

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 28 February 2023

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,594.22	
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

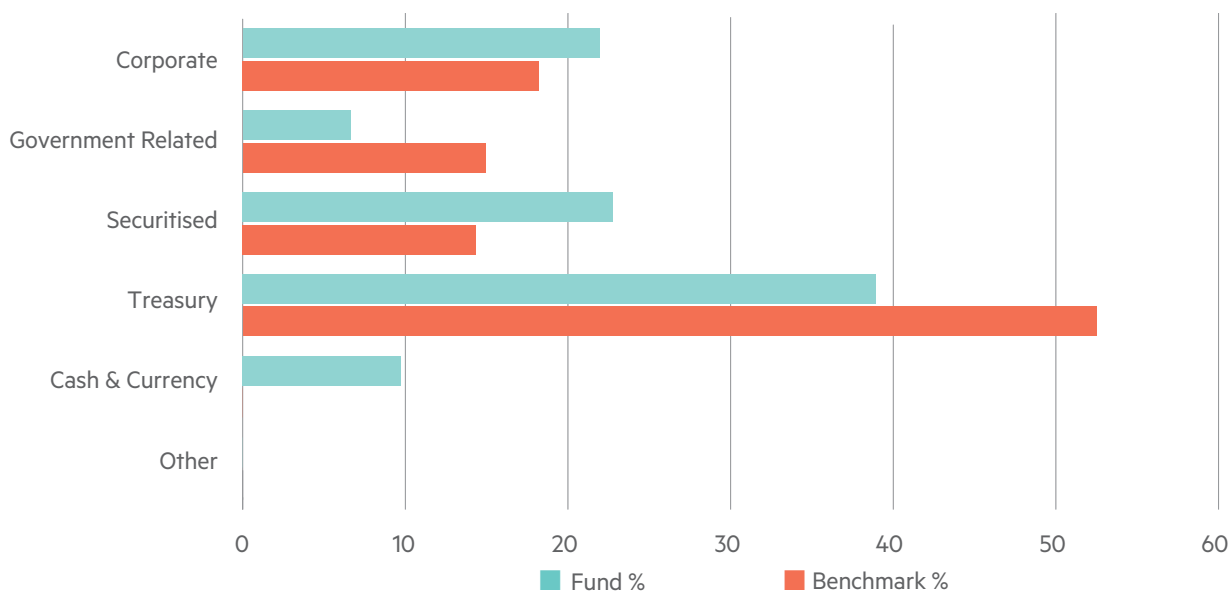
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(1.87)	(0.74)	(8.84)	(3.43)	0.02	5.41
Growth return	(1.87)	(0.74)	(8.84)	(7.00)	(3.35)	(0.54)
Distribution return	0.00	-	-	3.57	3.37	5.95
Benchmark return [~]	(1.80)	(1.04)	(9.40)	(4.05)	0.02	5.44

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

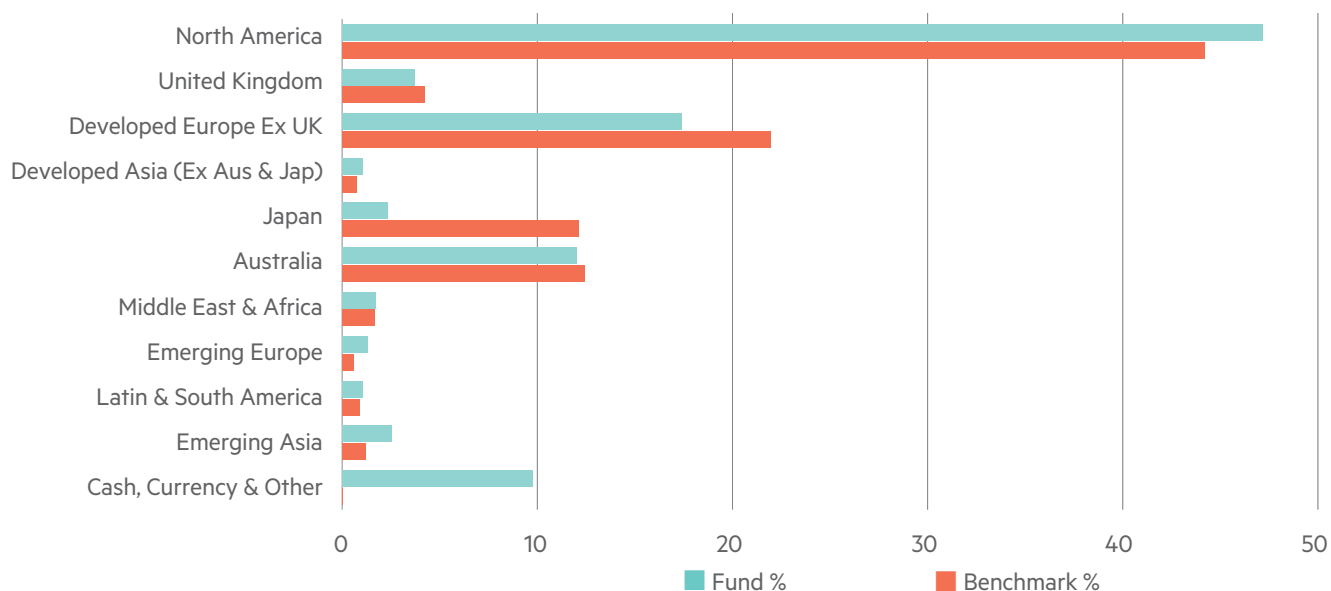
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of the United States of America	15.91	16.85
Government of Japan	12.88	11.40
Federal National Mortgage Association	8.45	0.12
Federal Home Loan Mortgage Corp.	2.96	0.11
Government of Germany	2.24	2.19

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund %	Benchmark %
AAA	41.80	38.92
AA	8.88	14.04
A	25.62	30.93
BBB	16.68	15.80
Sub Investment Grade	3.90	0.31
Not Rated	-6.62	0.00
Cash & Derivatives	9.74	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	5.65	6.66
Years to Maturity (Years)	9.83	10.41
Effective Yield (%)	3.63	3.91

FUND UPDATE

The Advance International Fixed Interest Multi Blend Fund underperformed the benchmark by 7bps during the month of February.

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

Standish delivered a positive excess return, with most of the alpha attributable to active positioning in developed rates markets. In spread sectors, active intra-sector positioning supported relative returns as overweights in ABS and REITs outperformed.

PIMCO delivered performance that was in line with the benchmark. The fund's positioning to US and European duration (as yields fell across the curve) added to relative returns, while an overweight towards Australian duration detracted as yields rose.

Wellington underperformed the benchmark over the month. While the duration strategy contributed, country, currency and yield curve strategies were detracted.

Western underperformed the benchmark over the month. An overweight duration in the US, core European and UK detracted as global government bond yields rose. An overweight to corporate bonds and the currency positioning detracted as well.

The fixed income markets traded with mixed results for the month of February as government bond yields generally rose and credit markets struggled to make an impact, with relatively limited moves in credit spreads. Overall, risk markets moved little in February after higher volatility in previous months. Most major central banks raised interest rates early in the month, all of which were expected. Inflation continued to slacken, led by softer energy prices. However, certain upward influences such as higher food prices continue to retain the attention of policymakers who remain concerned for the potential of a renewed uptick in inflation data.

In Europe, the European Central Bank (ECB) increased interest rates by 50bp in early February taking the benchmark rate to 3.0%, a 15-year high. ECB President Christine Lagarde reiterated the hawkish stance of eurozone policymakers by saying a further 50bp increase is planned for the March meeting. Headline inflation fell back in January, though the core measure edged higher. The Bank of England also hiked rates by 50 basis points and accompanied by a dovish statement.

In the US, the Federal Reserve increased official rates once more, as was widely expected, but policymakers opted to hike by just 25bp, which might signal a deceleration in monetary tightening. While recent improvements in inflation may pave the way for a softer approach, meeting minutes showed the Federal Open Market Committee believes risks to inflation remain skewed to the upside and that it would not consider lowering rates "until inflation is clearly on a path to 2%." Feb members, including Chair Powell, pushed a potential "higher for longer" narrative following strong US economic data.

Economic data out of the US was generally stronger than expected, which saw the market reprice terminal cash rates higher as the expectation is that central banks will need to continue to hike rates to slow economies to bring inflation down. The labour market remained tight and the unemployment rate moved down from 3.6% to 3.4%, the lowest level in more than 50 years, and average hourly earnings rose 0.3% in January resulting in an annual increase of 4.4%, while consumer sentiment continued to improve. January inflation data was in line with consensus. Headline inflation rose 0.4% for the month and resulting in an annual increase of 6.4%, whilst core inflation was 0.4% and 5.6% for the same periods. The US 10-year and 2-year yields increased by 41 bps and 61 bps to 3.92% and 4.82% respectively.

Global credit bonds underperformed duration-equivalent government bonds as spreads widened. Higher yields and the prospect of "higher for longer" interest rate regimes weighed on fixed income assets. Investment grade corporates were down the most (-3.2%), lagging Treasuries by over 50 bps on a duration-adjusted basis, while agency MBS also posted negative excess returns. Despite slipping 1.3%, high yield corporates finished ahead of duration-adjusted Treasuries by 39 bps, as did securitized credit with ABS and CMBS ahead of Treasuries by 26 and 24 bps, respectively.

The Bloomberg Barclays Global Aggregate Bond Index returned a negative 1.80% over the month, bringing the one-year performance to -9.40%.

- 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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