

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 28 February 2022

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,959.59	
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

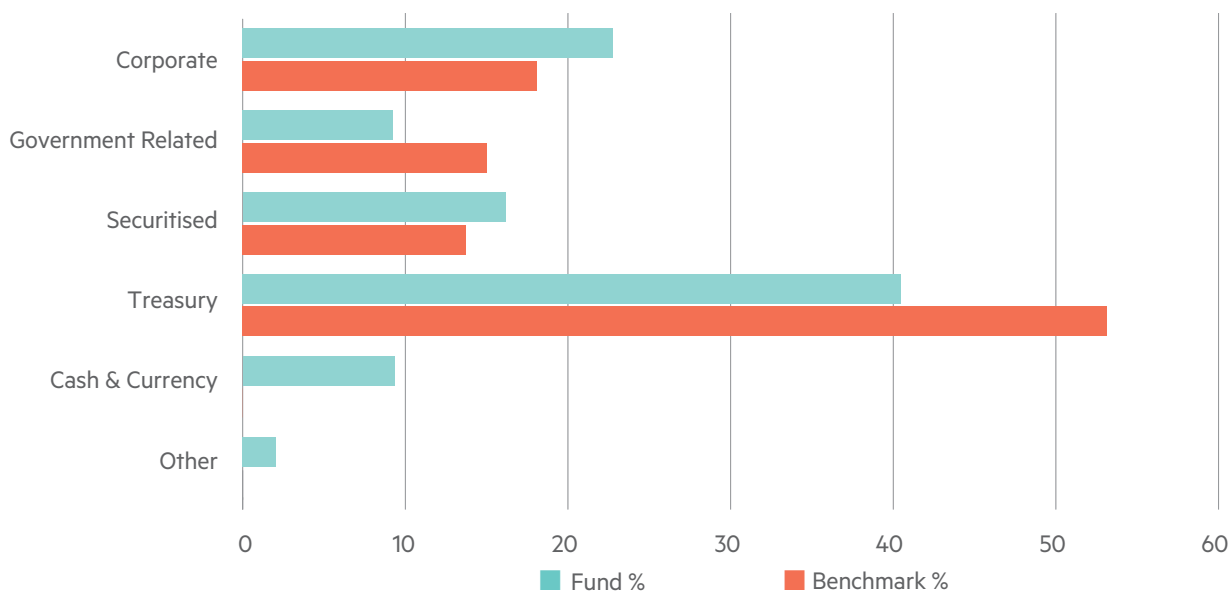
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(1.38)	(2.73)	(2.21)	2.39	2.45	6.14
Growth return	(1.38)	(2.73)	(8.74)	(1.87)	(1.94)	(0.12)
Distribution return	-	-	6.52	4.26	4.39	6.26
Benchmark return	(1.30)	(3.34)	(2.33)	2.15	2.43	6.21

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

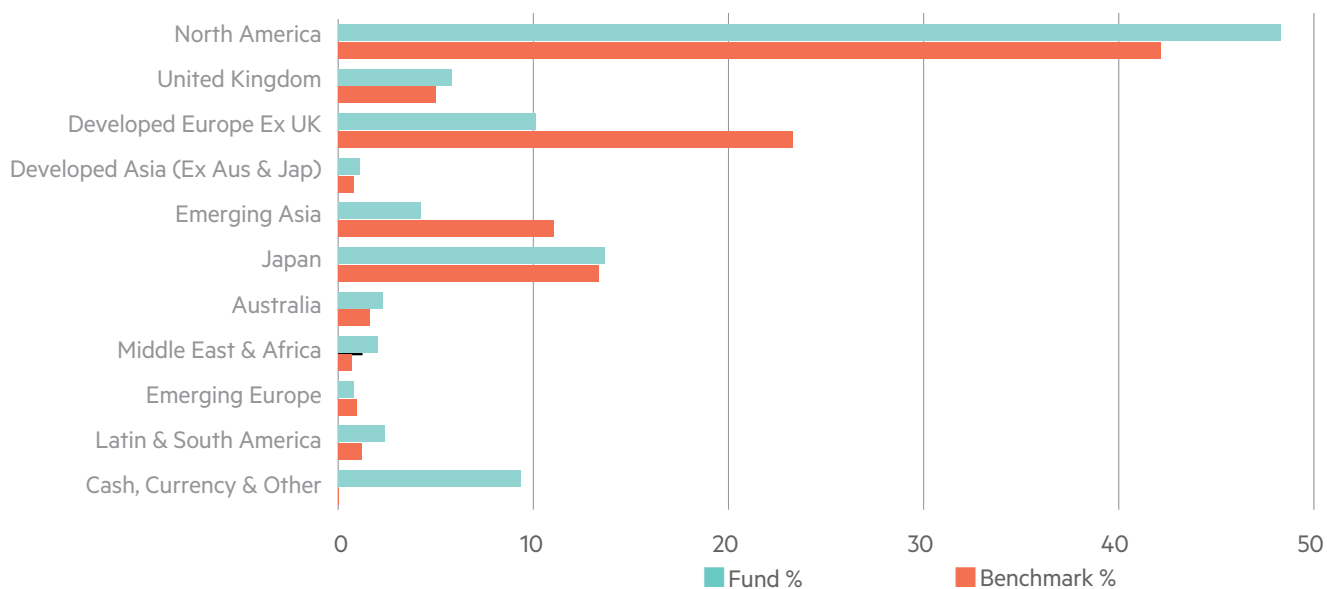
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of the United States of America	15.85	15.48
Government of Japan	12.71	12.18
Government of Germany	2.97	2.31
Federal National Mortgage Association	2.30	0.15
Government of United Kingdom	2.24	3.39

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)	Benchmark (%)
AAA	33.32	36.38
AA	10.76	15.29
A	25.35	30.12
BBB	18.47	17.73
Sub Investment Grade	5.69	0.48
Not Rated	(2.93)	0.00
Cash & Derivatives	9.34	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	6.89	7.28
Years to Maturity (Years)	11.81	10.96
Effective Yield (%)	1.55	1.47

FUND UPDATE

The Fund underperformed the benchmark during the month of February.

Relative manager performance was mixed over the month with WAM, PIMCO and Standish all detracting whilst Wellington delivered positive excess returns.

WAM was the biggest detractor in the portfolio with negative contributions stemming from country allocation strategies, sector allocation (namely EM exposure) and currency positions.

PIMCO also delivered negative excess returns with the largest detractors being its overweight Danish duration position as yields rose.

Wellington delivered positive excess returns as its quantitative trend strategies maintained a short duration bias in major economies (US, Europe). This contributed as global sovereign yields rose during the month, driven by prospects of more aggressive central bank tightening amid higher inflation prints.

As the European geopolitical crisis continued to unfold, and as economic uncertainty escalated with Russia launching a full-scale invasion of Ukraine, most fixed income sectors underperformed amid broad credit-spread widening combined with sovereign yield increases spurred by major central banks' policy tightening.

The month began with markets continuing to respond to rising inflation and the prospect of accelerated central bank tightening before a rapid escalation of geopolitical tensions culminated in Russia launching a full-scale invasion into Ukrainian territory.

Western nations announced joint sanctions on the Central Bank of Russia (CBR) and suspended select Russian Banks from SWIFT. There was significant action on the policy front. Starting with Australia, the Reserve Bank of Australia ended its QE program. European Central Bank President Lagarde refused to rule out 2022 rate hike. The Bank of England hiked rates by 25 basis points, with four dissenters voting for a 50-basis points hike. The Riksbank expects asset purchases to remain unchanged in 2022. The Reserve Bank of New Zealand hiked rates by 25 basis points, opening the door to hiking by "larger increments," and raised cash rate projections to 3.4% in the third quarter of 2024. The Central Bank of Russia hiked policy rate from 9.5% to 20%, the highest since 2003, to defend the Russian Ruble.

In the US, optimism regarding the recovery from COVID-19 continued to rise as stronger-than-expected labour, inflation and retail sales data pushed markets to anticipate faster Federal Reserve (Fed) rate hikes and earlier balance sheet reductions.

Most global sovereign yields rose, driven by prospects of more aggressive central bank tightening amid higher inflation prints, though select G10 yields had a partial reversal around month-end driven by geopolitical concerns. In the US, hawkish rhetoric from Fed officials led to a bear flattening in the US curve. In Europe, bund yields moved higher after the perceived hawkish shift in ECB rhetoric. Italian government bonds (BTPs) and Spanish bonds underperformed, and their spreads over bunds widened. Emerging markets yields generally increased in the second half of the month particularly in CEEMEA (South Africa, Poland, and Czech Republic) and LATAM (Brazil, Mexico). Meanwhile a measure of inflation expectations - the breakeven inflation rate increased by 14 basis points to 2.62% during the month on the back of higher energy prices and expected oil supply shortages.

Global credit bonds underperformed duration-equivalent government bonds as spreads widened. Within the securitized sectors, agency mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities underperformed duration-equivalent government bonds. Within emerging markets (EM), local markets debt (-5.00%) outperformed external debt (-6.55%), in USD terms. Spread widening detracted from results within external debt, and an increase in US Treasury yields also had a negative impact. EM rates movement drove negative performance in local markets, and currency depreciation also hurt performance. The USD ended flat versus most major currencies; however, there was a lot of intra-month volatility.

The Bloomberg Barclays Global Aggregate Bond Index returned a negative -1.30% over the month, bringing the one-year performance to -2.33%.

- 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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