Mercer

Factsheet for the month ending 31 July 2023

Advance Australian Shares Multi-Blend Fund - Retail Units

Fund overview

ARSN	087 296 008
APIR	ADV0025AU
Commencement date	26 June 1994
Fund size (AUD)	$26.2m
Benchmark	S&P/ASX 300 Accumulation Index
Recommended investment timeframe	At least 5 years
Risk label	High
Minimum initial investment	Closed to new investors
Distribution frequency	Quarterly
Investment management fee pa*	1.40%

*Additional fees and charges may apply.

Investment objective

To provide investors with a total investment return (before fees and taxes) that outperforms the benchmark over periods of five years or longer.

Investment strategy

The Fund predominantly invests in a wide range of Australian shares listed, or expected to be listed, on the Australian Securities Exchange.

Investment managers

As the Responsible Entity, Advance Asset Management Limited ('AAML') selects investment managers for Advance Australian Shares Multi-Blend Fund - Retail Units ('the Fund') and we manage and monitor the managers on your behalf. Therefore we may remove, replace, or appoint additional investment managers at our discretion at any time.

For information on the Fund's investment managers, please refer to the Manager List for the Fund available at mercer.com.au/mercerfunds.

Performance review

Total return	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa
After fees and costs[1,2]	2.8	1.8	10.4	11.0	5.7	7.0
Benchmark	2.9	2.0	11.1	11.9	7.5	8.4

Notes: **Past performance is not a reliable indicator of future performance.**

1. Returns are calculated using month end exit prices and assume distributions are reinvested. Returns over 12 months are annualised.
2. Performance figures are calculated after deduction of investment management fees and costs, and any applicable performance fees.

Market update

In July, global equity markets maintained current upward momentum with most regions delivering solid, positive returns. On the other hand, fixed income performance was mixed, although in this “risk on” phase of the cycle, riskier parts of the sector fared better.

A combination of further declines in headline inflation, resilient economic data, particularly from the US, and market expectations that the current interest rate hiking cycle is nearing an end, led to positive investor sentiment throughout the month.

The advanced Q2 2023 US GDP growth figure was reported late month, coming in at 2.4% and surprising market economist estimates of 1.8%. On the flipside, UK and Eurozone growth was close to flat. Benefitting from the base effects of emerging from its extensive 2022 Covid lockdown, China’s GDP growth rate was measured at an annualised 6.3%, though a little below 7.3% expectations. Forward-looking composite purchasing manager indices (PMI) kept falling across the globe in July, with Japan the only region holding steady. PMIs for the services sector continue to outpace manufacturing though are easing towards 50, an important level that is considered the line between expansion and contraction.

Inflation data continued to decline, somewhat aided by the impact of last year’s energy price surge rolling off. US headline Consumer Price Index (CPI) fell to 3.0% p.a and is at the lowest level since early 2021. Similarly, CPI data across the UK, Eurozone and Australia, continues to show easing inflationary conditions, albeit at higher levels than the US. CPI has flatlined at near zero in China. Japan was the only major country that recorded a marginal increase in its inflation rate during Q2 2023. Central banks continued to err on the side of caution, increasing rates by 25bps in the US and Eurozone and 50bps in the UK, where inflation remains the highest among major developed economies. Central banks continued to emphasise a data-driven approach to future rate adjustments. In the US, which is furthest ahead in the inflation cycle, markets are now pricing in a greater than 50% chance that the Fed’s policy rate has peaked and interest rate cuts maybe forthcoming in 2024.

Over July, Hedged Developed Markets Overseas Shares delivered a 2.8% return. US indices were broadly in line with international developed markets, however, Emerging Markets (unhedged) outperformed with a positive 4.9% return. Value modestly outperformed growth over the period, although when looking on a year-to-date basis, mega-cap tech stocks still dominate returns and has led to increased market concentration within that segment of global markets. In the US, with roughly half of S&P500 companies having reported their Q2 2023 earnings, FactSet currently projects a 7% quarter over quarter (QoQ) earnings decline, which would be the softest quarterly outcome since the height of Covid’s impact. That said, to date the majority of companies have reported better than expected earnings results.

Hedged Overseas Government Bonds returned -0.4% over the month, as bond yields across most regions increased in July. Yields on both key long bonds in the US (10-year and 30-year) rose by approximately 15bps over the month. Outside the US, Japan’s 10-year yield rose by around 19bps, which is noteworthy following the Bank of Japan’s announcement that it will further increase the upper tolerance range for the 10-year yield (now 1.0% vs 0.5% previously). The UK was the only major economy where the 10-year yield fell, albeit modestly.

Australian Shares returned 2.9%, marginally outperforming their overseas counterparts in July. Financials (4.9%) and Energy (8.4%) were the strongest sectors of the market, while Healthcare (-1.5%), and Materials (1.4%) detracted.

Australian shares

The Australian share market outperformed its hedged overseas counterpart over the month as the S&P/ASX300 Index returned 2.9%. The S&P/ASX Mid 50 Index was the strongest relative performer, returning 4.4%, while the S&P/ASX 50 Index was the weakest with a 2.6% return over the month.

The best performing sectors were Financials (4.9%) and Energy (8.4%), while the weakest performing sectors were Healthcare (-1.5%) and Consumer Staples (-1.0%). The largest positive stock contributors to the index return were Woodside Energy, ANZ and NAB with absolute returns of 11.2%, 9.2% and 8.2%, respectively. In contrast, the most significant detractors were CSL, Woolworths and Macquarie with absolute returns of -3.1%, -2.8% and -1.1%, respectively.

Further Information

Please contact your financial adviser or:

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Email InvestorHelpAU@mercer.com
Call 1300 728 928