

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 30 September 2021

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$2,021.06	
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 / 0.20	0.00 / 0.00

FUND PERFORMANCE²

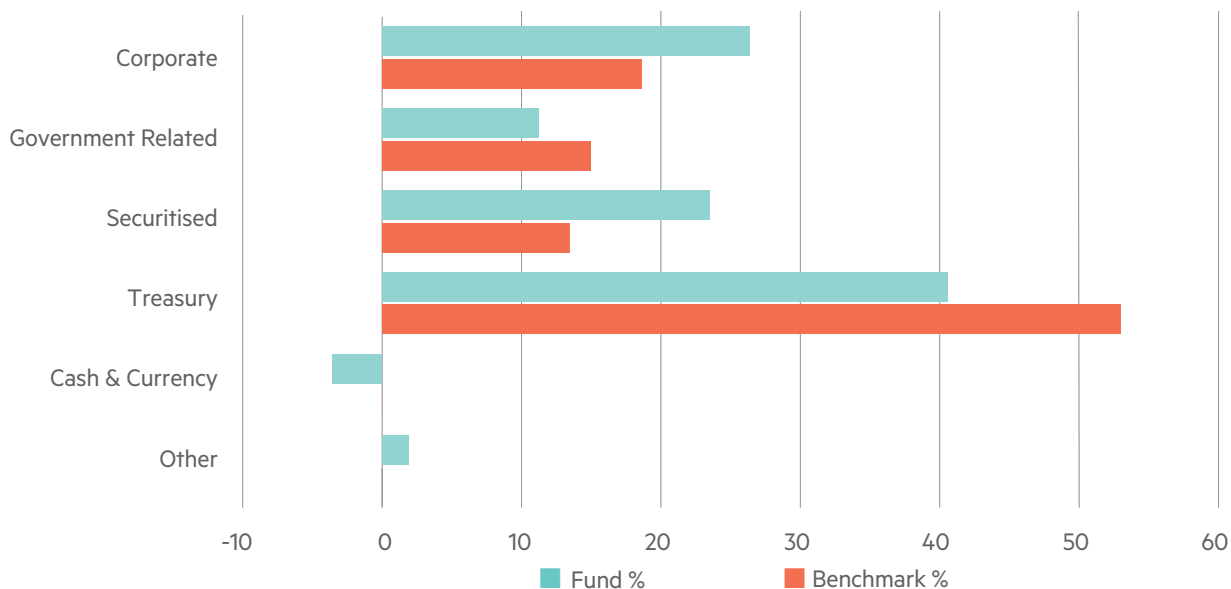
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(0.95)	(0.04)	0.28	4.14	2.90	6.42
Growth return	(0.95)	(0.04)	(6.65)	(0.20)	(1.53)	0.02
Distribution return	–	(0.00)	6.93	4.34	4.43	6.40
Benchmark return	(0.97)	0.05	(0.79)	4.07	2.72	6.49

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

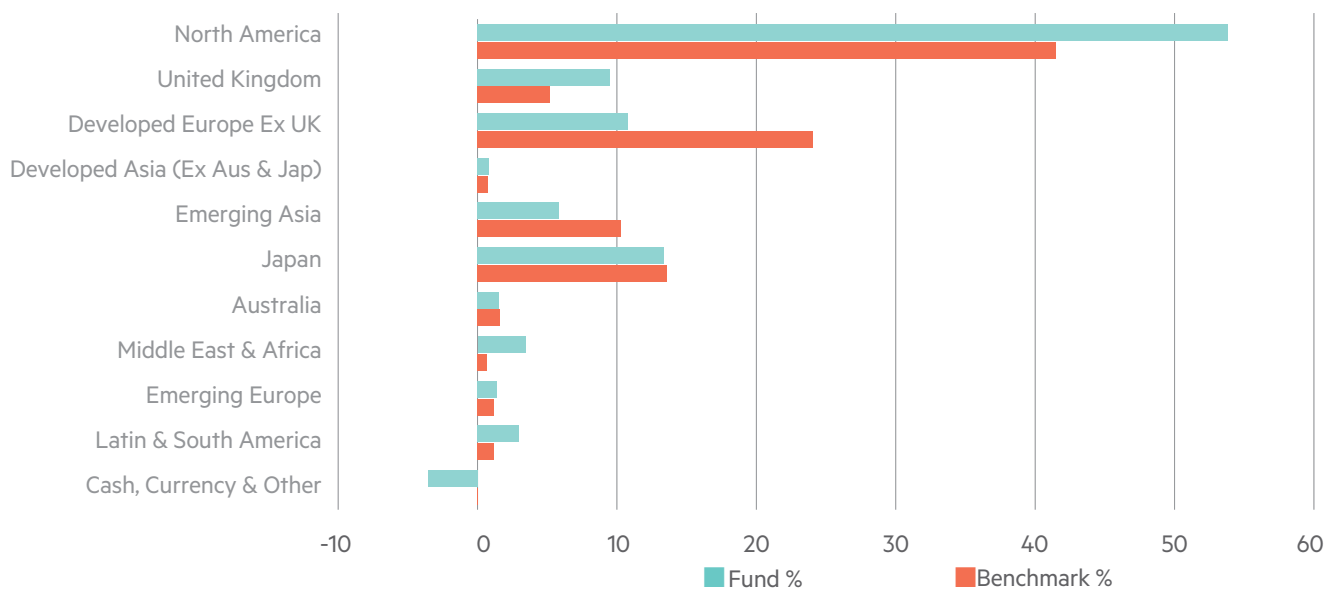
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of Japan	12.77	12.54
Government of the United States of America	11.40	14.77
Federal National Mortgage Association	8.76	0.16
Government of China	2.59	3.37
Government of United Kingdom	2.33	3.48

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)	Benchmark (%)
AAA	34.21	35.52
AA	10.52	15.57
A	29.13	29.62
BBB	23.27	18.80
Sub Investment Grade	6.77	0.48
Not Rated	(0.34)	0.00
Cash & Derivatives	(3.55)	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	6.44	7.43
Years to Maturity (Years)	12.81	11.05
Effective Yield (%)	1.37	1.05

FUND UPDATE

The Advance International Fixed Interest Multi Blend Fund returned -0.95% over the month of September, outperforming the Bloomberg Barclays Global Aggregate Bond Index which returned -0.97%. Manager September performance was broadly positive with most underlying managers outperforming relative to the benchmark.

Western Asset Management was the only manager that marginally underperformed. The strategy benefited from an active underweight duration coupled with a curve flattener position. However, currency positions detracted during the month as risk aversion and the prospect of a less accommodative Fed drove the US dollar broadly stronger.

With respect to the other underlying managers, all managers also benefitted from an overall underweight duration position versus the benchmark. Coupled with positive contribution from excess carry from the credit portfolios most of our underlying managers delivered above benchmark returns.

The fragile risk appetite that persisted throughout July and August continued during September as energy price concerns, supply chain issues and regulatory headwinds in China all weighed negatively on investor sentiment.

In the US, commentary from the September Fed meeting was consistent with investor expectations that the Fed will make an announcement regarding the tapering of asset purchases in November. The Fed, however, remains split on whether to raise interest rates next year, although a growing number of participants are moving towards a hawkish bias. At month-end a looming government shutdown was averted, as President Biden signed a last-minute bill to extend funding through December 3, 2021. However, a resolution still must be made on the current U.S. government debt ceiling, with a U.S. default possible as early as October 18th if the issue isn't addressed.

Among developed markets, the European Central Bank announced that it will maintain its current monetary policy but slow down the pace of asset purchases under the emergency pandemic purchase program. Eurozone inflation reached a 13-month high on the back of higher energy prices and supply chain bottlenecks. The Eurozone CPI rose 3.4% in September, relative to 3.0% in August and economist expectations of 3.3% growth.

Given the above, there is growing concern that recent growth in inflation will not be transitory. Markets have adopted a wait and see approach with sovereign yields drifting higher (but not selling off) across many developed markets bond yields. Intensifying supply constraints also added to inflationary pressures with major central banks' rhetoric remaining tilted to a 'transitory bias' in relation to the recent inflationary shock, while acknowledging that these pressures have persisted longer than initially expected. All in all, the groundwork for policy normalization and a reduction in monetary stimulus weighed down on government bond yields.

In emerging markets, negative headlines persisted out of China, including news that property developer Evergrande could default, sparking worries that a disorderly collapse could cause contagion across emerging markets. Nevertheless, most global fixed income spread sectors outperformed, owing to their income advantage offsetting the losses from modest widening in credit spreads.

The US dollar rallied versus most currencies, particularly late in September, supported by growing Fed taper expectations and a flight to safety driven by concerns over an Evergrande default and the US debt ceiling deadlock.

- 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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