

# ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 30 September 2022

## FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,717.45	
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 <sup>1</sup>	0.55	1.30
Buy/sell spread (%)	0.10 / 0.10	0.00 / 0.00

## FUND PERFORMANCE<sup>2</sup>

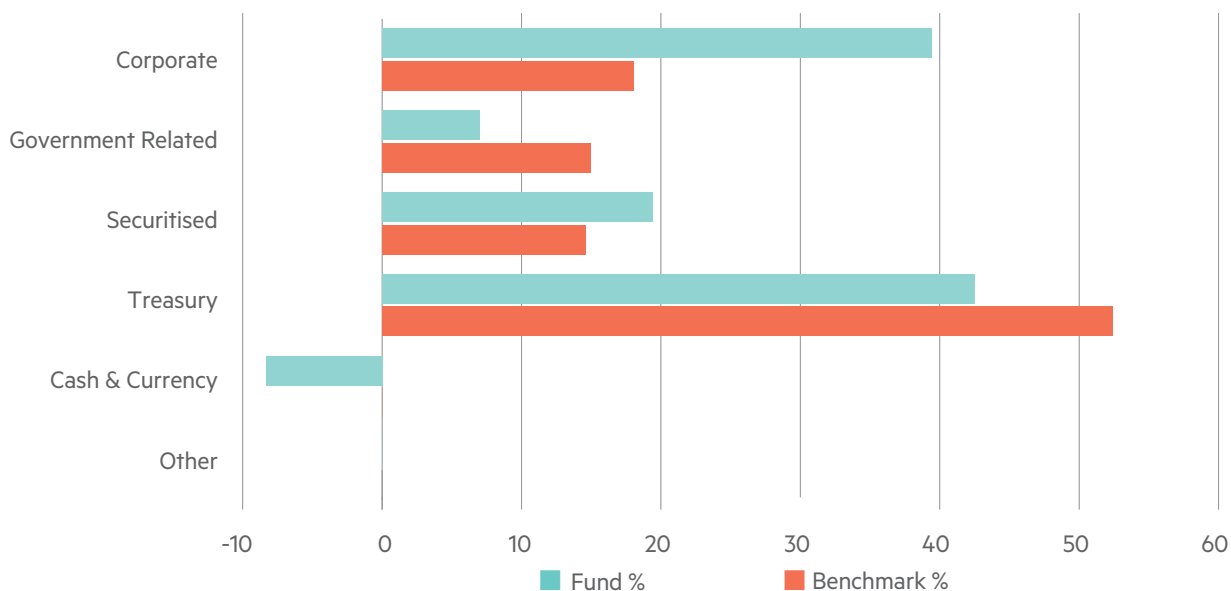
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(3.70)	(3.74)	(13.07)	(3.44)	(0.24)	5.43
Growth return	(3.70)	(3.74)	(13.07)	(7.33)	(3.79)	(0.63)
Distribution return	-	-	-	3.89	3.55	6.06
Benchmark return <sup>~</sup>	(3.50)	(3.78)	(12.81)	(3.63)	(0.17)	5.51

<sup>~</sup> Benchmark: Barclays Global Aggregate Bond Index (fully hedged) in Australian dollars

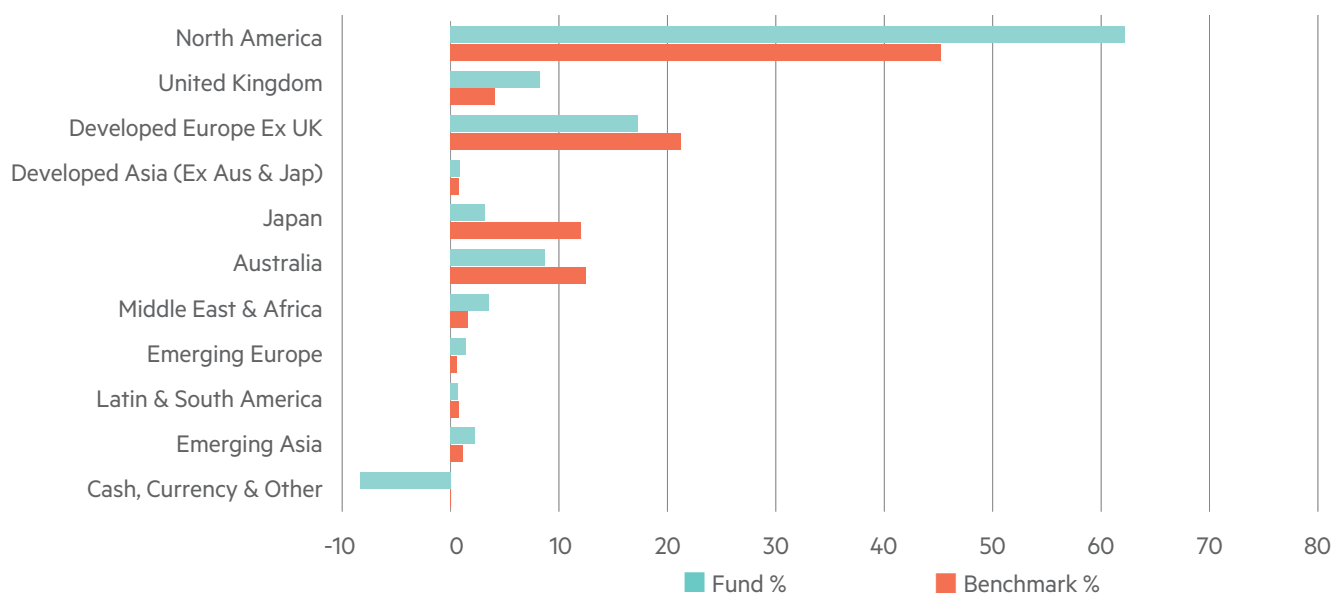
## TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of the United States of America	15.64	17.27
Government of Japan	10.44	11.46
Federal National Mortgage Association	7.07	0.14
Federal Home Loan Mortgage Corp.	3.39	0.14
Government of Germany	3.24	2.08

### SECTOR ALLOCATIONS<sup>3,4</sup>



### REGIONAL ALLOCATIONS<sup>3,4</sup>



### CREDIT QUALITY<sup>3,4,5</sup>

	Fund (%)	Benchmark (%)
AAA	41.44	39.57
AA	10.91	13.72
A	22.32	30.67
BBB	20.34	15.66
Sub Investment Grade	3.91	0.33
Not Rated	9.41	0.05
Cash & Derivatives	(8.33)	0.00

## FUND CHARACTERISTICS<sup>6</sup>

	Portfolio	Benchmark
Effective Duration (Contribution)	7.13	6.67
Years to Maturity (Years)	10.28	10.47
Effective Yield (%)	5.22	4.29

## FUND UPDATE

The Advance International Fixed Interest Multi Blend Fund underperformed the benchmark by 20bps during the month of September.

Relative manager performance was mixed over the month with Standish and Wellington outperforming the benchmark, whilst PIMCO and WAM detracted.

Standish outperformed the benchmark, with a majority of the alpha attributed to active yield curve and duration positioning in developed markets. More specifically, the strategy benefitted significantly from underweights in the US, the UK and the European government bond markets.

PIMCO delivered a slight negative excess return with Euro Bloc rates positioning and modest long exposures to developed market currencies offsetting the positive contributions from underweight US and UK durations.

Wellington outperformed the benchmark over the month, with its duration strategies contributing. Currency and yield curve strategies were negative, while country strategies were neutral.

Western underperformed the benchmark over the month. While overweight positions in US, UK and Australian duration detracted from returns, a flatter US yield curve was additive. Overweights to EM government bonds and to corporate bonds detracted. Currency positioning also detracted as the US dollar strengthened.

It was another volatile month in September across fixed-income markets and global bond yields continued to rise. Global central banks continued fight against inflation led markets to raise policy rate forecasts. Lower energy prices and a moderation of future inflation expectations did little to assuage macroeconomic uncertainty amid growing recession concerns.

Persistent inflation and tighter monetary policies resulted in negative returns across most global sovereign markets. Central banks across most developed markets reinforced their hawkish intentions and expressed a willingness to keep policy in restrictive territory, even in the face of slower growth and weaker labour markets. In Europe, the European Central Bank (ECB) also raised rates by 75bp. Inflation in the eurozone increased by 9.1%, year over year. ECB President Christine Lagarde noted that central bank would need to keep hiking rates over several meetings to get inflation back under control.

The Bank of England (BoE) hiked the Bank Rate by 50 bps to 2.25% and confirmed a plan to begin quantitative tightening. Liz Truss was announced the new UK Prime Minister. The new UK Chancellor of the Exchequer, Kwasi Kwarteng, announced an expansive package of fiscal measures that triggered an unprecedented rise in UK gilt yields. The speed and magnitude of the selloff forced the BoE to act on financial stability grounds with operations to purchase long-dated UK gilts. Additionally, BoE reduced its forecast of peak inflation from over 13% to just below 11% largely because of the government's energy price cap.

In the US, the Federal Reserve (Fed) increased rates by another 75bp. Inflation for August declined, but by less than expectations, to 8.3% year over year. Recognising the third successive rate increase posed risks to growth, Fed Chairman Jerome Powell said rate hikes are "not as painful as failing to restore price stability." Powell also warned that it would be some time before tighter policy would have any clear impact on inflation. He continued to stress the need to act "forthrightly" to bring down inflation to the 2% goal and cautioned against prematurely loosening policy. The US dollar rallied strongly to its highest level in the last two decades, as it became increasingly clear that the Fed will likely tighten policy more aggressively to counter persistently high inflation. Bond yields continued surging higher over the month. In the US, 2-year and 10-year bond yields ended the month 79 and 64 bps higher in yield at 4.28% and 3.83% respectively.

Volatility also swept across credit spread sectors over the month. Risk appetite remained fragile and spreads on corporate bond widened. Corporate bonds were again in negative territory and led the decline, falling 5.26%, while agency MBS lost 5.05% and posted the worst monthly excess returns on record, trailing duration-matched Treasuries by 191 bps. CMBS fell a more modest 3.11%, while ABS fared slightly better, falling just over 1% and was the only sector to post a positive excess return versus Treasuries.

The Bloomberg Barclays Global Aggregate Bond Index returned a negative -3.50% over the month, bringing the one-year performance to -12.81%.

- 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](http://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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