ADVANCE
ASSET MANAGEMENT

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 31 October 2022

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	$1,642.82	
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 / 0.10	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	(0.14)	(6.37)	(12.82)	(3.43)	(0.39)	5.40
Growth return	(0.14)	(6.37)	(12.82)	(7.32)	(3.94)	(0.63)
Distribution return	-	-	(0.00)	3.89	3.55	6.03
Benchmark return~	(0.38)	(6.48)	(12.91)	(3.66)	(0.34)	5.46

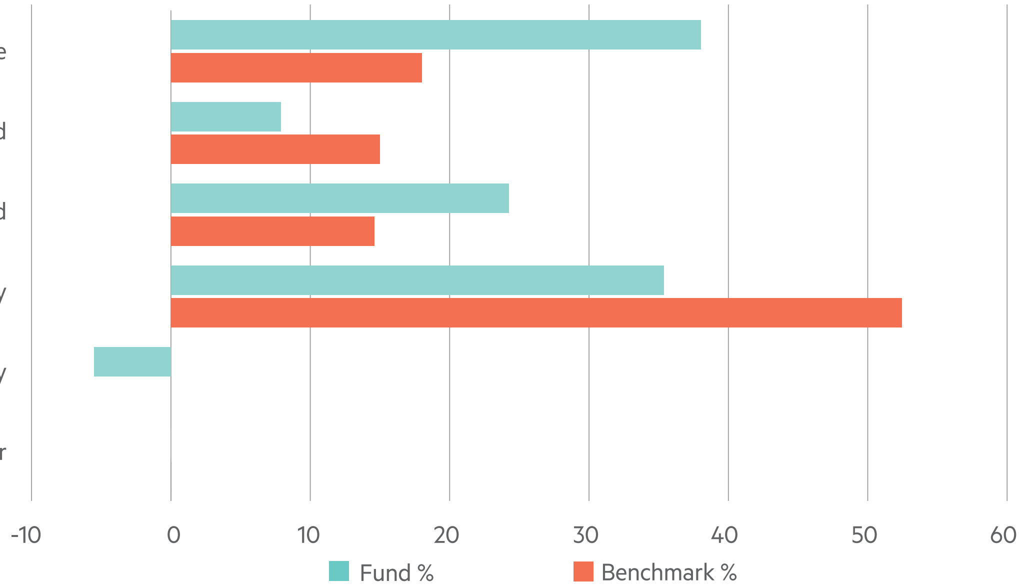
~ Benchmark: Barclays Global Aggregate Bond Index (fully hedged) in Australian dollars

TOP 5 ISSUERS

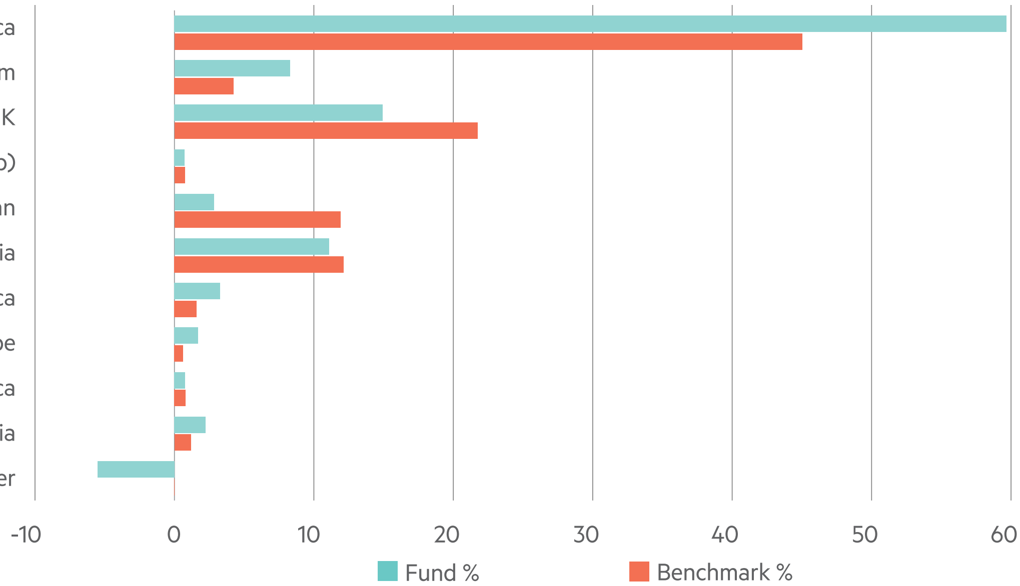
	Fund (%)	Benchmark (%)
Government of the United States of America	12.45	17.26
Government of Japan	12.32	11.11
Federal National Mortgage Association	9.65	0.13
Federal Home Loan Mortgage Corp.	2.54	0.13
Government of United Kingdom	1.95	2.78

Please refer to the end of this report for the footnotes

SECTOR ALLOCATIONS[3,4]



REGIONAL ALLOCATIONS[3,4]



CREDIT QUALITY[3,4,5]

	Fund %	Benchmark %
AAA	39.40	39.65
AA	8.68	13.94
A	26.52	30.36
BBB	19.91	15.72
Sub Investment Grade	3.81	0.33
Not Rated	7.18	0.00
Cash & Derivatives	(5.50)	0.00

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FUND CHARACTERISTICS[6]

	Portfolio	Benchmark
Effective Duration (Contribution)	6.50	6.65
Years to Maturity (Years)	10.78	10.43
Effective Yield (%)	4.91	4.13

FUND UPDATE

The Advance International Fixed Interest Multi Blend Fund outperformed the benchmark during the month of October.

Relative manager performance was positive over the month, with all the four managers, Standish, Wellington, PIMCO and WAM, outperforming the benchmark.

Standish outperformed the benchmark, with most of the alpha attributed to active positioning within the developed market rates space. The strategy's active positioning within local emerging markets was another driver of positive performance with underweights in Central Eastern Europe and overweights in South Africa both performing well.

PIMCO delivered a positive excess return with the contributors being underweight US durations (as rates rose) and the positioning within European rates. The key detractors however were underweight positions in non-financial investment grade corporates as spreads tightened.

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

Western outperformed the benchmark over the month as well. While overweights to UK duration, hard currency EM government bonds, and corporate bonds contributed, a steeper US yield curve detracted.

It was another volatile month in October with mixed government bond markets, which generally weakened against an ongoing backdrop of inflation and increased monetary tightening. Policymakers continue to assess the trade-off between reducing inflation and maintaining economic growth. Global government bond yields traded over a wide range during the month and posted mixed returns.

Major central banks continued to raise rates. In Europe, the European Central Bank (ECB) increased interest rates by 75bp as had been widely expected, taking the refinancing and deposit facility rates to the highest rates since 2009. The hikes accompanied warnings of further increases to come, as inflation remained "far too high," reflecting continued increasing inflation in the broad eurozone. The Bank of Canada (BoC) raised their overnight rate by a less than expected 0.50% to 3.75%. BoC Governor Macklin noted that 'this tightening phase will draw to a close. We are getting closer, but we aren't there yet'.

In the United Kingdom, the new Chancellor reversed the tax cuts plan of his predecessor, which helped settle gilt markets and propel a market recovery as yields fell sharply. The Bank of England (BoE) announced that they would be intervening in the gilt market. The BoE stated that the move was necessary as 'the prospect of self-reinforcing 'fire sale' dynamics pose a material risk to UK financial stability' and was driven by feedback that the need to liability driven investment funds to deleverage would accelerate and greatly exaggerate instability. The BoE also confirmed that Quantitative Tightening (balance sheet reduction) would begin at the end of October. There had been some speculation that bond sales may have been delayed given the market turmoil.

In the US, strong labour and inflation data, and hawkish rhetoric from several Federal Open Market Committee (FOMC) members at the beginning of the month together pushed terminal policy rate expectations and US Treasury yields higher. US economic data was mixed. Recession worries and continued inflation pressure weighted on consumer confidence. The inflation data continues to exceed expectations and led to the market pricing in up to a further 1.5% increase in the Fed Funds rate prior to the end of the year. Headline and Core inflation both exceeded expectations by 0.2% at 0.4% and 0.6% respectively, taking the annual rate to 8.2% and 6.6%. The core rate rose to the highest level since 1982. Bond yields continued surging higher over the month. In the US, 2-year and 10-year bond yields ended the month 20 and 22 bps higher in yield at 4.48% and 4.05% respectively.

After trading near year-to-date wides in October, corporate credit improved near the end of the month on the solid US GDP print and hopes for a more dovish central bank calendar. While higher rates resulted in a negative 2.8% return for the sector, yields climbed 24 bps to end the month at a decade high of 5.81%. Within the securitized sectors, agency mortgage-backed securities continued to struggle, but performed the best, falling 1.4% but lagging Treasuries by only 29 bps. Asset-backed securities and commercial mortgage-backed securities underperformed duration-equivalent government bonds, trailing Treasuries by 72 bps and over 100 bps, respectively.

The Bloomberg Barclays Global Aggregate Bond Index returned a negative -0.38% over the month, bringing the one-year performance to -12.91%.

Please refer to the end of this report for the footnotes

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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