

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 31 March 2023

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,624.01	
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

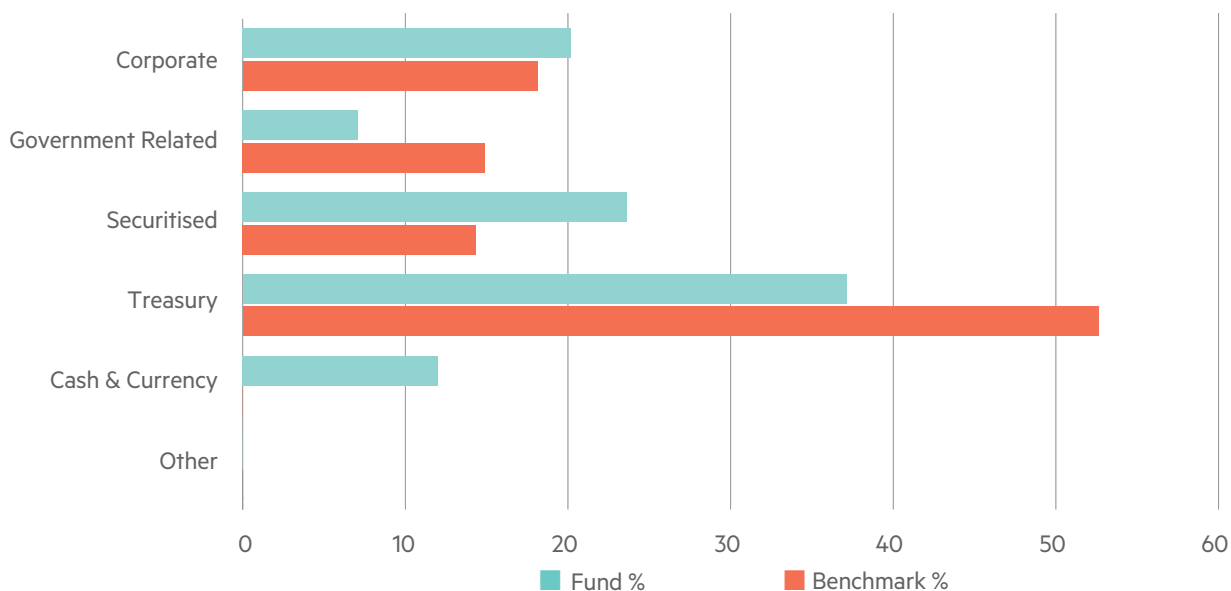
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	1.79	2.15	(5.43)	(1.53)	0.26	5.47
Growth return	1.79	2.15	(5.43)	(5.11)	(2.99)	(0.46)
Distribution return	-	-	0.00	3.58	3.25	5.93
Benchmark return [~]	2.11	2.38	(5.48)	(2.82)	0.27	5.52

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

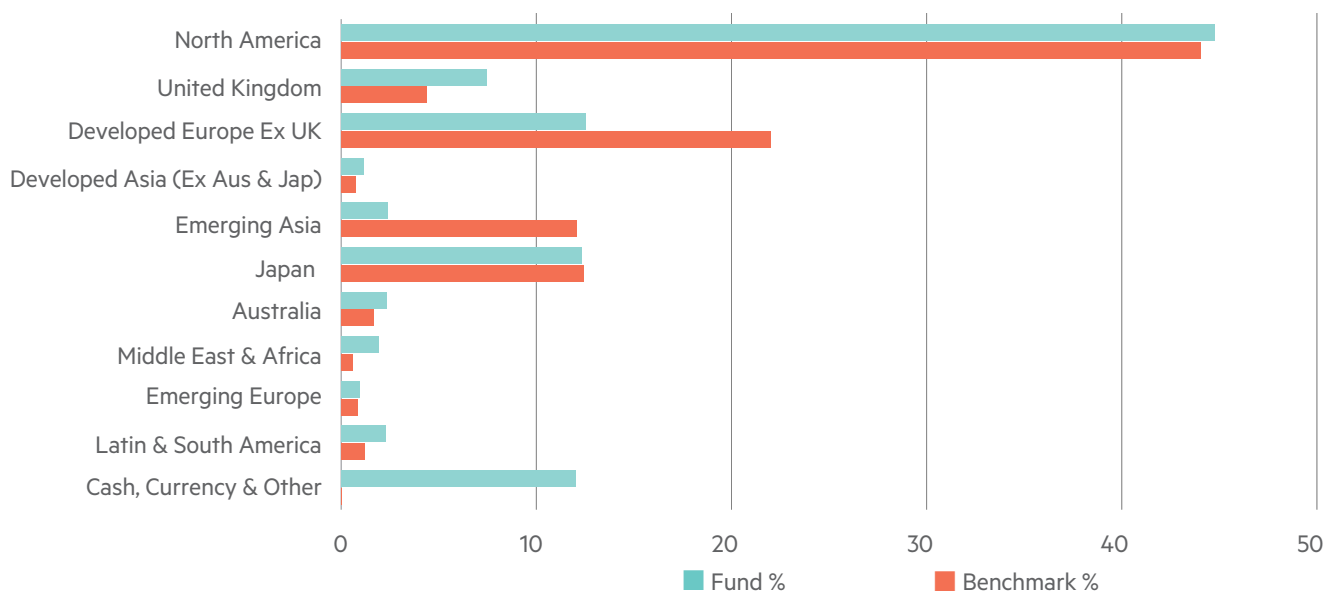
TOP 5 ISSUERS

	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 Corporation	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 underperformed the benchmark by 32bps during the month of March.

Relative manager performance was mixed over the month, with Western outperforming the benchmark, whilst Wellington, PIMCO and Standish delivered negative excess returns.

Standish delivered negative excess returns relative to the benchmark over the month. The bulk of the period's relative underperformance can be attributed to the underweight positions across developed market rates, and credit allocation overweights to Financials, Banks, and REITS as the collapse of two regional banks and as banking sector concerns put upward pressure on financials related spreads.

PIMCO underperformed the benchmark with the contributors being the overweight positions to Australian, Korean and Singaporean duration (as yields rallied), while the detractors largely stem from underweight positions across US and European duration added with overweight positions across non-agency mortgages.

Wellington underperformed the benchmark over the month as the macro strategies detracted. Duration, country, currency and yield curve strategies all contributed to the underperformance.

Western delivered a positive excess return in March. Duration and yield-curve positioning had a positive impact on the performance as yields fell over the month. An underweight to the US dollar added to the return as well. An overweight to European financials detracted as spreads widened sharply.

It was another volatile month for the financial markets in March. Government bond yields declined significantly over the month, largely due to bank failures in the US and the rescue takeover of Credit Suisse leading to concerns about financial stability. Inflation continued to show signs of moderating in many parts of the world but remains the key concern for most developed market central banks. Economic activity has tended to soften, and major central banks increased interest rates once more, but the rhetoric surrounding those decisions became less hawkish.

In Europe, the decline of Credit Suisse, prior to its arranged takeover by UBS, raised concerns for the whole European banking sector, helping drive government bonds yields lower. The European Central Bank (ECB) increased interest rates by a further 50bp in March as the market had been expecting, taking the refinancing rate to 3.5%. Less stridently hawkish comments from ECB President Christine Lagarde suggesting that further rate increases would be "data dependent" were welcomed by the market as a sign that policy tightening may be approaching an end. The Bank of England tightened monetary policy by a further 0.25%, taking their policy rate to 4.25%.

In the US, the Federal Reserve raised interest rates once more by 25bp, and the move was accompanied by relatively dovish comments, which may suggest that the end of the current tightening cycle is close. Powell commented that recent economic data had come in stronger than expected and that the level of interest rates is likely to be higher than previously anticipated. Bond yields rallied following the Federal Reserve's decision to increase the Fed Funds rate due to their dovish commentary and lingering concerns about the state of some of the regional financial institutions. In their statement the Fed noted that 'some additional policy firming may be appropriate', watered down from their previous statement where they saw 'ongoing increases in the target range will be appropriate'. Powell also commented that the credit contraction from regional banks 'could easily have a significant macroeconomic effect'.

Treasury yields initially rose, but abruptly reversed course as the failure of two US regional banks, Silicon Valley Bank and Signature Bank, triggered a sharp decline in Treasury yields amid growing concerns around the stability of the financial sector. The Fed and Treasury also launched the Bank Term Funding Program, a new emergency liquidity provision tool that allowed banks to borrow in exchange for eligible collateral at par to fund potential deposit outflows. Among economic data releases, inflation data was in line with consensus with headline inflation up 0.4% in February resulting in an annual increase of 6%. Core inflation rose 0.5% for the month and 5.5% over the past year. Jobs growth exceeded the market's expectations however the unemployment rate increased to 3.6%. The US 10-year and 2-year yields decreased by 45 bps and 79 bps to 3.47% and 4.03% respectively.

Credit markets were adversely affected by the concerns for the banking sector as spread levels widened in both investment-grade and high-yield markets. Corporate credit lagged Treasuries by 42 bps, weighed down by banking and other financials. Securitized assets also underperformed. CMBS lagged Treasuries by 170 bps, weighed down by private label issues, while agency MBS lost 111 bps versus Treasuries and ABS was 60 bps behind Treasuries.

The Bloomberg Barclays Global Aggregate Bond Index returned a positive 2.11% over the month, bringing the one-year performance to -5.48%.

- 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.

The information in this document has been prepared by Advance Asset Management Limited ABN 98 002 538 329 AFSL 240902 ('Advance').

The Fund's Responsible Entity is Advance. Advance is a subsidiary of Mercer (Australia) Pty Ltd (Mercer) with effect from 1 April. A Product Disclosure Statement ('PDS') is available for the Fund and can be obtained by calling the Contact Centre on 1300 728 928, or visiting mercerc.com.au/mercercfunds. The Financial Services Guide ('FSG') for Advance can be obtained via mercerc.com.au/mercercfunds. Investors should consider the Fund's Product Disclosure Statement (PDS) & Target Market Determinations (TMDs) before making any investment decision.

For the Target Market Determination for this product please refer to mercerc.com.au/mercercfunds. Each TMD sets out who an investment in the Fund might be appropriate for and the circumstances that trigger a review of the TMD. Managed investment schemes are generally medium to long-term investments. They are traded at prevailing prices and the value of units may go down as well as up. There are risks with investing in the Fund and there is no guarantee of repayment of capital or return on your investment.

Past performance is not a reliable indicator of future results. Investors should always consider seeking professional financial advice. This document has been prepared without considering any person's financial circumstances, needs or objectives. It also does not constitute a recommendation, an offer to sell or a solicitation to buy units in the Fund. While Advance has endeavoured to ensure the accuracy of this document neither Mercer, Advance nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it.

Valuation and pricing times: The Fund's net asset value is calculated each business day, with prices determined the following day. Application and redemption requests must be received by (Sydney time) each business day to receive that day's price.