

ADVANCE CASH MULTI-BLEND FUND

As at 28 February 2023

FUND OVERVIEW

	Wholesale
Inception date	June 2002
APIR	ADV0069AU
Fund size (AUD millions)	\$1,593.86
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

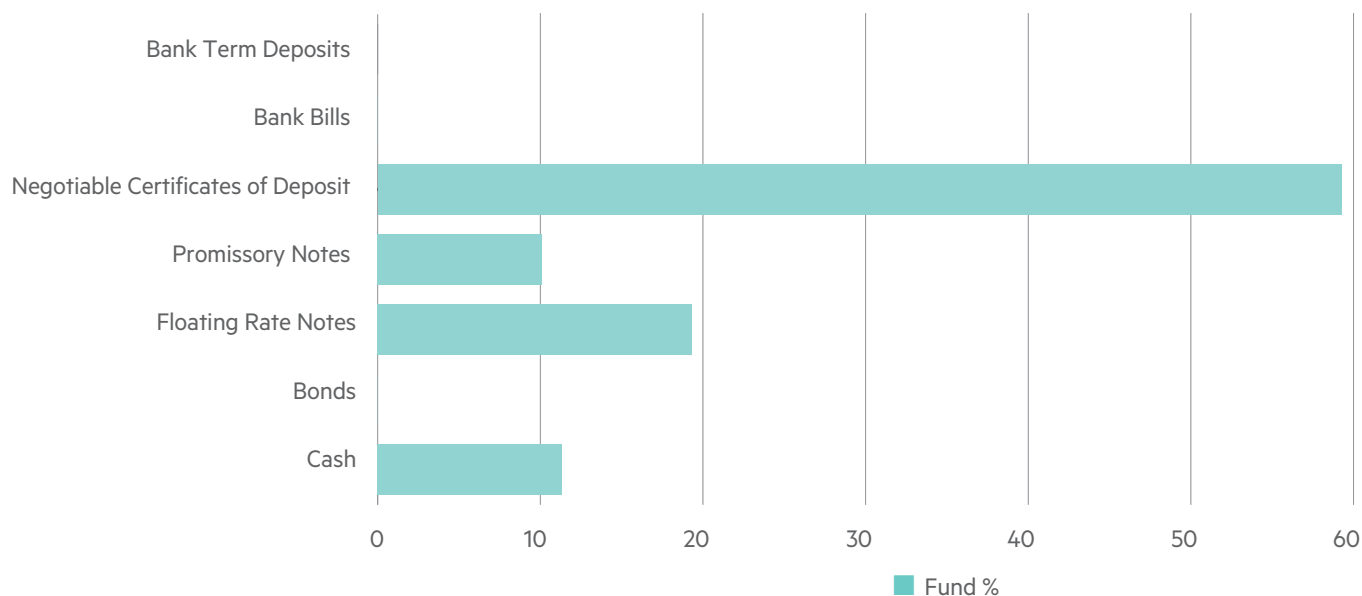
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.23	0.81	1.89	0.78	1.19	2.55
Growth return	0.08	0.49	0.41	0.10	0.06	0.17
Distribution return	0.16	0.32	1.48	0.68	1.13	2.38
Benchmark return [~]	0.24	0.76	1.76	0.66	1.05	2.33

[~] Benchmark: Bloomberg AusBond Bank Bill IndexSM

TOP 5 ISSUERS

	Fund (%)
Commonwealth Bank of Australia	8.37
Suncorp-Metway Ltd.	7.86
Westpac Banking Corp.	6.68
Sumitomo Mitsui Banking Corp. (Sydney Branch)	6.56
MUFG Bank Ltd. (Australia)	5.05

SECTOR ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	2.21
AA	36.77
A	31.99
BBB	7.60
Sub Investment Grade	0.00
Not Rated	10.10
Cash & Derivatives	11.32
Total	100.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	0.17	0.13
Years to Maturity (Years)	0.37	0.13
Effective Yield (%)	3.33	3.45

FUND UPDATE

The Advance Cash Multi Blend Fund underperformed its benchmark by 1bps in February.

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. While further rate hikes are data dependent, our managers believe the RBA is very unlikely to get activity data weak enough for them to be confident enough to pause in the near term.

A combination of a hawkish shift by central banks and stronger-than-expected data in the US resulted in higher rates across the curve. This dampened risk sentiment in February.

In the United States, the Federal Reserve raised the Fed Funds rate by a further 25 basis points to 4.75%. In their accompanying statement the Committee stated that ongoing increases will be appropriate and that whilst inflation has eased somewhat it remained elevated. In the ensuing press conference Fed Chair Jay Powell noted that financial conditions had tightened 'very significantly' in the past year and that they are talking about a couple more rate hikes.

Economic data out of the US was generally stronger than expected, which saw the market reprice terminal cash rates higher as the expectation is that central banks will need to continue to hike rates to slow economies to bring inflation down. The unemployment rate fell from 3.6% to 3.4% and average hourly earnings rose 0.3% in January resulting in an annual increase of 4.4%. January inflation data was in line with consensus. Headline inflation rose 0.4% for the month and resulting in an annual increase of 6.4%, whilst core inflation was 0.4% and 5.6% for the same periods.

Domestically, yields moved higher following the Reserve Bank of Australia's (RBA) decision to raise the cash rate by 25 basis points to 3.35%. The move higher was caused by the wording of the statement which included that 'further increases in interest rates will be needed over the months ahead', indicating that further tightening is likely to occur in March and April. The meeting minutes revealed that the RBA only considered a move of 25 or 50 basis points and saw bond yields rise. At their December meeting the RBA had also considered the case for no change to the cash rate. The Statement on Monetary Policy was also released during the month and provided the latest RBA forecasts. Trimmed mean inflation is forecast to be at 4.3% in 2023 and 3.1% in 2024, still above the RBA's 2-3% target band. Reflecting the tight labour market wage inflation is expected to peak at 4.2% at the end of 2023 before easing as the unemployment rate increases. The unemployment rate rose from 3.5% to 3.7%.

Bond yields moved higher in February and risk sentiment dampened following stronger economic data. 3-year Australian bonds finished the month at 3.62%, from 3.16% at the start of month. 10-year bonds finished the month at 3.88% from 3.57% at the start. Short-term money markets remained volatile as monetary tightening expectations pivoted on RBA signalling. Three and six-month bank bill yields ended 19bps and 21bps higher at 3.56% and 3.93%. In the United States, 10-year and 2-year yields increased by 41 bps and 61 bps to 3.92% and 4.82% respectively.

Credit spreads were mixed over the month. The Australian iTraxx index (series 38) traded in a 20bp range, finishing 5bps wider to close at 86bps. Australian physical credit spreads, on the other hand, ended the month 5bp tighter on average as new primary market deals saw strong buying interest that also fed through to the secondary market bid tone. The best-performing sectors were utilities and infrastructure that narrowed 12 and 11bps respectively, while the worst-performing sector was supra-nationals that ended unchanged. Semi-government bonds performed well, tightening 4bps 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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