

ADVANCE AUSTRALIAN FIXED INTEREST MULTI-BLEND FUND

As at 30 April 2022

FUND OVERVIEW

	Wholesale	Retail
Inception date	30 June 2004	30 June 1994
APIR	ADV0084AU	ADV0029AU
Fund size (AUD millions)	\$1,921.79	
Investment objective	To provide a source of income from Australian fixed interest exposure with a total investment return (before fees and taxes) that outperforms the benchmark over periods of three years or longer.	
Recommended investment timeframe	3 years	
Minimum initial investment	\$5,000	Closed to new investors
Distribution frequency	Quarterly	
Management costs (%) pa ¹	0.45	1.20
Buy/sell spread (%)	0.05 / 0.05	0.00 / 0.00

FUND PERFORMANCE²

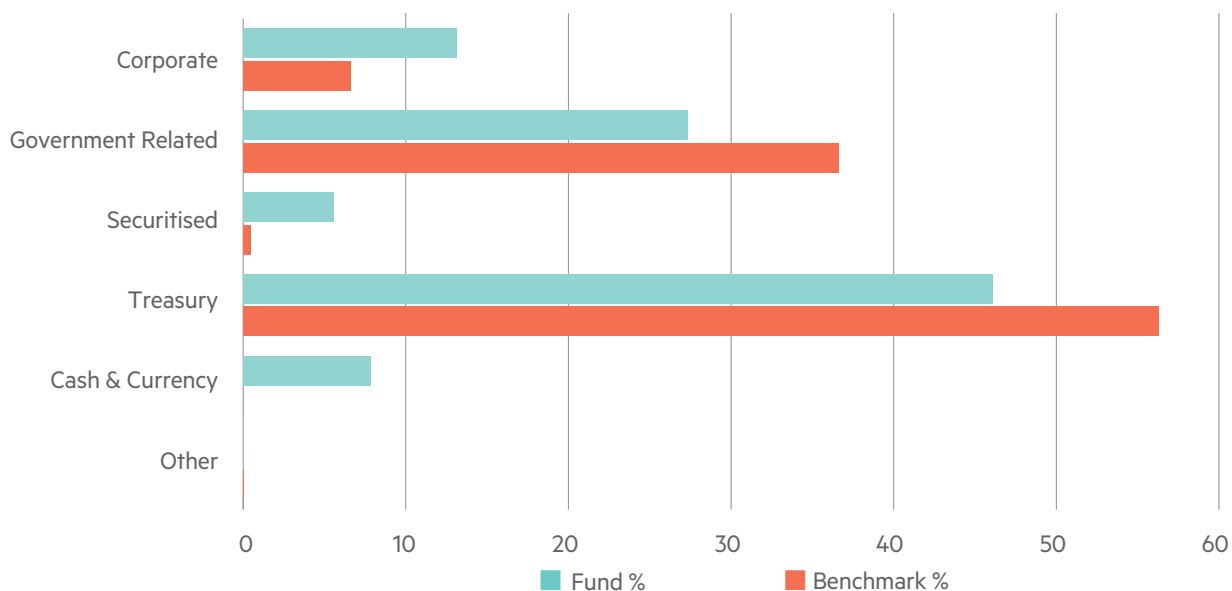
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(1.77)	(7.12)	(8.10)	(0.85)	1.30	4.30
Growth return	(1.77)	(7.31)	(10.02)	(4.55)	(2.06)	(0.24)
Distribution return	-	0.19	1.92	3.70	3.36	4.54
Benchmark return	(1.49)	(6.33)	(7.47)	(0.91)	1.40	4.70

Benchmark: Bloomberg AusBond Composite 0+ Yr IndexSM

TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of Australia	19.52	56.26
New South Wales Treasury Corp.	7.50	6.33
Treasury Corp. of Victoria	5.81	6.36
Queensland Treasury Corp.	2.73	7.50
National Housing Finance & Investment Corp.	2.68	0.12

SECTOR ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund %	Benchmark %
AAA	32.03	65.70
AA	23.76	27.62
A	17.48	3.52
BBB	20.45	3.15
Sub Investment Grade	0.00	0.00
Not Rated	(1.57)	0.00
Cash & Derivatives	7.84	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	5.55	5.38
Years to Maturity (Years)	8.02	6.19
Effective Yield (%)	3.39	2.99

FUND UPDATE

The Advance Australian Fixed Interest Multi-blend Fund underperformed its benchmark in April with our underlying managers delivering a negative result over the month.

Pendal underperformed the benchmark as the physical portfolio largely detracted due to the markets forecasting rates higher than Pendal's expectation. Whilst government sector positions added slightly to performance, cross market trades, financials and Supranationals sector positioning dragged the portfolio lower.

Janus Henderson detracted as its long duration position relative to the benchmark, together with an overweight exposure across credit, added to negative excess returns.

In Macquarie's case (formerly AMP), credit positioning detracted from performance, as the impact of credit spread movements more than offset the contribution from the excess carry earned on credit securities held. The overall impact of interest rate management was however almost neutral.

The lockdowns in China, the conflict in Ukraine, and the prospect of substantially tighter US monetary policy all weighed on sentiment and commodity prices. Risk sentiment was affected as the latest threat to global economic growth emerged in the form of lockdowns and zero Covid policy in China. The war in Ukraine still had no sign of resolution in April and the impact on energy market was particularly notable in Europe given the difficulties in reducing its energy dependency on Russia.

In the United States, the Federal Reserve (the Fed) was preparing for a string of 50 basis point rate increases, starting from their meeting in early May. Fed Chair Powell noted that there was merit in front loading monetary policy and stated that a 50 basis points move was on the table in May, effectively endorsing what the market had priced in. Bond markets reacted sharply to Powell's more hawkish tone. The US 10-year bond yield ended the month 60 basis points higher at 2.94%. The US 2-year bond yields also ended the month 38 basis points higher at 2.72%.

The Federal Open Market Committee (FOMC) also considered reducing the balance sheet by \$60bn in treasury securities per month and \$35bn in mortgage-backed securities, phased over 3 months. Inflation in the US remains elevated with headline inflation rising by 1.2% in March, taking the annual rate to 8.5%. Core inflation was slightly weaker than expected at 0.3% resulting in an annual increase of 6.5%.

Domestically, the Reserve Bank of Australia (RBA) left the cash rate unchanged in April. The RBA stated that, over the coming months, further additional information will be available on both inflation and the evolution of labour costs. The first quarter inflation data released in late April came in higher than expected and will likely see the RBA tighten monetary policy at their May meeting. Headline inflation rose by 2.1% in the first quarter and 5.1% over the past year (expectation was for 1.7% and 4.6%). The trimmed mean and weighted median rose 1.4% and 1% to record annual increases of 3.7% and 3.2%, all results being above the upper end of the RBA's 2-3% target band.

Australian government bond yield movements mirrored those in the US in April. In Australia, 10-year bond yields ended the month 32 basis points higher to close at 3.13%. In the short end, yields rose by 0.75% to 1.45%. 3-month implied yields are now priced to peak at near 3.5% mid next year, a move of almost 2% since the start of the year.

Credit spreads were wider this month, primarily driven by inflationary concerns. The Australian iTraxx index (series 37) traded in a 22-basis points range finishing 14 basis points wider to 95 basis points. Australian physical credit spreads moved out 5 basis points on average. The best performing sector was supranationals, which only widened 1 basis points, whilst the worst performing sector was resources, which moved out 18 basis points. Semi-government bonds also underperformed, widening 3 basis points to Commonwealth Government bonds.

The Australian bond market as measured by the AusBond Composite Index declined by -1.49% for the month of April.

- 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 and relates to the wholesale class of investment only. If you are an investor in the retail class of investment, you can obtain up to date returns at advance.com.au. Growth and Distribution returns may not equal the Total Net return due to rounding.
- 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

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