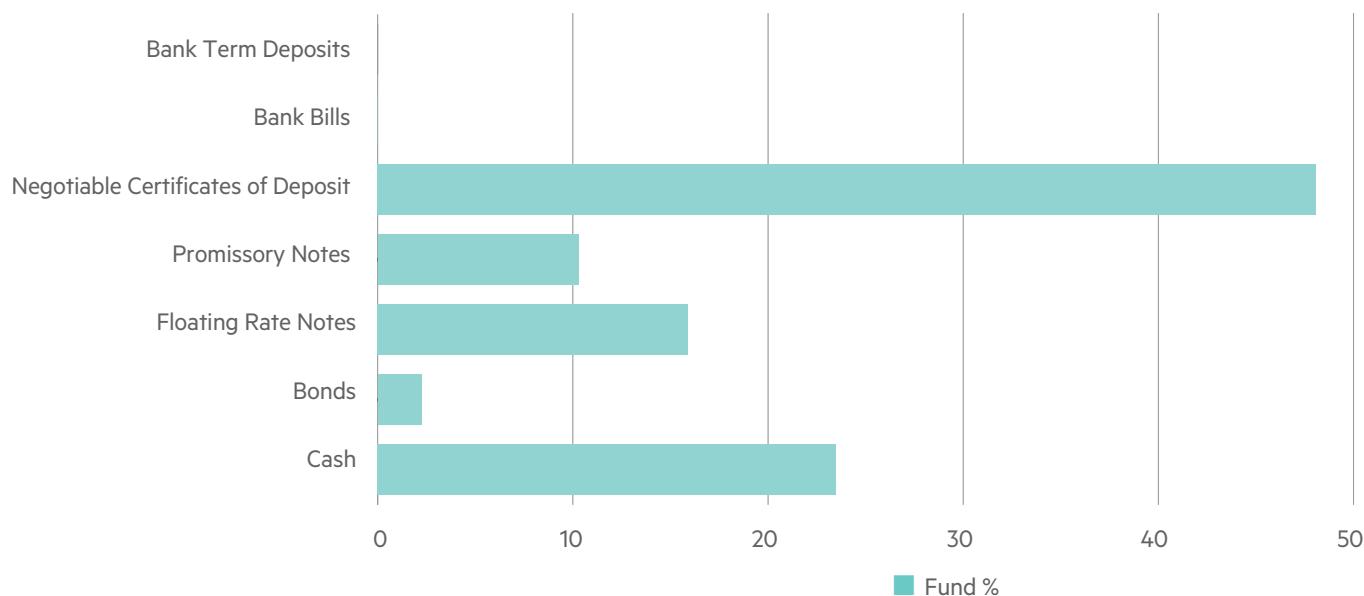
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.26	0.59	0.82	0.53	1.10	2.53
Growth return	(0.18)	(0.04)	0.06	(0.02)	(0.02)	0.14
Distribution return	0.44	0.63	0.76	0.55	1.11	2.38
Benchmark return [~]	0.24	0.54	0.76	0.43	0.97	2.31

[~] Benchmark: Bloomberg AusBond Bank Bill IndexSM

TOP 5 ISSUERS

	Fund (%)
Suncorp-Metway Ltd.	8.98
National Australia Bank Ltd.	5.96
MUFG Bank Ltd. (Australia)	5.11
Sumitomo Mitsui Banking Corp. (Sydney Branch)	4.28
ING Bank N.V.	4.24

SECTOR ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	1.09
AA	26.56
A	35.85
BBB	9.72
Sub Investment Grade	0.00
Not Rated	3.29
Cash & Derivatives	23.48

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	0.16	0.12
Years to Maturity (Years)	0.29	0.12
Effective Yield (%)	2.56	2.91

FUND UPDATE

The portfolio outperformed its benchmark in October with our underlying managers delivering a consistent positive result over the month.

Our underlying managers have been conservatively positioned in terms of its credit spread duration and also in terms of its interest rate risk positioning. The portfolio remains highly liquid and is well positioned to take advantage of higher yields and wider credit spreads. Capital preservation and liquidity remain key concerns in the current environment. Higher yields and steeper curves will provide opportunities to add returns. However, our managers will only meaningfully add risk only once relative stability is evident in the markets

October was another volatile month for the financial markets and geopolitical risk remains as elevated as ever. Consumer sentiment continues to deteriorate while business confidence is firmer but showing signs of weakness. During the month, the tensions between Russia and Ukraine escalated as Russia retaliated to several attacks. The US announced to restrict exports of semiconductor chips to Chinese firms which inflamed tensions with Beijing. In the UK, a change in political leadership and shift in policies helped settle gilt markets and propel a market recovery as yields fell sharply.

In the United States, the inflation data continues to exceed expectations and led to the market pricing in up to a further 1.5% increase in the Fed Funds rate prior to the end of the year. Headline and Core inflation both exceeded expectations by 0.2% at 0.4% and 0.6% respectively, taking the annual rate to 8.2% and 6.6%. The strong labour and inflation data, and hawkish rhetoric from several Federal Open Market Committee (FOMC) members at the beginning of the month together pushed terminal policy rate expectations higher, with the market moving to price in 75 basis point hikes at the Federal Reserves (the Fed) meeting in November and December.

Domestically, the Reserve Bank of Australia (RBA) surprised the market when they raised the cash rate by 0.25% to 2.60%. Governor Lowe dropped a hint in early September that the pace of tightening would slow when he commented that “the case for a slower pace of increase in interest rates becomes stronger as the level of the cash rate rises”. The more aggressive tightening from other central banks had however resulted in the market pricing in an increase of 0.50% as being the likely case by the end of the month. Third quarter inflation data came out higher than expected. Headline and trimmed mean inflation rose 1.8% against expectation of 1.6% and 1.5%. The result saw the market price in a 20% possibility of a 50 basis point move from the RBA at their November meeting. The main contributors to the higher result included new dwellings (+3.7%), gas (+10.9%) and furniture (+6.6%).

Australian bonds performed strongly over the month, with 10-year yields falling 14 bps to 3.76% and 3-year yields falling 28 bps to 3.27%. In the United States, 10-year and 2-year yields rose 22 bps and 20 bps to 4.05% and 4.48% respectively. Short-dated rates in Australia rose slightly despite the RBA surprising the market with its less than expected increase of the cash rate during the month. After falling to as low as 2.85% and 3.29%, three and six-month bank bill yields ended the month 2 basis points (bps) and 9bps higher at 3.09% and 3.66%.

Credit spreads were mixed over the month with synthetic credit outperforming following positive market sentiment, however physicals underperformed as new primary market deals re-priced the secondary market wider. The Australian iTraxx index (series 38) traded in a 22 basis points range, finishing 7 basis points tighter at 131 basis points. Australian physical credit spreads underperformed, widening a couple of basis points on average. The best performing sector was industrials which was unchanged on the month, whilst the worst performing sector was domestic banks that widened 7 basis points. Semi-government bonds also underperformed moving out 12 basis points to Commonwealth Government bonds.

- 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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