

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 31 July 2021

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$2,198.88	
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

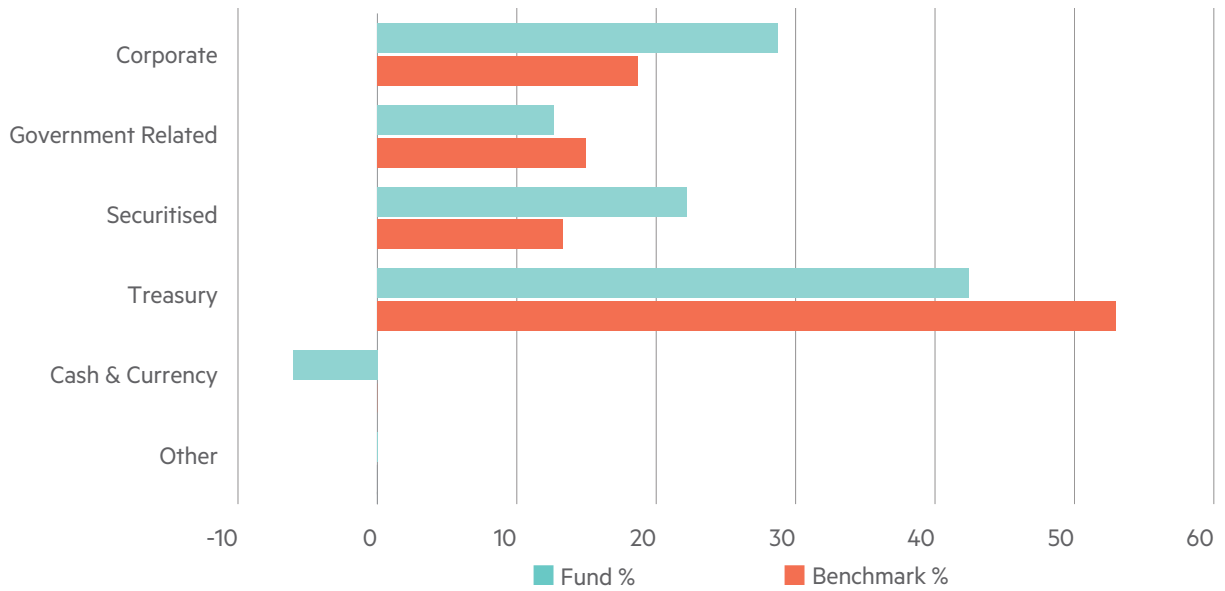
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	1.04	1.70	1.41	4.37	3.12	6.53
Growth return	1.04	(5.09)	(5.60)	0.02	(1.36)	0.07
Distribution return	–	6.79	7.01	4.35	4.48	6.46
Benchmark return	1.25	1.96	0.05	4.46	2.99	6.60

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

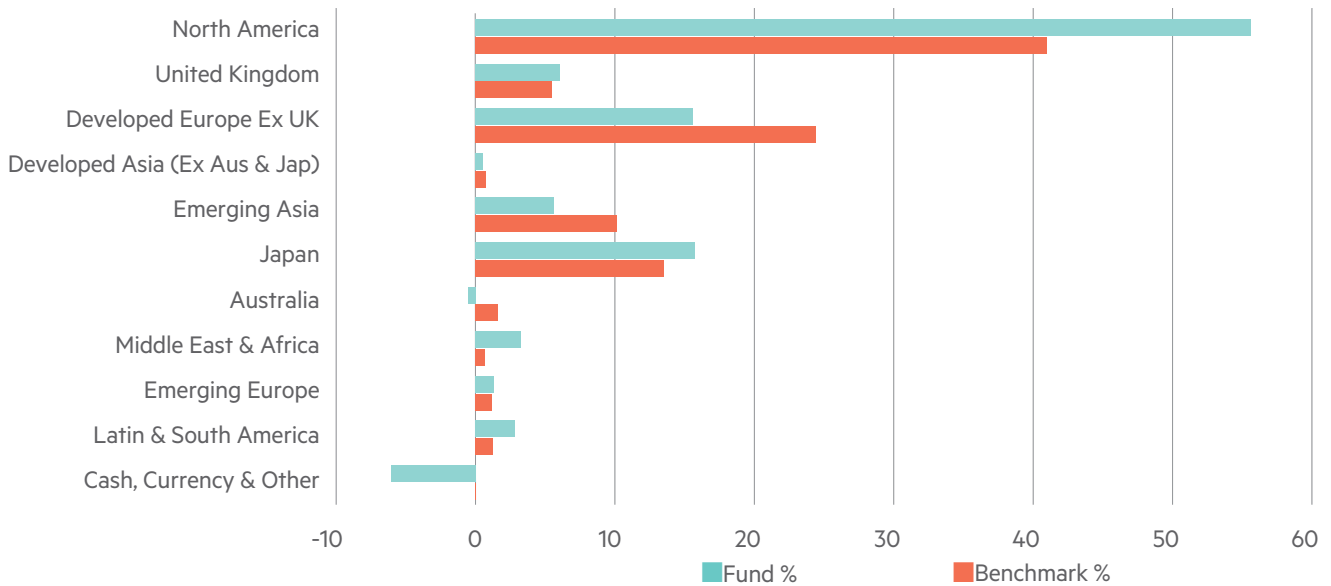
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of Japan	13.82	12.42
Government of the United States of America	12.68	14.42
Federal National Mortgage Association	8.22	0.16
Government of China	2.62	3.35
Government of France	2.06	3.22

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)	Benchmark (%)
AAA	33.63	35.14
AA	10.47	15.89
A	29.80	29.45
BBB	23.11	18.94
Sub Investment Grade	7.19	0.58
Not Rated	1.85	0.00
Cash & Derivatives	(6.05)	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	7.18	7.49
Years to Maturity (Years)	12.57	11.14
Effective Yield (%)	1.25	0.89

FUND UPDATE

The Advance International Fixed Interest Multi Blend Fund underperformed the benchmark during the month of July. Manager performance was modestly negative over the month as the portfolio was marginally down versus the benchmark.

Compositionally, security selection and asset allocation were the largest drag on relative performance with rates positioning modestly detracting and currencies flat on the month. Hard currency emerging market bond exposures was a sector to call out as the asset class underperformed due to an increase in infections across several countries with low vaccination rates and market reassessment of the global growth outlook. Investment grade and high yield credit allocations also detracted.

Global government bond yields fell during July, as fears over the COVID-19 Delta variant continued to weigh on investor sentiment. Signs of weakness in US and Chinese data also dampened global growth optimism. Most fixed income sectors underperformed treasuries as interest rates rallied and credit spreads widened.

European government bonds rallied strongly following the outcome of the ECB's strategic review, which saw it adopt a symmetric 2% medium-term inflation target, an increase from the previous target of "below, but close to, 2%". At its subsequent policy-setting meeting, the ECB strengthened its forward guidance not to raise rates until it sees inflation at 2% "well ahead of the end of its projection horizon".

In the US, economic data releases were largely positive. Consumers remained upbeat about near-term expectations with personal income and spending both beating forecasts. Housing market activity slowed amid record high prices, supply shortages, and uncertain builder costs. Breakeven inflation expectations also rose over the month as strong CPI data for June beat expectations. Despite acknowledging that progress had been made towards policy targets, Fed Chair Jerome Powell continued to downplay the threat of higher inflation and indicated that there was still a long way to go before these key policy targets are met. This helped to push US Treasury yields lower.

Many major central banks announced asset tapering while maintaining accommodative policy overall. The FOMC acknowledged recent improvements in the economy, however did not provide a concrete timeline for tapering. The RBA announced a quantitative easing taper. The ECB adopted a symmetric 2% inflation target, as aforementioned. All other major central banks kept their policy rates unchanged.

Most global sovereign yields declined amid growing concerns about the Delta variant and continued reassurance of accommodative policies from central bank officials. Markets pushed back timing of future Fed rate hikes even after higher-than-expected June US CPI print. Yields ended lower across the dollar bloc (AUD, NZD, CAD) as the wave of risk aversion overwhelmed asset tapering announcements from their respective central banks.

Global credit bonds underperformed duration-equivalent government bonds as credit spreads widened over July. Within the securitised sectors, commercial MBS and ABS underperformed, while agency MBS outperformed duration-equivalent government bonds, respectively. Within emerging markets, local market debt underperformed external debt in USD terms.

The Bloomberg Barclays Global Aggregate Bond Index returned a positive 1.25% over the month, bringing the one-year performance to 0.05%.

- 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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