

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 30 November 2022

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,562.74	
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 PERFORMANCE²

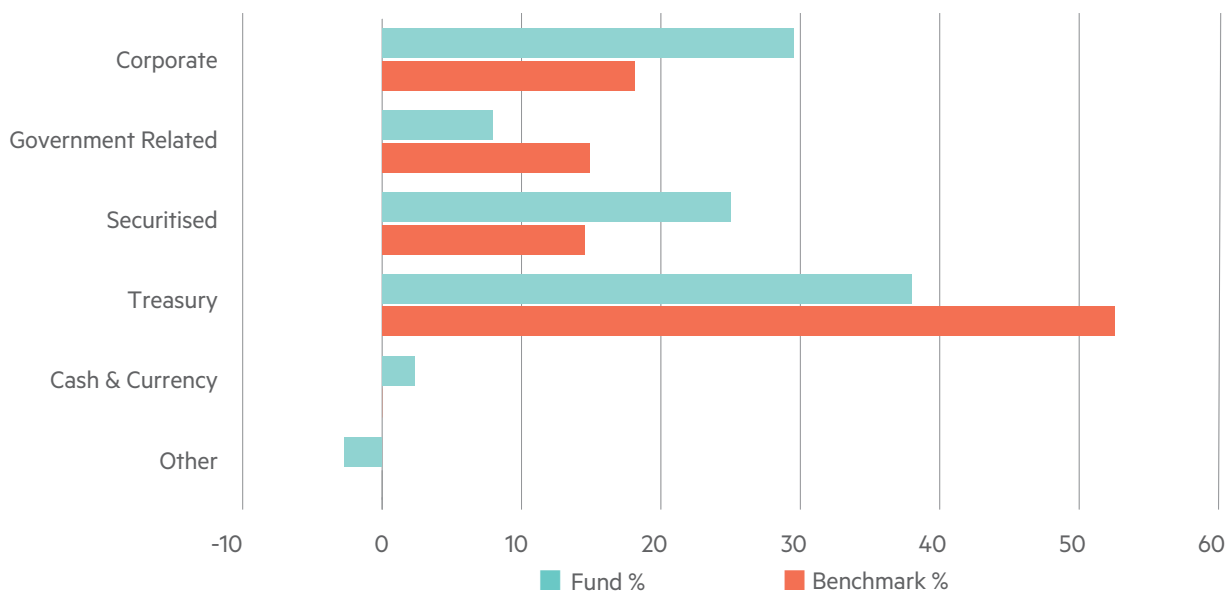
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	2.71	(1.23)	(10.66)	(2.45)	0.12	5.51
Growth return	2.71	(1.23)	(10.66)	(6.38)	(3.45)	(0.51)
Distribution return	-	-	0.00	3.93	3.57	6.02
Benchmark return [~]	2.37	(1.59)	(11.51)	(2.84)	0.09	5.56

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

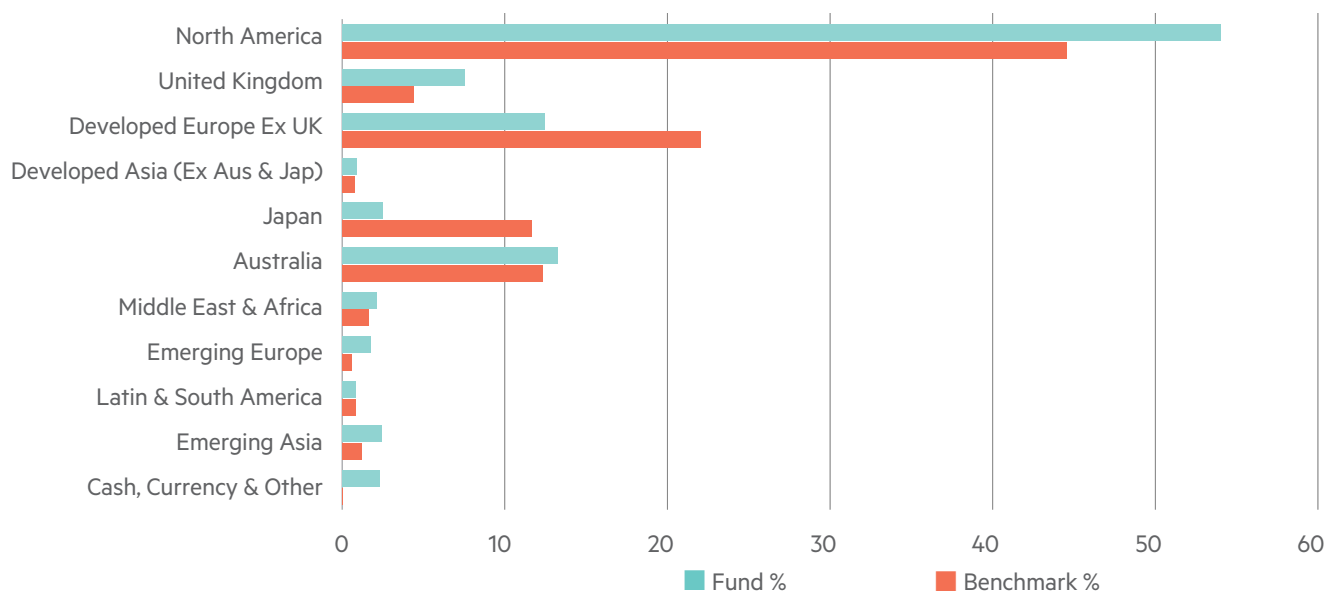
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of Japan	14.78	11.30
Government of the United States of America	11.65	16.94
Federal National Mortgage Association	10.26	0.13
Federal Home Loan Mortgage Corporation	2.63	0.12
Government of Germany	1.54	2.23

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund %	Benchmark %
AAA	39.14	39.35
AA	8.53	14.19
A	28.03	30.36
BBB	17.99	15.76
Sub Investment Grade	3.73	0.35
Not Rated	0.27	0.00
Cash & Derivatives	2.30	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	5.85	6.75
Years to Maturity (Years)	10.87	10.54
Effective Yield (%)	4.02	3.64

FUND UPDATE

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

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 the active positioning in local emerging markets bonds and the overweight to credit beta in spread sectors. The strategy's underweight to UK duration was the single most significant source of negative alpha on the period.

PIMCO delivered a positive excess return with the contributors being the modest overweight exposure to emerging market external debt, as spreads tightened, and the detractors being the underweight exposure to non-financial investment grade credit.

Wellington slightly outperformed the benchmark over the month, with its macro strategies and currency and yield curve strategies contributed. Duration and country strategies were negative.

Western outperformed the benchmark over the month as well. While overweights to US & UK duration, local & hard currency EM government bonds, as well as corporate bonds contributed, the US yield-curve positioning detracted modestly.

There was a pronounced shift in sentiment in November. While inflation remained at the forefront of policymakers' and investors' minds, weakening inflation indicators, global growth concerns and the prospect of future policy rate cuts led to a more balanced and supportive macroeconomic backdrop for fixed income market. Weaker-than-expected October Consumer Price Index (CPI) inflation data in the US acted as a catalyst for a sharp rally in global fixed-income markets.

Most global sovereign yields declined on signs of easing inflation across major economies. In the UK, the Bank of England (BoE) hiked the Bank Rate by 75 bps to 3.00% and began its scheduled sale of UK gilt holdings, while the Chancellor of the Exchequer, Jeremy Hunt, unveiled the full autumn budget, which saw a fiscal consolidation of £55 billion.

In Europe, the initial estimate for eurozone headline inflation fell back to 10% in November, a greater decline than expected. Consumer confidence in the eurozone improved notably in November, reflecting a similar solid improvement in the ZEW Economic Sentiment Index in a much better outcome than had been anticipated by the market. Eurozone yields dropped following below-consensus CPI data, despite hawkish rhetoric by the European Central Bank policymakers and an anticipated rate hike in December.

In the US, the Federal Reserve (Fed) increased the Federal Funds rate to 3.75%-4%, the highest level since 2008. The raise was the sixth successive rate hike and the fourth consecutive increase of 75bp. As the move had largely been expected by the market, much attention was focused on the accompanying statement which warned that rates would likely need to rise further and that they might peak at a higher level than currently expected. The Federal Open Market Committee (FOMC) meeting minutes indicated a growing consensus around the need to slow the pace of policy rate hikes, a view emphasized by Fed Chair Jerome Powell in a speech at the end of the month.

Headline inflation declined for the fourth successive month, reaching 7.7% in October, while the expectations were at or above 8%. Manufacturing data fell once more. Consumer confidence data also declined given an environment of rising borrowing costs, declining asset values and weakening labour market expectations, in addition to the ongoing influence of inflation. The US 10-year and 2-year yields fell 44 bps and 17 bps to 3.61% and 4.31% respectively.

Global credit bonds outperformed duration-equivalent government bonds as spreads tightened. The decline in yields for the month drove positive total returns across the spectrum, with the Bloomberg US Aggregate Index up 3.7%. Corporate credit led with a return over 5%, outpacing duration-matched Treasuries by over 210 bps. Within the securitized sectors, securitized sectors were led by agency MBS, up 4% and outpacing Treasuries by 135 bps, while CMBS gained 2.6%. ABS was up a more modest 1%, but trailed Treasuries by 8 bps, weighed down by auto receivables.

The Bloomberg Barclays Global Aggregate Bond Index returned a positive 2.37% over the month, bringing the one-year performance to -11.51%.

- 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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