

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 31 May 2022

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,864.36	
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

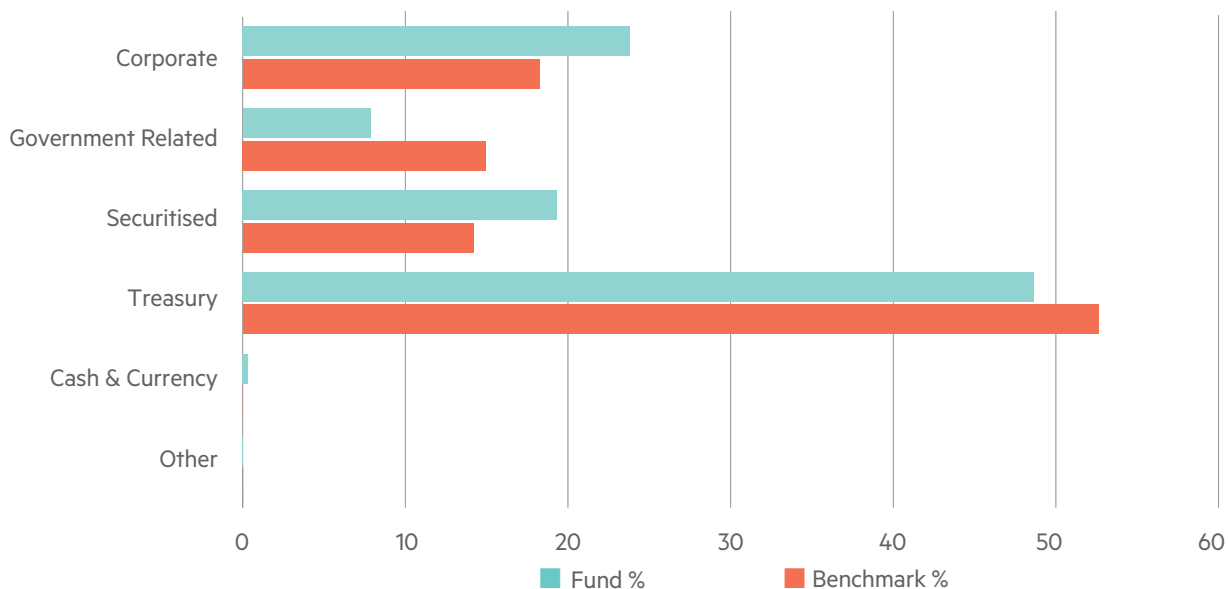
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(0.20)	(4.97)	(7.39)	(0.28)	1.07	5.81
Growth return	(0.20)	(4.97)	(13.57)	(4.44)	(3.26)	(0.36)
Distribution return	0.00	0.00	6.18	4.15	4.33	6.17
Benchmark return [~]	(0.19)	(5.13)	(7.37)	(0.66)	1.07	5.87

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

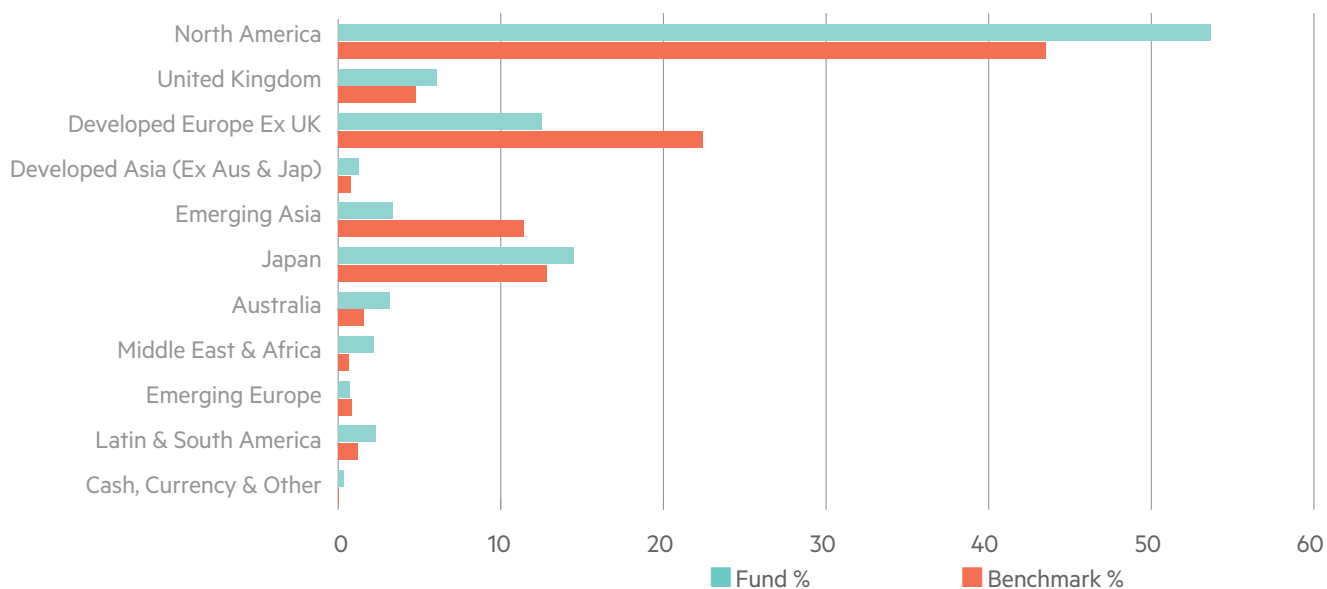
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of Japan	13.72	11.83
Government of the United States of America	11.66	16.13
Federal National Mortgage Association	3.82	0.15
Government of Germany	3.80	2.20
Government of United Kingdom	2.41	3.20

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)	Benchmark (%)
AAA	34.48	37.35
AA	9.62	14.77
A	25.27	30.13
BBB	17.62	17.27
Sub Investment Grade	5.71	0.48
Not Rated	6.96	0.01
Cash & Derivatives	0.34	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	6.85	7.03
Years to Maturity (Years)	12.57	10.71
Effective Yield (%)	3.30	2.46

FUND UPDATE

The Advance International Fixed Interest Fund underperformed the benchmark during the month of May.

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

Western and Wellington both positioned correctly from duration and currency perspectives. Also contributing to relative returns were the managers' underweight to European core duration.

Standish underperformed the benchmark, with the most material drag being an overweight to Australian duration versus that of the US as the spread between the two markets moved steadily wider. PIMCO also delivered negative excess returns, with the detractor being overweight securitized credit, particularly in non-agency RMBS where spreads widened.

Mounting economic growth concerns, a challenging inflation environment, and coordinated policy tightening drove varied results within fixed income sectors. Global government bond yields traded in a wide range. Record inflation levels across most global developed markets (DM), deteriorating economic activity indicators, and fears of central banks overtightening have shifted expectations, particularly in the US, toward the prospect of weaker global growth.

Recent hawkish central bank rhetoric has helped to calm inflation expectations, with breakeven rates across the US, Europe and the UK declining from recent highs. However, markets continued to weigh the trade-off between central bank policy tightening versus the resultant impact on global growth.

Most global sovereign yields rose, as markets further priced in expectations for more aggressive policy tightening by major central banks following record high inflation prints – particularly in Europe. At its policy meeting the Bank of England (BoE) hiked the Bank Rate for the fourth consecutive meeting by 25 bps to 1%, while in Europe commentary from several European Central Bank (ECB) committee members indicated support for accelerated monetary policy tightening.

In the US, the Federal Open Market Committee (FOMC) hiked the federal funds target rate by 50 bps. The Fed Chair Powell pushed back on expectations of a 75 bps hike and indicated two further 50 bps rate hikes at June and July meetings. The minutes also suggested that the Fed wants to retain flexibility, leading to a reduction in rate hike expectations as well as a small bull-steepening rally. Rates fell most in the front-end, with the US 2-Year yield ending at 2.56%, while the US 10-Year fell to 2.85% and the long end moved approximately 5 bps higher, remaining above 3%.

Corporate credit rebounded in May posting positive total returns of 0.93%, whilst yield premiums fell by 4 bps. Global credit bonds outperformed duration equivalent government bonds. Within the securitized sectors, agency mortgage-backed securities outperformed. While commercial mortgage-backed securities and asset-backed securities underperformed duration-equivalent government bonds respectively. Within emerging market (EM), local markets debt (+1.76%) outperformed external debt (0.03%), in USD terms. Spread widening detracted from results within external debt, while a decline in US Treasury yields had a positive impact. EM currency appreciation drove the positive performance in local markets, and EM rates movement also contributed to results.

The Bloomberg Barclays Global Aggregate Bond Index returned a negative -0.19% over the month, bringing the one-year performance to -7.37%.

- 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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