

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 31 January 2022

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,987.72	
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

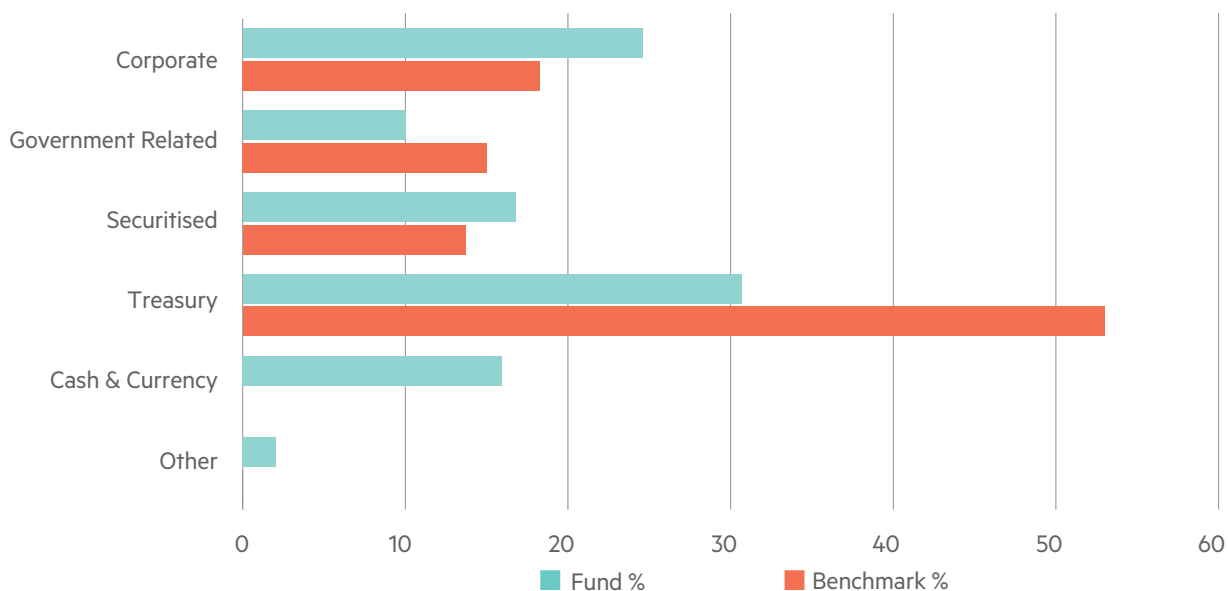
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(1.26)	(1.14)	(2.51)	2.92	2.89	6.23
Growth return	(1.26)	(1.14)	(9.02)	(1.36)	(1.52)	(0.06)
Distribution return	-	(0.00)	6.50	4.29	4.41	6.29
Benchmark return	(1.64)	(1.35)	(2.58)	2.62	2.89	6.30

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

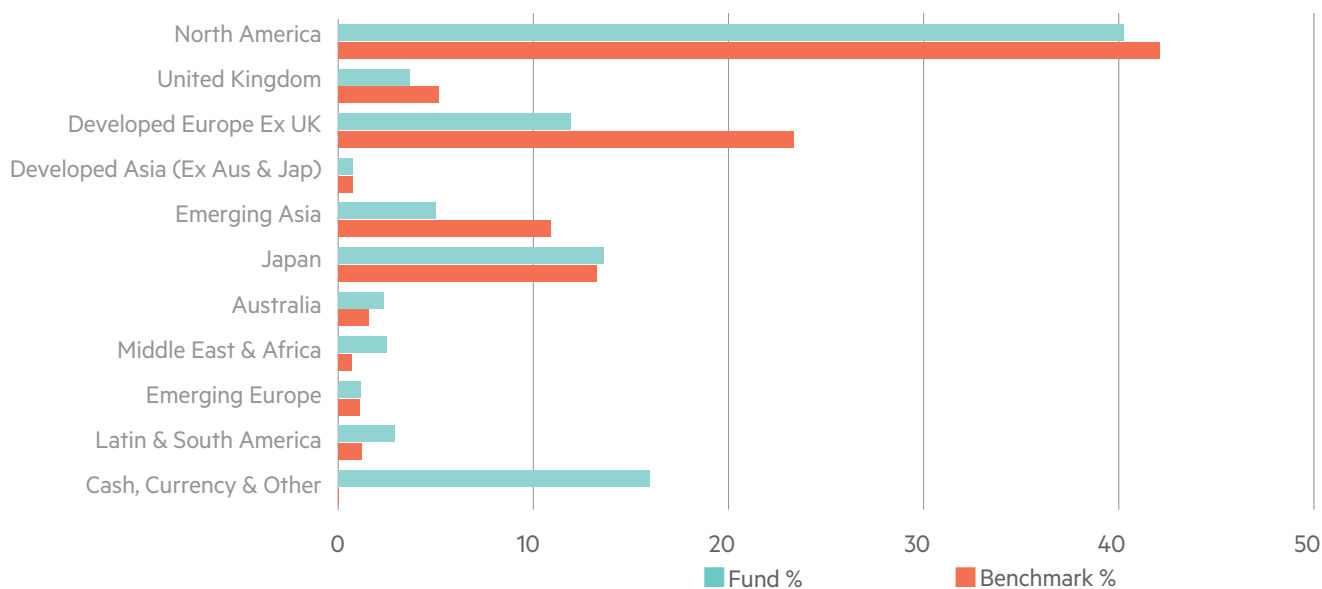
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of Japan	13.62	12.06
Government of the United States of America	13.50	15.37
Government of Germany	3.03	2.29
Federal National Mortgage Association	2.40	0.15
Government of United Kingdom	2.30	3.49

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)	Benchmark (%)
AAA	31.29	36.17
AA	10.63	15.33
A	27.70	29.94
BBB	20.12	18.12
Sub Investment Grade	5.88	0.45
Not Rated	(11.55)	0.00
Cash & Derivatives	15.94	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	6.82	7.33
Years to Maturity (Years)	11.69	11.04
Effective Yield (%)	1.36	1.36

FUND UPDATE

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

Relative manager performance was universally positive over the month, driven predominantly by a short outright duration bias across major economies, particularly in the US. As sovereign yields mostly rose across developed markets and as markets became less concerned over the Omicron variant, all our managers outperformed from a rates perspective, reversing the negative impact over Q4 2021.

Added to a marginally flat spread environment and a neutral outcome from a currency perspective (where the USD strengthen relative to most currencies), all our underlying strategies fared positively during the month of January.

A hawkish tilt in major central banks' rhetoric, mixed global macroeconomic data underscored by persistent inflation, and geopolitical uncertainty surrounding the Russia-NATO conflict marked a volatile start of year. Most fixed income sectors uncharacteristically underperformed in conjunction with the increase in sovereign yields.

Global government bond yields traded over a wide range during January, ending the month higher. Markets continued to adjust to the potential for earlier, faster monetary policy tightening by major developed market (DM) central banks while omicron-variant related growth fears subsided. At the Federal Reserve's (Fed) first policy meeting of the year, the central bank gave the clearest hint that an interest hike was highly likely in March. In his press conference following the meeting, Fed Chair Powell stated that the Federal Open Market Committee "is of a mind to raise the federal funds rate at the March meeting, assuming that conditions are appropriate for doing so." These conditions, which include a tight labour market and increasingly entrenched inflation, would appear to be met. The market continues to price in as many as four hikes in 2022.

Across Europe, in the UK, core Consumer Price Index (CPI) inflation for December meaningfully surpassed expectations at 5.4% year-over-year (YoY), the highest growth rate for 30 years. A 0.25% Bank Rate hike to 0.50% is now fully priced. European Central Bank (ECB) officials remained somewhat dovish regarding future policy tightening, stating that policy rate hikes are not expected this year. However, higher-than-expected December inflation data led markets to anticipate interest rate hikes in 2022.

Against this backdrop, most global sovereign yields rose markedly, in line with the hawkish tone of major central banks. US Treasury yields rose, particularly in the front-end of the curve, reflecting the Fed's hawkish tone and the signal of a March rate hike. In Europe, UK gilt yields rose. Bund yields finished the month in positive territory for the first time since May 2019. Chinese yields declined after the People's Bank of China eased policy while Russian yields jumped higher driven by the ongoing geopolitical concerns.

Across credit, investment grade (IG) index spreads ended the month 14bp wider, underperforming both European and sterling IG spreads. US high yield also underperformed European high yield with the Bloomberg Barclays US Corporate High Yield Index (average OAS credit spread) widening 59bps compared to the European index which widened 40bps. Global credit bonds underperformed duration-equivalent government bonds as spreads widened. Within the securitized sectors, agency mortgage-backed securities and commercial mortgage-backed securities underperformed, while asset-backed securities outperformed duration-equivalent government bonds, respectively.

On the currency front, the USD appreciated versus most major currencies as markets priced in a more aggressive series of Fed rate hikes. Trade and commodity-linked currencies including AUD, SEK, NZD underperformed amid broad USD strength post-FOMC minutes, notwithstanding resilient domestic, labour, and inflation data releases.

The Bloomberg Barclays Global Aggregate Bond Index returned a negative -1.64% over the month, bringing the one-year performance to -2.58%.

- 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

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

The information shown in this document is general information only. It does not constitute any recommendation or advice. It has been prepared without taking into account your personal objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it. You should consider obtaining independent advice from a professional financial adviser before making any financial decisions in relation to the matters disclosed hereto.

Advance is the responsible entity of the Advance International Fixed Interest Multi-Blend Fund, ASRN 094 108 924 ('Fund'). A Product Disclosure Statement ('PDS') for Wholesale investors is available for the Fund and can be obtained by calling the Contact Centre on 1800 819 935, or visiting advance.com.au, the Retail Fund is closed to new investors. The Financial Services Guide ('FSG') for Advance can be obtained via advance.com.au. For the Target Market Determination for this product please refer to bt.com.au/tmd.

Advance is a subsidiary of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 (Westpac). An investment in the Fund is not an investment in, deposit with, or other liability of Westpac or any other company in the Westpac Group. An investment in the Fund is subject to investment risk, including possible delays in the payment of withdrawals and loss of income and principal invested. No member of the Westpac Group (including Advance) stands behind or otherwise guarantees the capital value or investment performance of the Fund.

To the maximum extent permitted by law, Advance, and its affiliates and related bodies corporate, and their respective officers, directors, employees, professional advisers and agents do not accept any responsibility or liability in relation to the accuracy or completeness of this information or for any loss arising from its use. Past performance is not an indicator of future performance. No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any forecasts or returns contained in the information set out in this document. Any projections are predictive in character. Whilst we have used every effort to ensure that the assumptions on which the projections are based are reasonable, the projections may be affected by inaccurate assumptions or may not take into account known or unknown risks and uncertainties. The actual results actually achieved may differ materially from these projections.

© Advance Asset Management Limited – part of Westpac Banking Corporation

AD40670-0322sx