

ADVANCE CASH MULTI-BLEND FUND

As at 31 January 2023

FUND OVERVIEW

	Wholesale
Inception date	June 2002
APIR	ADV0069AU
Fund size (AUD millions)	\$1,581.87
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

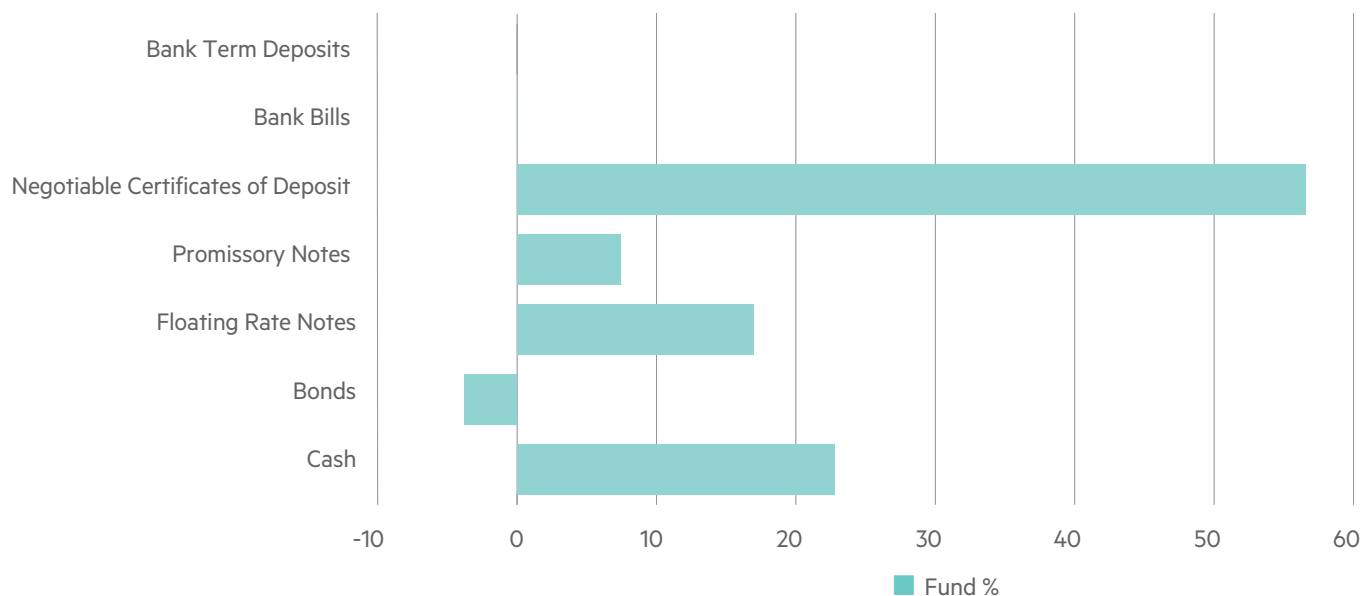
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.32	0.87	1.66	0.73	1.18	2.54
Growth return	0.25	0.28	0.33	0.08	0.05	0.16
Distribution return	0.08	0.58	1.33	0.65	1.13	2.38
Benchmark return [~]	0.27	0.77	1.52	0.61	1.03	2.32

[~] Benchmark: Bloomberg AusBond Bank Bill IndexSM

TOP 5 ISSUERS

	Fund (%)
Commonwealth Bank of Australia	8.43
Suncorp-Metway Ltd.	7.90
Sumitomo Mitsui Banking Corp. (Sydney Branch)	6.59
National Australia Bank Ltd.	4.79
United Overseas Bank Ltd. (Singapore)	4.38

SECTOR ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	2.22
AA	31.63
A	32.16
BBB	8.16
Not Rated	0.00
Cash & Derivatives	3.06
	22.77

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	0.16	0.13
Years to Maturity (Years)	0.32	0.13
Effective Yield (%)	2.86	3.24

FUND UPDATE

The Advance Cash Multi Blend Fund outperformed its benchmark by 5bps in January with both our underlying managers delivering a positive relative result over the month.

Performance benefitted from the higher running yield than the benchmark, due to the longer dated tenors of some NCD holdings and also from the additional margin offered by non-prime bank issuers. The credit spread duration of the portfolio however remains short across both mandates as our underlying managers continue to take a conservative stance.

Higher yields and steepness in the yield curve continues to provide opportunities, although the shorter part of the curve has become expensive. 6 month tenors remain attractive on a relative value basis allowing for further monetary policy tightening from the RBA. The market is latching on to any reference to a slower pace of hikes and in turn is benefitting risk sentiment.

January saw the Australian bond market recover most of the losses from the late December selloff. This was despite a higher-than-expected Q4 2022 inflation number released late in January. The rally was driven by growing signs in the US and other economies that inflation has peaked and central banks will be slowing the pace of hikes or even stopping them completely.

In the United States inflation data printed in line with market expectations. Headline inflation fell 0.1% in December, resulting in an annual increase of 6.5%. Core inflation rose 0.3% for the month and 5.7% over 2022. The fall in headline inflation was driven entirely by the fall in gasoline prices. Key Fed member Lael Brainard acknowledged that inflation data has declined in recent months and that the retail sales and industrial production data showed a slowing in economic growth. Forward looking indicators suggest growth will slow further in 2023 however policy will need to be sufficiently restrictive for some time in bringing inflation down.

In their meeting minutes released earlier in the month, the Fed reiterated their resolve to bring down inflation. The Fed commented that the move from 75 to 50 basis points “was not an indication of any weakening of the committee’s resolve to achieve its price-stability goal”. Fed officials’ median projections for the appropriate path of interest rates also revealed that none of the Fed officials expect that it will be appropriate to cut interest rates in 2023, at odds with market pricing.

Domestically, there was no Reserve bank of Australia (RBA) meeting in January but it looks like there will be another 0.25% hike in February. Activity data is mixed, with leading indicators showing softness in activity. Employment data was also soft, with the unemployment rate rising to 3.5%. Whilst the direction of data is for slowing, the outright levels generally remain buoyant but are expected to further moderate during 2023. The inflation data in late January saw markets give up part of their strong start of year performance. Headline CPI was 1.9% for the quarter and 7.8% for the year, above market expectations but around RBA forecasts. Underlying CPI was 1.7% and 6.9% respectively, and this would have been more a concern for the RBA given that services inflation remains elevated.

Bonds had a rally during the month in response to easing inflation signs. 3-year Australian bonds finished the month at 3.16%, down from 3.5% at the start of the month. 10-year bonds finished the month at 3.57% from 4.07% at the start. Short-term money markets remained volatile as monetary tightening expectations shifted on data flows. The higher-than-expected inflation readings saw three-month bank bill yields end the month 11bps higher at 3.37% as tightening was brought forward. Six-month bank bill yields ended 4bps lower at 3.72%. In the United States, 10-year and 2-year yields decreased by 37 bps and 22 bps to 3.51% and 4.2% respectively.

Credit spreads narrowed over the month. The Australian iTraxx index (series 38) traded in a 17bp range finishing 12bps tighter to close at 81bps. Australian physical credit spreads ended the month 5bp narrower on average. The best performing sectors were infrastructure and utilities which tightened 21 and 20bps respectively, whilst the worst performing sector was supra-nationals that ended unchanged. Semi-government bonds were also unchanged 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.

Advance Asset Management, GPO Box B87, Perth WA 6838

Customer Relations 1800 819 935 Adviser Services 1300 361 864 Fax (02) 9274 5211

advance.com.au

The information in this document has been prepared by Advance Asset Management Limited ABN 98 002 538 329 AFSL 240902 (‘Advance’).

The information shown in this document is general information only. It does not constitute any recommendation or advice. It has been prepared without taking into account your personal objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it. You should consider obtaining independent advice from a professional financial adviser before making any financial decisions in relation to the matters disclosed hereto.

Advance is the responsible entity of the Advance Cash Multi-Blend Fund, ASRN 094 113 050 (‘Fund’). A Product Disclosure Statement (‘PDS’) for Wholesale investors is available for the Fund and can be obtained by calling the Contact Centre on 1800 819 935, or visiting advance.com.au, the Retail Fund is closed to new investors. The Financial Services Guide (‘FSG’) for Advance can be obtained via advance.com.au. For the Target Market Determination for this product please refer to bt.com.au/tmd.

Advance is a subsidiary of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 (Westpac). An investment in the Fund is not an investment in, deposit with, or other liability of Westpac or any other company in the Westpac Group. An investment in the Fund is subject to investment risk, including possible delays in the payment of withdrawals and loss of income and principal invested. No member of the Westpac Group (including Advance) stands behind or otherwise guarantees the capital value or investment performance of the Fund.

To the maximum extent permitted by law, Advance, and its affiliates and related bodies corporate, and their respective officers, directors, employees, professional advisers and agents do not accept any responsibility or liability in relation to the accuracy or completeness of this information or for any loss arising from its use. Past performance is not an indicator of future performance. No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any forecasts or returns contained in the information set out in this document. Any projections are predictive in character. Whilst we have used every effort to ensure that the assumptions on which the projections are based are reasonable, the projections may be affected by inaccurate assumptions or may not take into account known or unknown risks and uncertainties. The actual results actually achieved may differ materially from these projections.

© Advance Asset Management Limited – part of Westpac Banking Corporation

AD40676-0223sx