

ADVANCE CASH MULTI-BLEND FUND

As at 31 March 2023

FUND OVERVIEW

| | Wholesale |
|--------------------------------------|---|
| Inception date | June 2002 |
| APIR | ADV0069AU |
| Fund size (AUD millions) | \$1,357.36 |
| 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

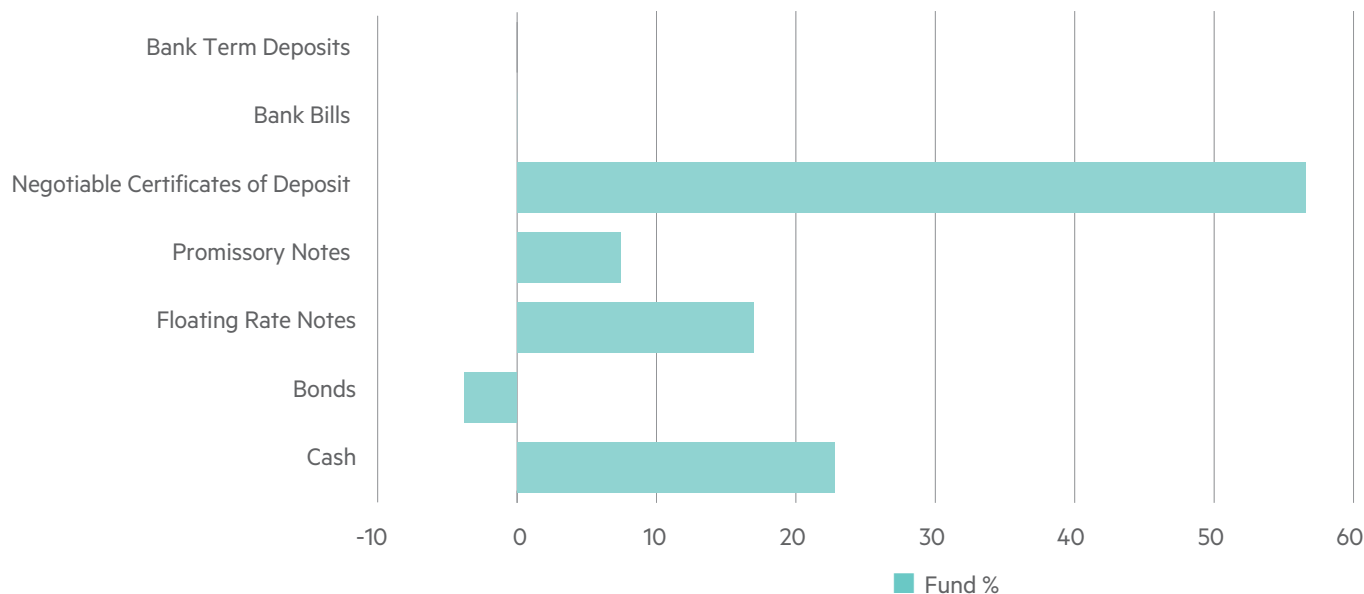
| | 1 month % | 3 months % | 1 year % | 3 years % pa | 5 years % pa | Since Inception % pa |
|-------------------------------|--------------|---------------|-------------|-----------------|-----------------|-------------------------|
| Total Net return | 0.32 | 0.88 | 2.22 | 0.87 | 1.23 | 2.56 |
| Growth return | 0.26 | 0.59 | 0.68 | 0.20 | 0.12 | 0.19 |
| Distribution return | 0.06 | 0.30 | 1.55 | 0.68 | 1.11 | 2.37 |
| Benchmark return [~] | 0.28 | 0.79 | 2.04 | 0.73 | 1.08 | 2.33 |

[~] 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 Limited | 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 |
| Sub Investment Grade | 0.00 |
| Not Rated | 3.06 |
| Cash & Derivatives | 22.77 |
| Total | 100.00 |

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 4bps in March.

Both Pandal and Blackrock outperformed the benchmark 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 portfolio remains 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 wider credit spreads at the right time.

It was another volatile month for financial markets in March. Despite central bank hikes the narrative was dominated by risk off moves driven by bank failures in the US and Europe.

In the United States, the Federal Reserve raised the Fed Funds rate by a further 0.25%, taking the upper target band level to 5%. Prior to the decision the market had priced in a 50 basis point move as more likely following comments from Fed Chair Powell in the lead up to the meeting. Powell commented that recent economic data had come in stronger than expected and that the level of interest rates is likely to be higher than previously anticipated.

Bond yields rallied following the Federal Reserve's decision to increase the Fed Funds rate due to their dovish commentary and lingering concerns about the state of some of the regional financial institutions. In their statement the Fed noted that 'some additional policy firming may be appropriate', watered down from their previous statement where they saw 'ongoing increases in the target range will be appropriate'. Powell also commented that the credit contraction from regional banks 'could easily have a significant macroeconomic effect'. Inflation data was in line with consensus with headline inflation up 0.4% in February resulting in an annual increase of 6%. Core inflation rose 0.5% for the month and 5.5% over the past year.

Domestically, the Reserve Bank of Australia's (RBA) raised the cash rate by 25 basis points to 3.60% and the statement said that 'the Board expects that further tightening of monetary policy will be needed to ensure that inflation returns to target'. Economic data in Australia during March was mixed. There were signs that rate hikes are starting to impact growth. GDP for Q4 2022 was lower than expected at 0.5%. There was continuing strength in the job market as unemployment once again fell to 3.5%. These mixed signals suggest a Reserve Bank of Australia (RBA) pause in April is likely. The big driver though is signs that higher rates globally are starting to cause pressures in the financial system ahead of a significant impact on the real economy. Whilst problems at Silicon Valley Bank in the US and Credit Suisse (CS) in Europe were largely self-inflicted, it helped markets chase the idea that weakness is coming across the system. This saw Australian cash rate expectations by the end of 2023 go from 4.15% at the start of the month to 3.40% by the end.

Bond yields moved lower in March. 3-year Australian bonds finished the month at 2.95%, falling from 3.62% at the start of month. 10-year bonds finished the month at 3.34% from 3.88% at the start. In the United States, 10-year and 2-year yields decreased by 45 bps and 79 bps to 3.47% and 4.03% respectively.

Credit spreads were mixed over the month. The Australian iTraxx index (series 38) traded in a large 29bp range finishing 3bps tighter to close at 83bps. The new series 39 contract ended the month at 90bps. Australian physical credit spreads were 12bps wider on average. The worst performing sectors were banks and resources that widened 19 and 17bps respectively, whilst the best performing sector was supra-nationals that moved out 6bps. Semi-government bonds also underperformed moving out 7bps to commonwealth government bonds.

The Australian bond market as measured by the AusBond Composite Index increased by 3.16% for the month of March.

- 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.

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

The Fund's Responsible Entity is Advance. Advance is a subsidiary of Mercer (Australia) Pty Ltd (Mercer) with effect from 1 April. A Product Disclosure Statement ('PDS') is available for the Fund and can be obtained by calling the Contact Centre on 1300 728 928, or visiting mercer.com.au/mercerfunds. The Financial Services Guide ('FSG') for Advance can be obtained via mercer.com.au/mercerfunds. Investors should consider the Fund's Product Disclosure Statement (PDS) & Target Market Determinations (TMDs) before making any investment decision.

For the Target Market Determination for this product please refer to mercer.com.au/mercerfunds. Each TMD sets out who an investment in the Fund might be appropriate for and the circumstances that trigger a review of the TMD. Managed investment schemes are generally medium to long-term investments. They are traded at prevailing prices and the value of units may go down as well as up. There are risks with investing in the Fund and there is no guarantee of repayment of capital or return on your investment.

Past performance is not a reliable indicator of future results. Investors should always consider seeking professional financial advice. This document has been prepared without considering any person's financial circumstances, needs or objectives. It also does not constitute a recommendation, an offer to sell or a solicitation to buy units in the Fund. While Advance has endeavoured to ensure the accuracy of this document neither Mercer, Advance nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it.

Valuation and pricing times: The Fund's net asset value is calculated each business day, with prices determined the following day. Application and redemption requests must be received by (Sydney time) each business day to receive that day's price.