ADVANCE
ASSET MANAGEMENT

ADVANCE AUSTRALIAN FIXED INTEREST MULTI-BLEND FUND

As at 30 June 2021

FUND OVERVIEW

	Wholesale	Retail
Inception date	30 June 2004	30 June 1994
APIR	ADV0084AU	ADV0029AU
Fund size (AUD millions)	$2,182.07	
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 (%)	0.05/0.15	0.00/0.00

FUND PERFORMANCE[2]

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.77	1.74	0.43	4.36	3.27	5.10
Growth return	(0.01)	0.95	(2.81)	0.18	(0.24)	0.38
Distribution return	0.78	0.79	3.24	4.19	3.50	4.71
Benchmark return	0.69	1.52	(0.84)	4.22	3.19	5.47

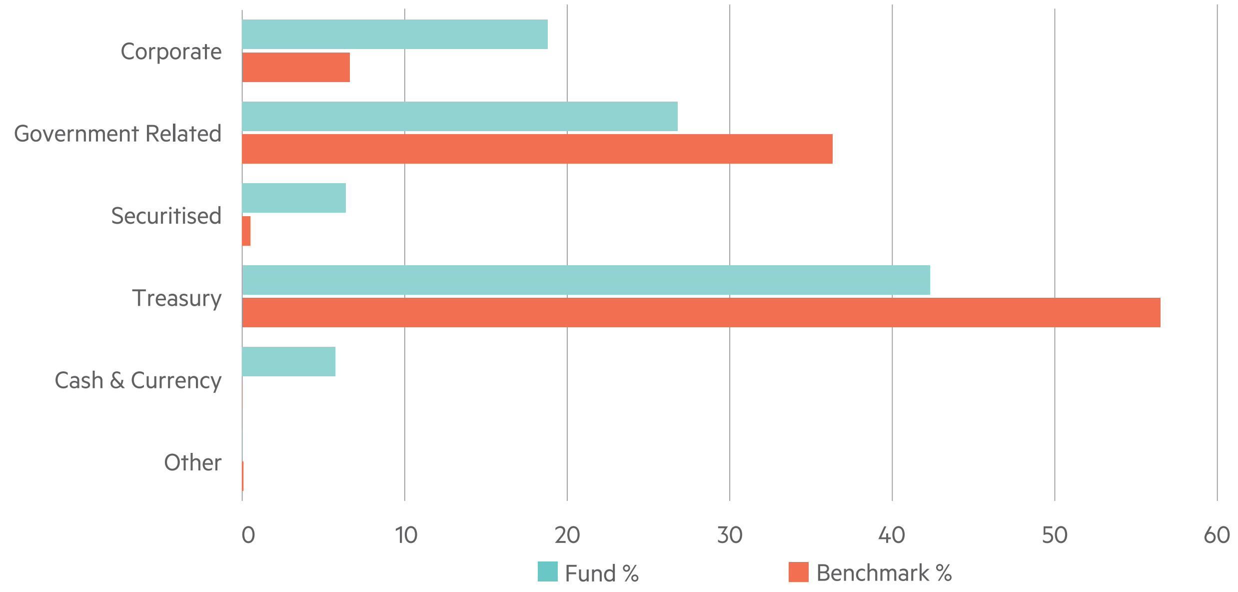
Benchmark: Bloomberg AusBond Composite 0+ Yr Index[SM]

TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of Australia	19.86	56.49
New South Wales Treasury Corp.	7.63	6.35
Treasury Corp. of Victoria	4.86	5.70
Queensland Treasury Corp.	2.97	7.45
Australia and New Zealand Banking Group Ltd.	2.48	0.34

Please refer to the end of this report for the footnotes

SECTOR ALLOCATIONS[3,4]



CREDIT QUALITY[3,4,5]

	Fund %	Benchmark %
AAA	33.33	65.86
AA	23.27	27.45
A	17.51	3.61
BBB	21.38	3.09
Sub Investment Grade	0.00	0.00
Not Rated	(1.21)	0.00
Cash & Derivatives	5.72	0.00

FUND CHARACTERISTICS[6]

	Portfolio	Benchmark
Effective Duration (Contribution)	5.58	5.99
Years to Maturity (Years)	9.36	6.81
Effective Yield (%)	1.37	1.05

FUND UPDATE

The Advance Australian Fixed Interest Multi Blend Fund outperformed the benchmark during the month of June. Manager performance was broadly positive with AMP and Janus Henderson outperforming relative to the index, with Pendal flat versus the benchmark.

Duration led strategies were mixed with Janus Henderson and AMP benefiting from a curve flattener position. Pendal however detracted at the margin. Credit positioning benefited performance across our manager line up, reflecting the contributions from credit spread movements and the excess carry earned on credit securities held.

The Reserve Bank of Australia (RBA) left monetary policy unchanged at their June meeting. There were, however, some tweaks to their accompanying statement. In its May statement the RBA stated that the "board is prepared to undertake further bond purchases to assist with progress towards the goals of full employment and inflation". This was omitted from the June statement and suggests that some tapering of the bond purchase program may occur.

Q1 economic growth was released following the RBA's statement and reflected Australia's impressive recovery since the depths of the pandemic induced recession. Growth expanded by a better than expected 1.8% in the quarter, taking the annual rate to 1.1%. The economy is now 0.8% above its pre-pandemic level.

The labour market continues to exceed expectations. Employment rose by 115k jobs in May, allaying concerns about a potential dip in employment growth following the end of the Job Keeper stimulus package. The impressive employment growth saw the unemployment rate fall to 5.1% - a level much lower than the RBA would have been forecasting. Other labour indicators also reflect a tightening environment, with ANZ job ads indicating ongoing employment growth and the NAB business survey also remaining elevated.

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Despite the strong data, Australian bond markets rallied strongly. Central banks continued to push the lower for longer theme and despite the stronger inflation data, investors are increasingly accepting that inflation is likely to be 'transitory'. In addition, the RBA's quantitative easing program (as described above) is still in place with bond purchases larger than current issuance. This creates an excess demand for bonds relative to current supply, thereby further depressing bond yields.

Offshore, the Fed left monetary policy unchanged at their June meeting. The summary of economic projections (or 'dot plots') reflected higher economic growth with an upward revision of 0.5% to 7% for 2021 and +0.2% to 2.4% for 2023. Reflecting the transitory nature of the near-term price pressures, PCE inflation is expected to be 3.4% for 2021 before slowing to 2.1% and 2.2% for 2022 and 2023.

US 10-year bond yields moved higher on the news, peaking at 1.63% early in the month before ending the month 13bps lower at 1.47%. The shorter part of the curve reflected the nearer rate hike expectations in the US with 2 and 5 year bond yields ending 11 and 9bps higher in yield at 0.25% and 0.89%.

Australian yields mirrored offshore moves with 10-year bonds trading in a 26bps range before ending the month 16bps lower at 1.50%. The short end of the curve underperformed, with the market casting some doubt on the timing around the RBA's lift off in terms of rate hikes.

Credit spreads performed well given the equity and bond market volatility in June. Supporting sentiment were lower bond yields, lower global death rates linked to COVID and the US $1.2 trillion bipartisan deal between the White House and US Senate on infrastructure spending. The Australian iTraxx index (Series 35 contract) traded in a tight 3bp range finishing the month 1bp narrower to +58bps. Semi-government bonds underperformed, widening 6bps to commonwealth government bonds.

The Australian bond market as measured by the AusBond Composite Index rose by 0.69% for the month of June.

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.

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