

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 30 April 2022

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,866.94	
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

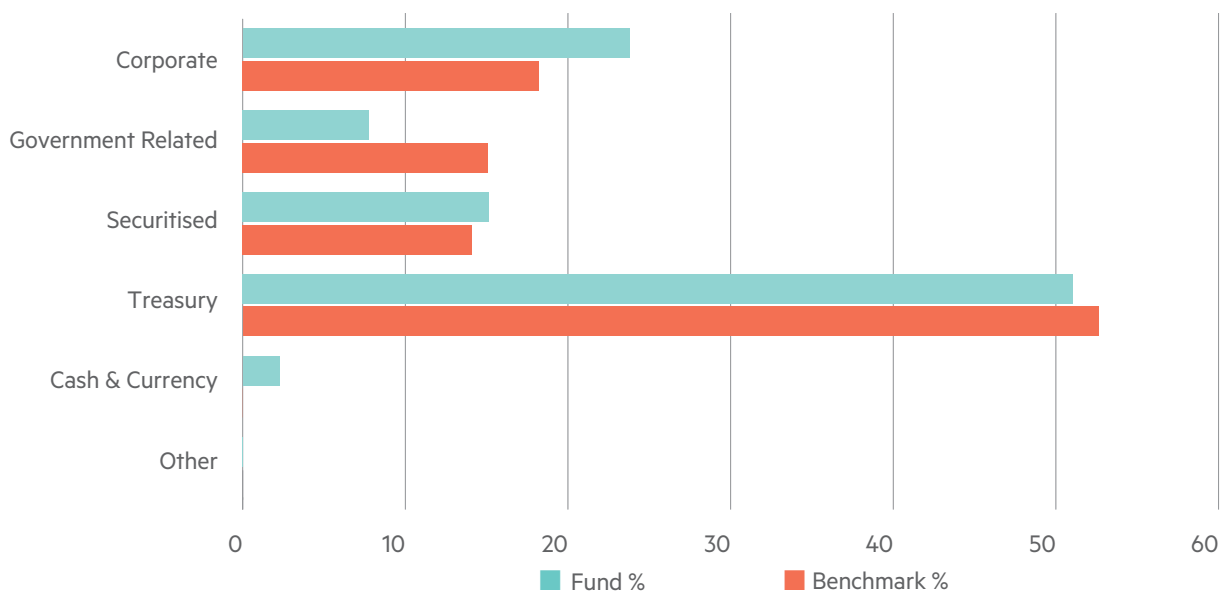
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(2.95)	(6.08)	(6.99)	0.18	1.26	5.85
Growth return	(2.95)	(6.08)	(13.19)	(3.99)	(3.08)	(0.35)
Distribution return	-	(0.00)	6.21	4.17	4.34	6.20
Benchmark return	(2.88)	(6.18)	(7.00)	(0.14)	1.24	5.90

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

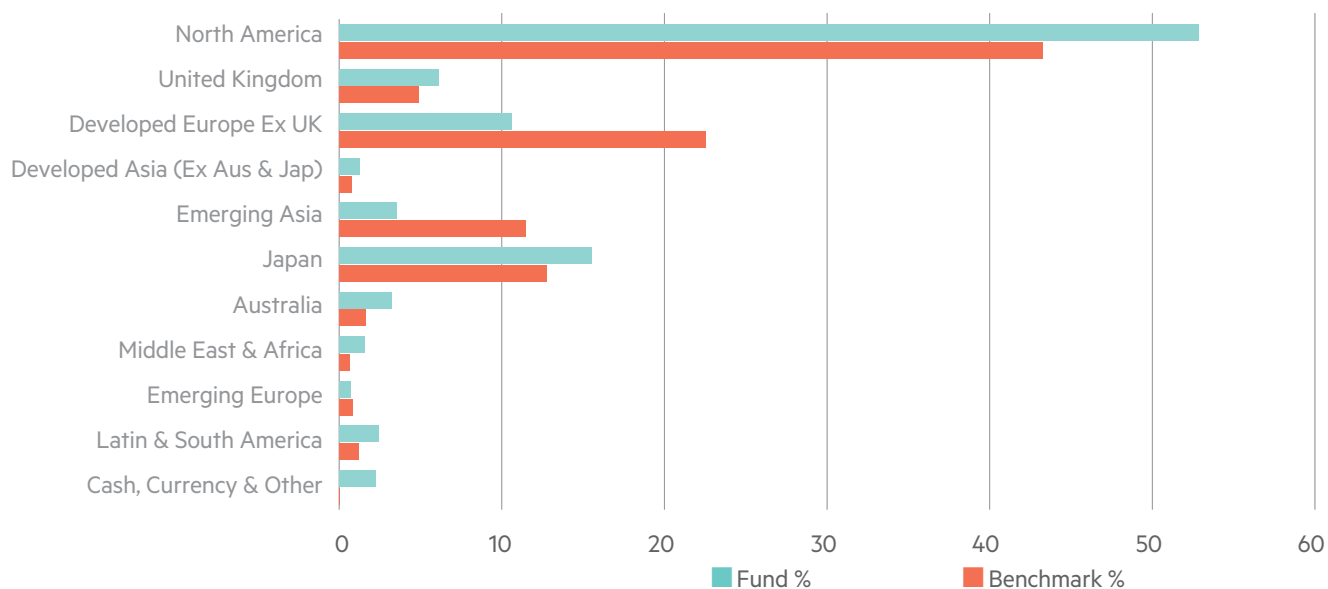
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of the United States of America	16.11	16.04
Government of Japan	14.59	11.74
Government of Germany	3.90	2.22
Government of United Kingdom	2.85	3.28
Federal National Mortgage Association	2.78	0.15

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)	Benchmark (%)
AAA	36.20	37.22
AA	11.13	14.92
A	25.76	29.90
BBB	18.22	17.48
Sub Investment Grade	5.65	0.48
Not Rated	0.79	0.00
Cash & Derivatives	2.26	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	7.30	7.07
Years to Maturity (Years)	11.35	10.76
Effective Yield (%)	2.81	2.16

FUND UPDATE

The Advance International Fixed Interest Multi-blend Fund marginally underperformed the benchmark during the month of April.

Relative manager performance was mixed over the month with Wellington and Standish adding to positive excess returns, whilst WAM and PIMCO detracted at the margin.

Wellington and Standish, both of which had positioned correctly from a duration standpoint, and from a country relative perspective, added to positive excess returns. Contributing to relative returns were also the manager's underweight to credit risk which aided the portfolio given credit spreads were broadly wider.

Western and PIMCO marginally underperformed the benchmark with positioning in country allocation strategies not working in the manager's favour (for example, local emerging market bond allocations, including to those in Mexico and South Africa, detracted as yields moved higher along with those in developed markets, and long overweight exposure to Danish and Swiss duration which detracted as yield rose).

The economic outlook remains extremely uncertain following Russia's invasion of Ukraine. While supply-side disruptions keep energy, commodity and food prices elevated, the growth implications are clearly negative. The International Monetary Fund (IMF), for example, now expects global growth to be 3.6% this year, down from 4.4% projected in January. Further downside risks to growth stem from China's commitment to its zero-Covid policy, which has seen strict mobility restrictions imposed in several regions, including Shanghai. The combination of higher inflation and the prospect of slower growth poses a significant challenge to policymakers.

Most global sovereign yields rose, as markets dialled up expectations for future monetary policy tightening by major central banks. In the US, another high CPI print and hawkish rhetoric from Fed Chair Powell suggesting a 50bps rate hike at the May FOMC meeting contributed to a sharp increase in yields. Bunds, Gilts and peripheral European yields also ended the month higher. At its policy meeting, the European Central Bank (ECB) confirmed its plan to scale down monetary policy accommodation saying that the latest data, which included March eurozone Consumer Price Inflation (CPI) jumping from 5.9% to 7.5%, "reinforce its expectation" that its asset purchase program should end in Q3 this year.

With the Fed on track to hike again in early May, and the pace of hikes expected to remain steady, the US 2-Year yield rose 38 bps to 2.7%. The benchmark US10-Year yield reached 2.9%, a rise of nearly 60 bps, while US 30-Year yields rose 55 bps to 3.0%.

Corporate credit bonds were also weaker during the month, marked by a 3.8% decline in the Bloomberg U.S. Aggregate Index. Corporate credit was particularly weak, which was led lower by non-financial assets. After a small remediation of yield spreads in March, April brought forth another month of widening as spreads finished 19 bps wider for the month and 42 bps wider year-to-date. Yields among investment grade credit have now risen to 4.2%, the highest level seen in recent years, and the same level as the high yield index at the start of the year. Higher yields provide a cushion against rising rates and have also led to improved valuations.

In the securitised sectors, except for agency MBS, securitized assets performed nearly in line with Treasuries on a duration-adjusted basis, trailing only modestly with yield spreads marginally wider (approximately 3 bps wider for CMBS and ABS). Agency MBS, however, lagged Treasuries by 105 bps on a duration-adjusted basis, weighed down by rate volatility and concerns about active selling by the Fed.

The Bloomberg Barclays Global Aggregate Bond Index returned a negative -2.88% over the month, bringing the one-year performance to -7.00%.

- 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

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