

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 31 August 2021

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$2,090.62	
Investment objective	To provide a source of income from international 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	0.55	1.30
Buy/sell spread (%)	0.10 / 0.20	0.00 / 0.00

FUND PERFORMANCE²

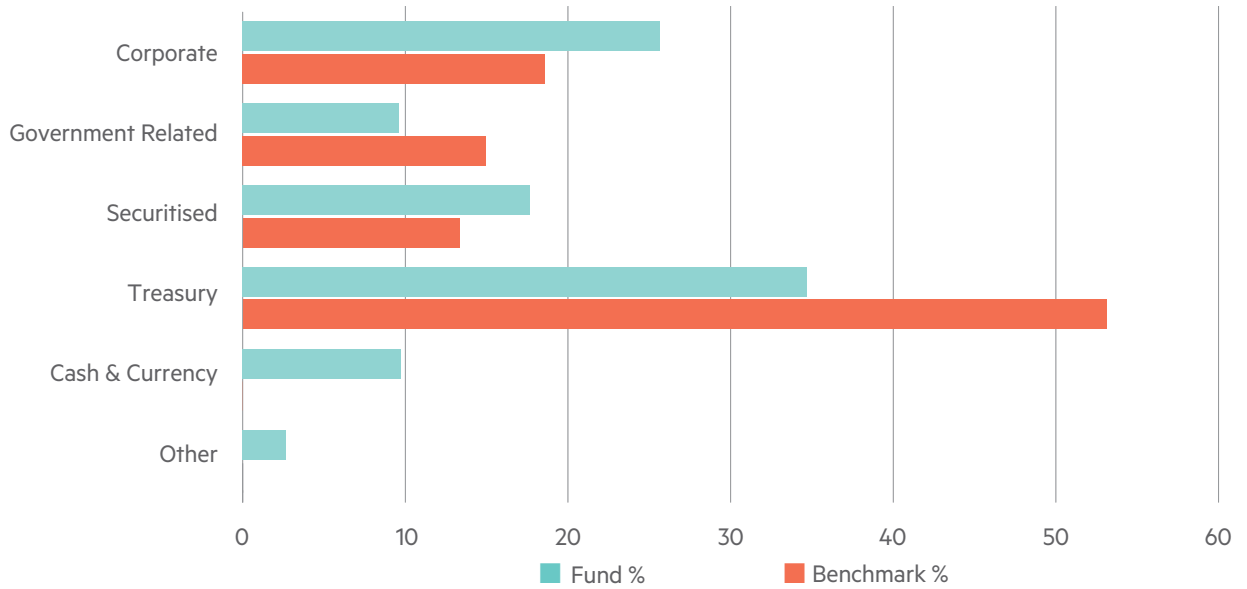
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(0.12)	1.34	1.57	4.41	3.05	6.50
Growth return	(0.12)	(5.42)	(5.45)	0.06	(1.43)	0.06
Distribution return	0.00	6.76	7.02	4.35	4.47	6.43
Benchmark return	(0.22)	1.53	0.55	4.28	2.93	6.56

Benchmark: Barclays Global Aggregate Bond Index (fully hedged) in Australian dollars

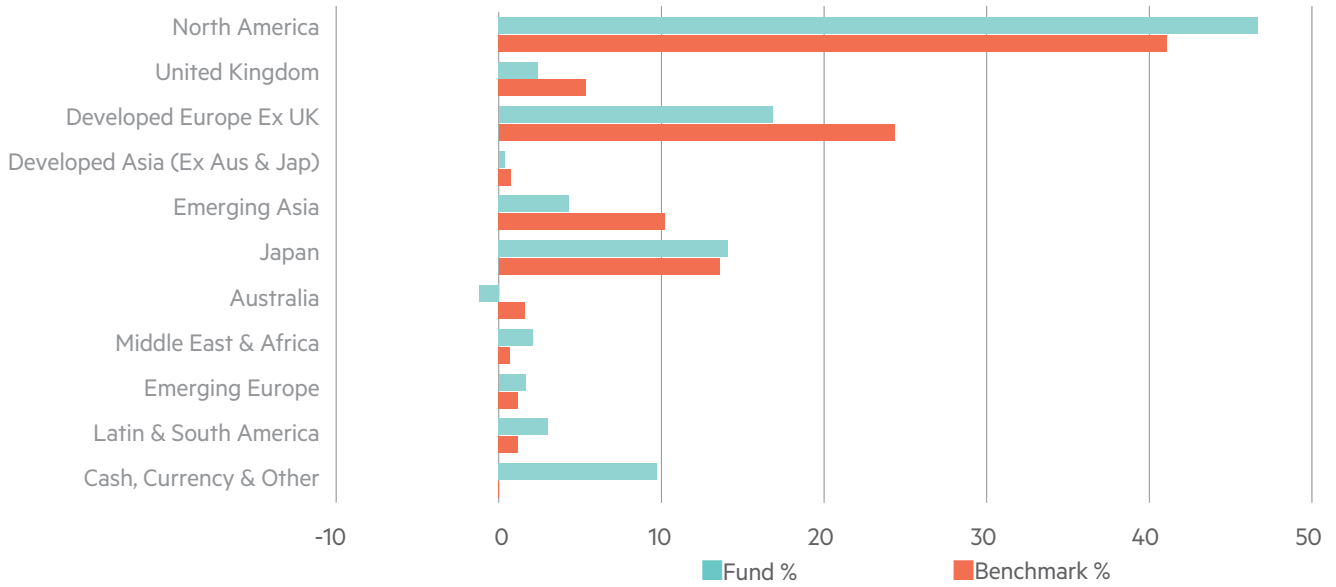
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of the United States of America	12.48	14.56
Government of Japan	12.45	12.51
Federal National Mortgage Association	6.14	0.16
Government of France	2.42	3.24
Government of United Kingdom	2.21	3.62

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)	Benchmark (%)
AAA	29.25	35.21
AA	12.35	15.84
A	25.02	29.57
BBB	26.84	18.91
Sub Investment Grade	6.73	0.47
Not Rated	(9.92)	-
Cash & Derivatives	9.73	-

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	6.77	7.49
Years to Maturity (Years)	12.21	11.12
Effective Yield (%)	1.00	0.95

FUND UPDATE

The Advance International Fixed Interest Multi Blend Fund outperformed the benchmark during the month. Manager performance was positive, with all underlying managers outperforming relative to the benchmark.

Western Asset Management was the strongest performing manager. The strategy benefitted from an active underweight duration coupled with a curve flattener position. In addition, the fund's allocation to hard currency emerging market and high yield credit allocations added to returns, as riskier assets were supported by the prospect of a patient Fed outlook.

All managers also benefited from an overall underweight duration position versus the benchmark. Coupled with positive contribution from credit spreads, most of our underlying managers delivered above benchmark returns.

The fragile risk appetite continued from July into August as softer economic data in the US and China, regulatory headwinds in China and geopolitical tensions in Afghanistan all weighed negatively on investor sentiment.

Fixed income sectors posted mixed results versus government bonds as sovereign yields drifted higher. Fading vaccine efficacy amid new COVID-19 restrictions and the lurking Delta variant reinforced global growth concerns. US economic data remained steady though consumer sentiment remains challenged fuelled by concerns over rising COVID-19 Delta variant cases.

Most developed market government bonds yields rose over the month, as markets responded to hawkish signals from various central banks. The Fed indicated that it is likely to taper asset purchases later this year, first through the minutes of the July FOMC meeting, and then in Chair Jerome Powell's speech at Jackson Hole. While several Fed officials have advocated an earlier and faster taper, Powell's comments are consistent with an announcement coming in November or December rather than September as he warned of the risks of prematurely tightening policy.

In Europe, core and peripheral European government bond yields rose as statements from various ECB officials paved the way for a slowing of asset purchases. The underlying tone, however, remains one of which major central banks are reassessing their asset tapering plans while still maintaining accommodative policy overall.

On credit markets, spread sectors outperformed, led by high-yield corporate and hard currency emerging market bonds, which were buoyed by the prospect of a patient Fed and the view that the economic recovery will continue, even if at a slower pace in the near-term. Global investment-grade corporate spreads continued to trade within very small ranges with excess returns largely flat over the month. Within the securitized sectors, commercial mortgage-backed securities and asset-backed securities outperformed, while agency mortgage-backed securities underperformed duration-equivalent government bonds, respectively.

The US dollar posted mixed returns, strengthening at the beginning of the month, in-line with the risk-off environment but losing ground towards month-end.

The Bloomberg Barclays Global Aggregate Bond Index returned a negative -0.22% over the month, bringing the one-year performance to 0.55%.

- 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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