ADVANCE ASSET MANAGEMENT

ADVANCE AUSTRALIAN FIXED INTEREST MULTI-BLEND FUND

As at 30 November 2020

FUND OVERVIEW

	Wholesale	Retail
Inception date	30 June 2004	30 June 1994
APIR	ADV0084AU	ADV0029AU
Fund size (AUD millions)	$2,202.44	
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	1.75
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	0.21	1.76	4.01	5.35	4.69	5.40
Growth return	0.21	0.74	(1.40)	1.28	0.87	0.65
Distribution return	0.00	1.03	5.41	4.07	3.82	4.75
Benchmark return	(0.11)	1.25	3.04	5.33	4.69	5.80

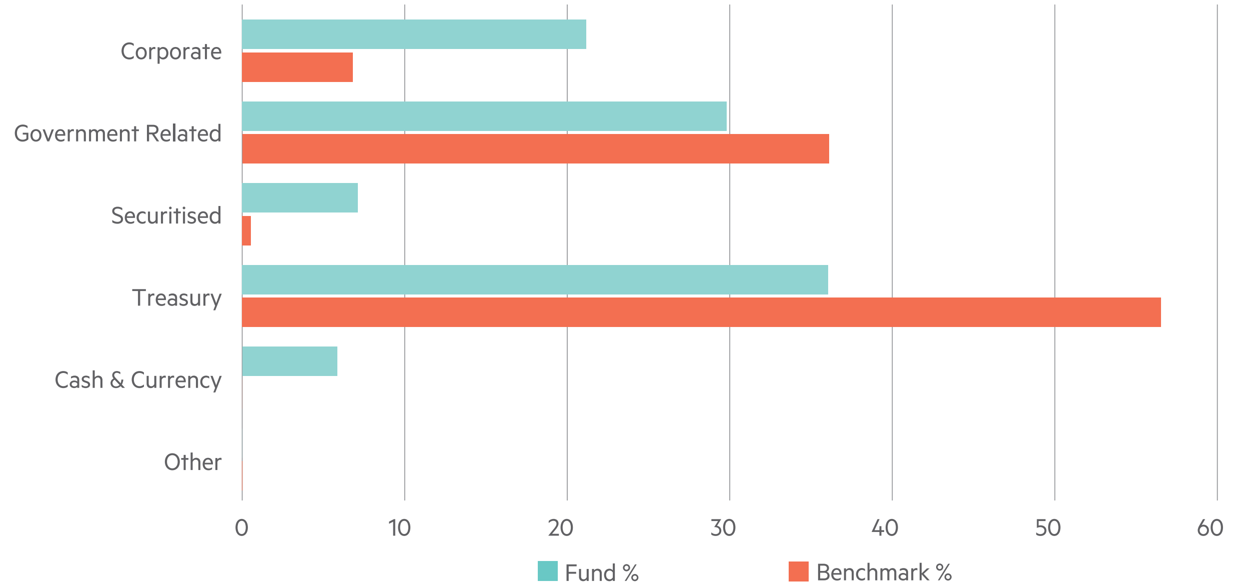
Benchmark: Bloomberg AusBond Composite 0+ Yr Index[SM]

TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of Australia	18.17	56.54
New South Wales Treasury Corp.	9.72	6.13
Treasury Corporation of Victoria	5.73	5.03
Australia and New Zealand Banking Group Limited	3.15	0.37
Queensland Treasury Corp.	3.03	7.84

Please refer to the end of this report for the footnotes

SECTOR ALLOCATIONS[3,4]



CREDIT QUALITY[3,4,5]

	Fund %	Benchmark %
AAA	47.07	77.58
AA	10.33	15.73
A	20.11	3.73
BBB	20.38	2.95
Sub Investment Grade	0.00	0.00
Not Rated	(3.72)	0.01
Cash & Derivatives	5.84	0.00

FUND CHARACTERISTICS[6]

	Portfolio	Benchmark
Effective Duration (Contribution)	6.32	6.08
Years to Maturity (Years)	9.32	6.90
Effective Yield (%)	1.05	0.65

Please refer to the end of this report for the footnotes

FUND UPDATE

The Advance Australian Fixed Interest Multi Blend Fund recorded positive absolute returns during the month of November. The Fund also strongly outperformed the benchmark on a relative basis with all managers outperforming the broader index.

The strong performance across credit instruments gave our underlying managers another boost in November's performance.

In Pendal's case, the physical portfolio performed strongly outperforming the benchmark. Pendal's government sector positioning performed well whilst the non-government portion of the portfolio had strong performance. Infrastructure, Industrials and Utilities sectors all recorded strong contributions.

Janus Henderson delivered strong relative returns over the month as credit spreads tightened across fixed interest sectors in November. Sector allocation in credit was a large contributor as the fund maintained a high allocation to recession-proof industries all of which perform well as risk assets continued to rally.

Similar themes were also expressed in AMP's portfolio whereby credit positioning benefited performance, reflecting the contributions from credit spread movements and the excess carry earned on credit securities held.

Interest rate management had minimal impact across the underlying managers as bond yields continued to trade in a narrow range.

Domestically the Reserve Bank of Australia (RBA) eased monetary policy further at their November meeting, cutting the cash rate, term funding facility and yield curve control to 0.10% and the rate paid on exchange settlement balances to zero. Additionally, the RBA also announced quantitative easing (QE) in the form of $100bn of bond purchases to be undertaken over the next 6 months, split 80/20 between Government bond purchases and Semi-Government purchases. The RBA stated that they will not increase the cash rate until actual (rather than forecast) inflation is sustainably within the 2 to 3% target range. This implies the front end of the curve is likely to remain anchored for some time.

Governor Lowe also conducted a Q&A session following the unprecedented decision. In the session he stated that there is little or no appetite to cut the cash rate further although it is something that would have to be considered if other major central banks (i.e., the Federal Reserve) went into negative territory. Any further monetary policy easing from the RBA is likely to occur via asset purchases.

Offshore, the Federal Reserve (the Fed) reiterated its forward guidance from September, stating that the fed funds rate will be held at 0.-0.25% until the economy is back to maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time, reflecting their move to average inflation targeting

It was a strong month for credit and equity markets in November. The main drivers behind this strength was positive COVID-19 vaccine results announced by a number of leading pharmaceutical companies (Pfizer/BioNTech, Moderna & AstraZeneca) with very high efficacy rates. The strong vaccine results outweigh the continued deterioration in US COVID19 cases. The Australian iTraxx index (Series 34 contract – a proxy for credit markets) traded in a 14bps range finishing the month 11bps tighter to +60bps. Physical credit spreads had the strongest month in over 6 years with the average credit spread narrowing 13bps. The best performing sectors were Real Estate, Infrastructure and Industrials, tightening 44bps, 43bps & 26bps respectively on the back of the positive vaccine news. The worst performing sectors were domestic Banks and Supranationals both only narrowing 6bps. Semi-government bonds tightened 2bps to Commonwealth government bonds.

In this positive risk on environment, Australian yields ended marginally higher on the month even as US yields drifted lower. Australian 10 year bond yields ended the month 8bps higher at 0.90%. US 10 year yields outperformed their global peers, ending the month 3bps lower at 0.84%.

The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, was down -0.11% over the month. Over the past year, the Australian bond market has returned 3.04%.

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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