

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 30 November 2021

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	\$1,241.28
Month end redemption unit price	\$0.9854
Investment objective	To provide returns of 2% pa after fees above the benchmark over the short to medium term.
Recommended investment timeframe	5 years
Minimum initial investment	\$5,000
Distribution frequency	Quarterly
Management costs (%) pa ¹	0.55
Buy/sell spread (%)	0.07 / 0.17

FUND PERFORMANCE²

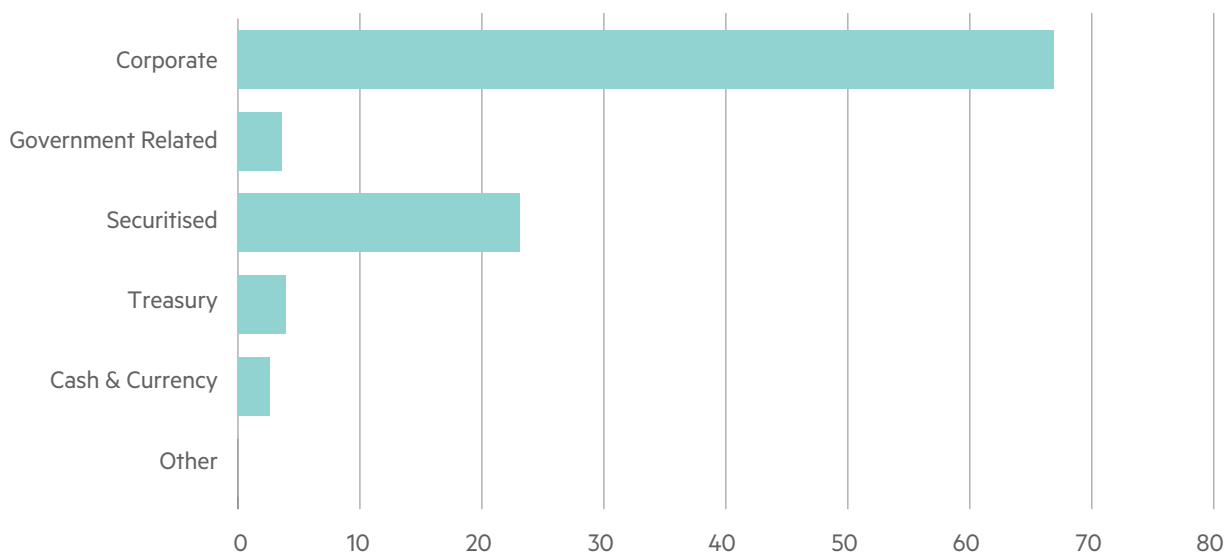
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(0.20)	(0.75)	0.19	1.61	1.64	2.19
Growth return	(0.20)	(0.75)	(3.12)	(0.41)	(0.80)	(0.16)
Distribution return	-	-	3.31	2.02	2.44	2.35
Benchmark return	0.01	0.01	0.02	0.68	1.14	1.78

Benchmark: Bloomberg AusBond Bank Bill IndexSM

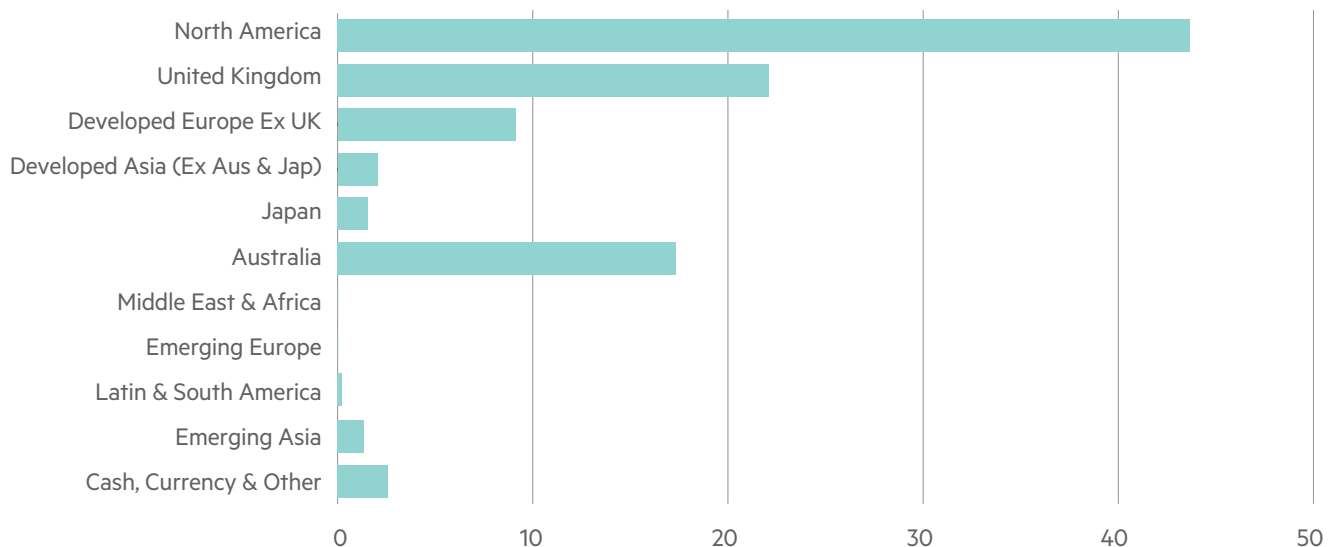
TOP 5 ISSUERS

	Fund (%)
Government of the United States of America	7.03
Ripon Mortgages Plc	2.15
Uniform Mortgage Backed Securities	1.46
Federal National Mortgage Association	1.42
Goldman Sachs Group, Inc.	1.32

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	15.02
AA	4.31
A	18.12
BBB	51.77
Sub Investment Grade	10.55
Not Rated	(2.36)
Cash & Derivatives	2.58

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	1.74	0.13
Years to Maturity (Years)	13.09	0.13
Effective Yield (%)	2.08	0.04

FUND UPDATE

The Advance Defensive Yield Multi Blend Fund underperformed the benchmark during the month of November. Performance was negative with all our underlying managers underperforming the benchmark.

Notwithstanding a small tailwind coming from the duration position as rates declined for intermediate maturities, underperformance was driven by wider credit spreads and, in particular, a wider swap spread curve which typically occurs during periods of higher risk aversion.

Fixed income spread sectors underperformed government bonds amid renewed market uncertainty. Sovereign bond yields declined in unison, and credit spreads widened as the detection of the COVID-19 variant Omicron added new concerns to the increasing inflationary strain.

US economic data released was largely positive. Non-farm payrolls posted gains, the unemployment rate dropped, and weekly jobless claims edged down steadily. Eurozone's composite PMI rose on improved service sector activity. In the UK, manufacturing PMI improved, while near-decade high energy prices stoked inflation. Robust export demand in China lifted industrial production. Japan's Q3 GDP contracted as supply disruptions and weak consumption weighed on growth. Canada's unemployment rate fell, though the number of jobs added was below estimates. In Australia, labour force participation recovered but unemployment rose.

Fed Chair Powell was nominated for a second term. Fed Chair comments and the FOMC meeting minutes alluded to a fast-tracked taper if inflation persists. The Bank of England voted to maintain rates on hold and kept the QE target unchanged. The Riksbank projected its first rate hike in Q2 of 2024. The RBA abandoned its bond-yield target. The Norges Bank anticipates a rate hike in December. The Reserve Bank of New Zealand disappointed with a 25bps rate hike relative to market expectations for a 50bps rate hike. All other major central banks kept their policy rates unchanged.

Most global sovereign yields declined across developed and emerging markets; a move accelerated by the discovery of the Omicron variant. Markets reassessed the likelihood of future rate hikes, even as inflation remained stronger than many had expected, particularly in the US and Europe. The US Treasury yield curve flattened after the initial yield increase from Fed's hawkish comments was offset by a subsequent drop stemming from the discovery of Omicron. European yields fell across the curve, impacted by news of rising virus cases, new potential lockdowns, and Chancellor Merkel's cautionary remarks. APAC rates also fell sharply, while EM yields ended mixed. The Bloomberg TIPS index returned 0.89% on a total return basis and the ten-year breakeven inflation rate decreased by 7bps to 2.51% during the month.

Global credit securities underperformed government bonds as spreads widened. Within the securitized sectors, agency mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities all underperformed duration-equivalent government bonds. Within emerging markets (EM), local markets debt underperformed external debt in USD terms. EM currency depreciation drove negative performance while EM rates movement had a muted impact in local markets.

FUND STRATEGY

The Fund invests in a diversified mix of fixed interest, cash and cash equivalent securities and instruments in both Australian and international markets, with an emphasis on liquidity and capital stability regardless of the overall direction of fixed interest and cash markets. The ability of the Fund's investment strategy to produce investment returns will be dependent on a number of factors including the asset allocation and investment selection skills of the investment managers, market conditions and specific risk factors. The Fund does not have specific diversification guidelines or limits. Although there are no geographical restrictions on where assets may be located, they will typically be located in Australia, Europe and the United States. The base currency of the Fund is Australian dollars however the assets of the Fund may be denominated in a variety of currencies.

There have been no material changes in the Fund's strategy this month.

FUND RISK PROFILE

3 Low – Medium. Low to medium risk of short-term loss. Likely to produce low to medium returns over the minimum suggested timeframe.

There have been no material changes in the Fund's risk profile this month.

KEY SERVICE PROVIDERS

The responsible entity of the Fund is Advance Asset Management Limited.

JP Morgan Chase Bank N.A. is the custodian and administrator of the Fund.

PwC is the external auditor of the financial statements of the Fund. In addition, an individual partner of PwC acts as the auditor of the Fund's Compliance Plan.

The underlying investment managers for the Fund are:

- > Kapstream Capital Pty Ltd
- > TwentyFour Asset Management (TwentyFour)
- > Trust Company of the West (TWC)

There have been no material changes in the Fund's key service providers this month.

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

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Advance is the responsible entity of the Advance Defensive Yield Multi-Blend Fund, ASRN 166 771 875 ('Fund'). A Product Disclosure Statement ('PDS') for Wholesale investors is available for the Fund and can be obtained by calling the Contact Centre on 1800 819 935, or visiting www.advance.com.au, the Retail Fund is closed to new investors. The Financial Services Guide ('FSG') for Advance can be obtained via www.advance.com.au. For the Target Market Determination for this product please refer to www.bt.com.au/tmd.

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