

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 30 November 2021

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$2,017.97	
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

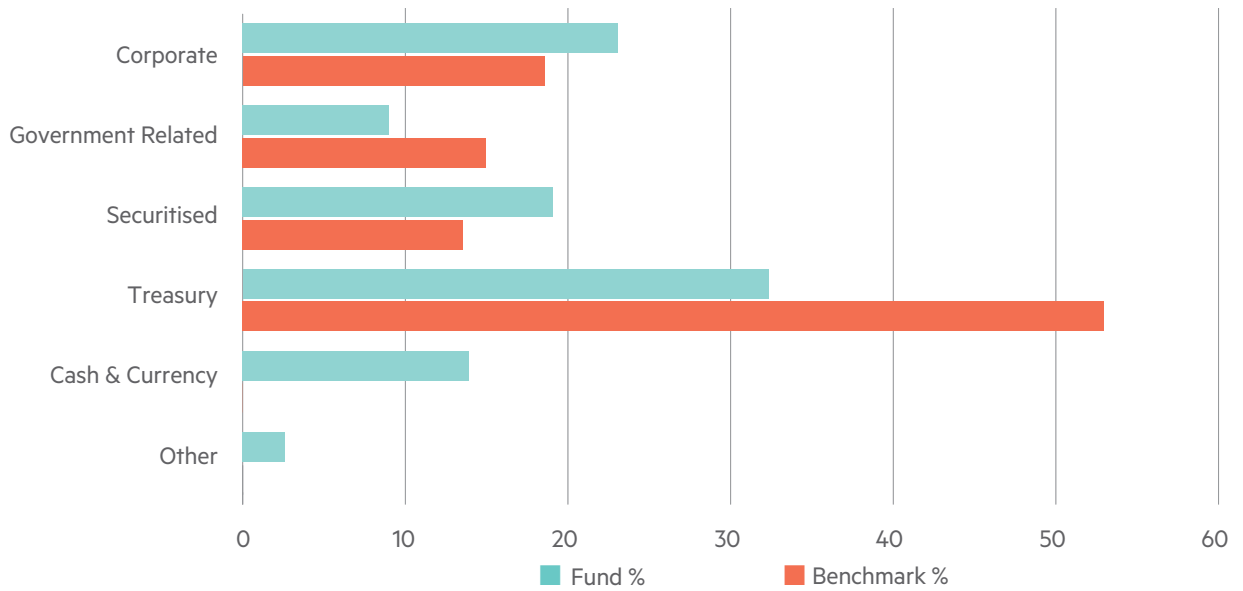
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.23	(1.14)	(1.22)	4.31	3.28	6.36
Growth return	0.23	(1.14)	(8.05)	(0.03)	(1.17)	0.01
Distribution return	-	-	6.83	4.34	4.45	6.35
Benchmark return	0.74	(0.50)	(0.84)	4.16	3.34	6.46

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

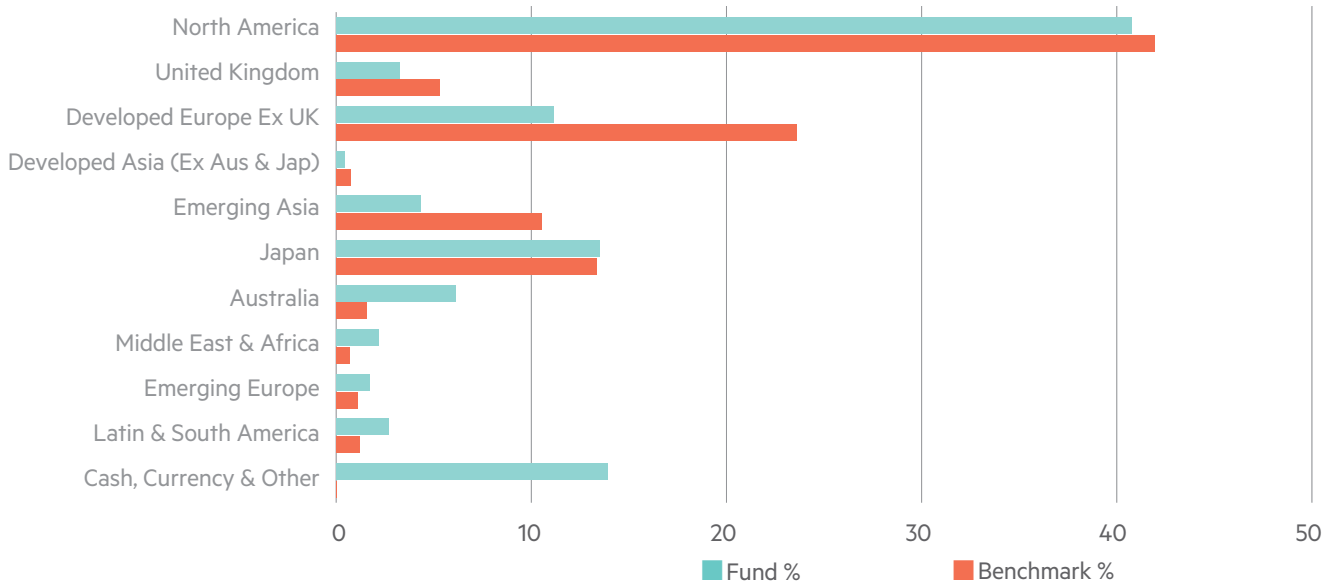
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of the United States of America	15.82	15.15
Government of Japan	13.24	12.29
Federal National Mortgage Association	5.77	0.15
Government of United Kingdom	2.96	3.60
Government of Germany	2.90	2.31

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)	Benchmark (%)
AAA	35.47	35.88
AA	12.37	15.53
A	25.80	29.74
BBB	22.48	18.42
Sub Investment Grade	5.59	0.44
Not Rated	(15.62)	0.00
Cash & Derivatives	13.90	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	7.02	7.53
Years to Maturity (Years)	12.06	11.19
Effective Yield (%)	1.29	1.08

FUND UPDATE

The Advance International Fixed Interest Multi Blend Fund underperformed the benchmark during the month of November. Manager performance was universally negative over the month, driven predominantly by a short outright duration bias across major economies, particularly in the US. As sovereign yields mostly fell across developed markets, a move accelerated by the discovery of Omicron towards the end of the month, all our managers underperformed from a rates perspective. Added to a marginally wider spread environment, our underlying strategies fared poorly during November.

Fixed income spread sectors underperformed government bonds amid renewed market uncertainty. Sovereign bond yields declined in unison, and credit spreads widened as the detection of the COVID-19 variant Omicron added new concerns to the increasing inflationary strain.

US economic data released was largely positive. Non-farm payrolls posted gains, the unemployment rate dropped, and weekly jobless claims edged down steadily. Eurozone's composite PMI rose on improved service sector activity. In the UK, manufacturing PMI improved, while near-decade high energy prices stoked inflation. Robust export demand in China lifted industrial production. Japan's Q3 GDP contracted as supply disruptions and weak consumption weighed on growth. Canada's unemployment rate fell, though the number of jobs added was below estimates. In Australia, labour force participation recovered but unemployment rose.

Fed Chair Powell was nominated for a second term. Fed Chair comments and the FOMC meeting minutes alluded to a fast-tracked taper if inflation persists. The Bank of England voted to maintain rates on hold and kept the QE target unchanged. The Riksbank projected its first rate hike in Q2 of 2024. The RBA abandoned its bond-yield target. The Norges Bank anticipates a rate hike in December. The Reserve Bank of New Zealand disappointed with a 25bps rate hike relative to market expectations for a 50bps rate hike. All other major central banks kept their policy rates unchanged.

Most global sovereign yields declined across developed and emerging markets; a move accelerated by the discovery of the Omicron variant. Markets reassessed the likelihood of future rate hikes, even as inflation remained stronger than many had expected, particularly in the US and Europe. The US Treasury yield curve flattened after the initial yield increase from Fed's hawkish comments was offset by a subsequent drop stemming from the discovery of Omicron. European yields fell across the curve, impacted by news of rising virus cases, new potential lockdowns, and Chancellor Merkel's cautionary remarks. APAC rates also fell sharply, while EM yields ended mixed. The Bloomberg TIPS index returned 0.89% on a total return basis and the ten-year breakeven inflation rate decreased by 7bps to 2.51% during the month.

Global credit securities underperformed government bonds as spreads widened. Within the securitized sectors, agency mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities all underperformed duration-equivalent government bonds. Within emerging markets (EM), local markets debt underperformed external debt in USD terms. EM currency depreciation drove negative performance while EM rates movement had a muted impact in local markets.

The Bloomberg Barclays Global Aggregate Bond Index returned a negative 0.74% over the month, bringing the one-year performance to -0.85%.

- 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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