

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 31 January 2023

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,580.58	
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

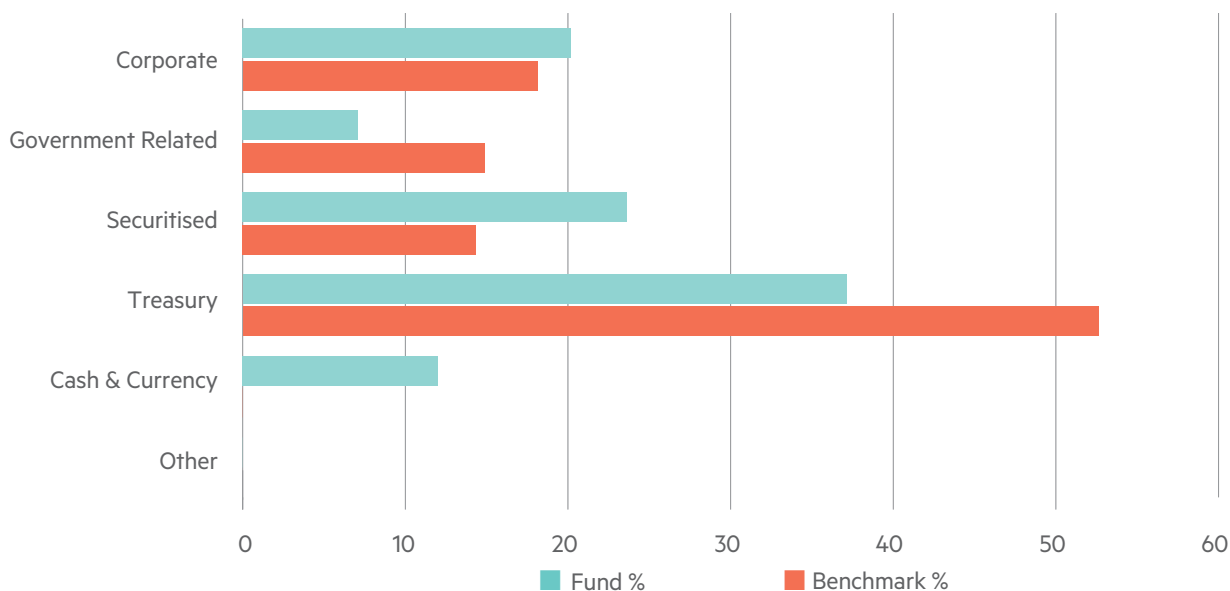
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	2.26	3.89	(8.38)	(2.63)	0.35	5.52
Growth return	2.26	3.89	(8.38)	(6.23)	(3.03)	(0.45)
Distribution return	-	-	-	3.60	3.38	5.97
Benchmark return [~]	2.10	3.15	(8.94)	(3.08)	0.34	5.55

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

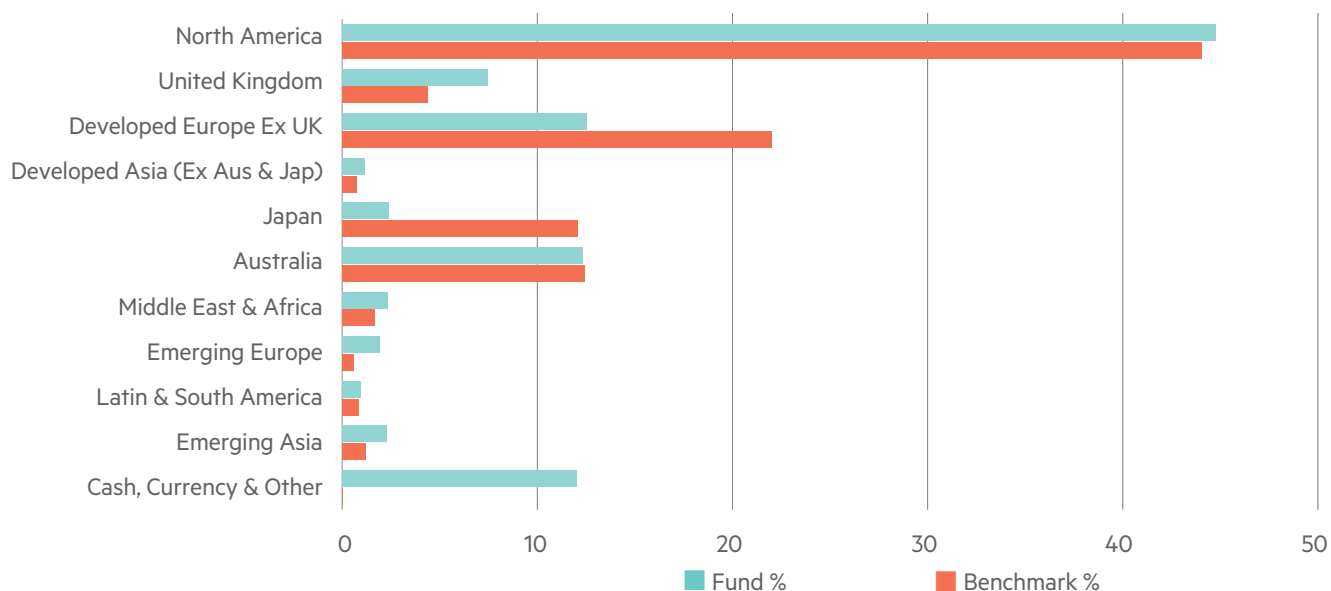
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of the United States of America	14.21	16.73
Government of Japan	13.50	11.41
Federal National Mortgage Association	9.66	0.12
Federal Home Loan Mortgage Corp.	2.94	0.11
Government of Germany	1.93	2.21

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund %	Benchmark %
AAA	40.83	38.85
AA	8.89	14.23
A	26.38	30.79
BBB	16.37	15.78
Sub Investment Grade	3.78	0.36
Not Rated	(8.25)	0.00
Cash & Derivatives	11.99	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	5.22	6.74
Years to Maturity (Years)	10.17	10.48
Effective Yield (%)	3.36	3.46

FUND UPDATE

The Advance International Fixed Interest Multi Blend Fund outperformed the benchmark by 16bps during the month of January.

Relative manager performance was positive over the month, with WAM, PIMCO and Standish all outperforming the benchmark, whilst Wellington delivered negative excess return.

Standish outperformed the benchmark marginally, with most of the alpha attributable to active positioning in Emerging Market local rates, US Agency Mortgages and corporate credit markets. Active positioning in developed market rates and European sovereign debt markets detracted.

PIMCO delivered positive excess returns with the contributors being a long exposure to securitized credit and an overweight exposure to financial corporates as spreads tightened. An overweight exposure to inflation linked securities and an overweight exposure to covered bonds detracted as inflation expectations eased.

Wellington underperformed the benchmark over the month. While the currency strategy contributed, duration and country strategies were negative detractors.

Western outperformed the benchmark over the month. An overweight duration in the US, core European and UK contributed strongly as yields fall. Overweights in investment-grade and high-yield corporate bonds also added to returns.

Government bonds strengthened as yields declined in most major markets in January. Most larger central banks did not hold rate-setting meetings during the month, resulting in no changes to interest rate policy. Inflation, which remained the primary concern of most central banks, generally fell back slightly, though markets continued to anticipate more interest rate increases despite the fragile global economic outlook. Warmer weather in Europe, lower natural gas prices, and China's reopening added to the optimism.

In Europe, headline eurozone inflation fell back more than expected in January, declining to 9.2% from 10.1%, but core inflation continued to increase. There was no rate-setting meeting of the European Central Bank (ECB) in January but ECB policymakers continued with hawkish rhetoric, calling for rate increases to be continued and for some time. Minutes from the December meeting showed some members called for a third successive 75bp increase, but the consensus agreed on 50bp. In the UK, the Bank of England (BoE) noted that labour market indicators were loosening, and data indicated sluggish economic activity.

In the US, continued hawkish rhetoric emanating from the Federal Reserve (Fed) led the market to anticipate another, albeit smaller, rate hike in early February. Inflation continued to decline and initial data for GDP growth for Q4 2022 was a little better than had been expected at 2.9%, but still weaker than in Q3. Forward-looking indicators of economic activity seemed to confirm a softer tone, suggesting that the effects of higher interest rates is being reflected in the real economy.

In Federal Open Market Committee's (FOMC) meeting minutes released earlier in the month, the Fed reiterated their resolve to bring down inflation. The Fed commented that the move from 75 to 50 basis points "was not an indication of any weakening of the committee's resolve to achieve its price-stability goal". Fed officials' median projections for the appropriate path of interest rates also revealed that none of the Fed officials expect that it will be appropriate to cut interest rates in 2023. This is at odds with market pricing. The US 10-year and 2-year yields decreased by 37 bps and 22 bps to 3.51% and 4.2% respectively.

Global credit bonds outperformed in January as spreads tightened, with all sectors outpacing treasuries on a duration-equivalent basis. Corporate credit posted a strong month, led by the high yield cohort with 218 bps of positive excess returns, while investment grade corporates bested duration-matched Treasuries by 120 bps. Securitized sectors were also positive, led by agency MBS given a reduction in rate volatility, followed by CMBS and ABS.

The Bloomberg Barclays Global Aggregate Bond Index returned a positive 2.10% over the month, bringing the one-year performance to -8.94%.

- 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.

Advance Asset Management, GPO Box B87, Perth WA 6838

Customer Relations 1800 819 935 Adviser Services 1300 361 864 Fax (02) 9274 5211

advance.com.au

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