

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 31 July 2022

FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,835.23	
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

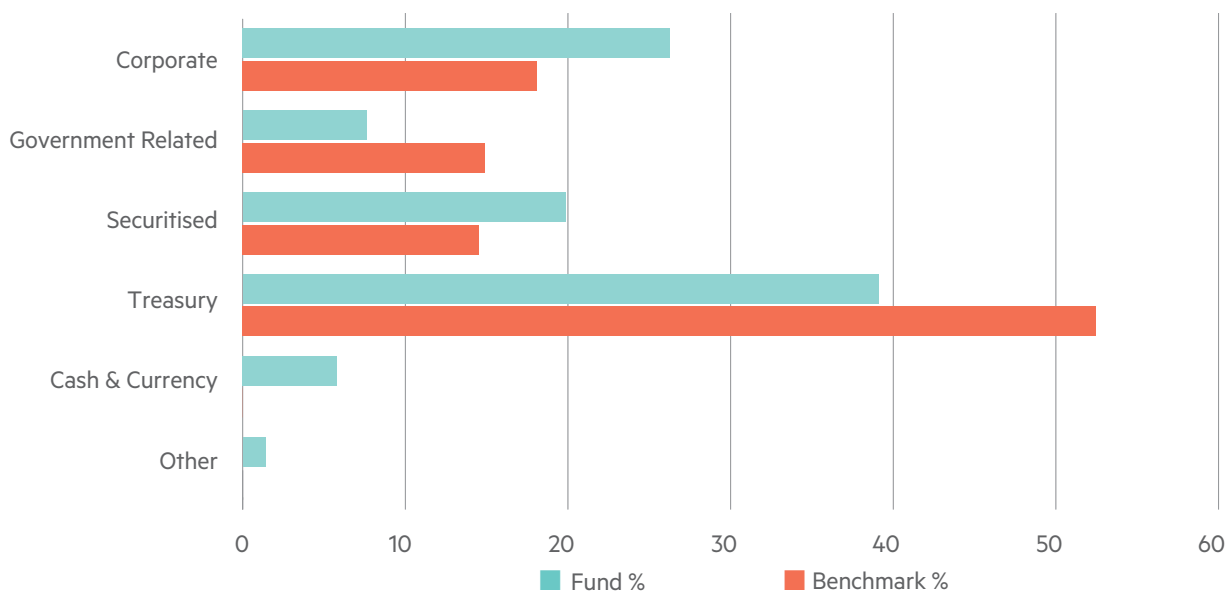
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	2.67	0.29	(8.27)	(0.82)	1.15	5.79
Growth return	2.67	0.29	(8.27)	(4.95)	(2.45)	(0.34)
Distribution return	-	-	-	4.13	3.61	6.12
Benchmark return [~]	2.49	0.61	(8.23)	(1.04)	1.21	5.86

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

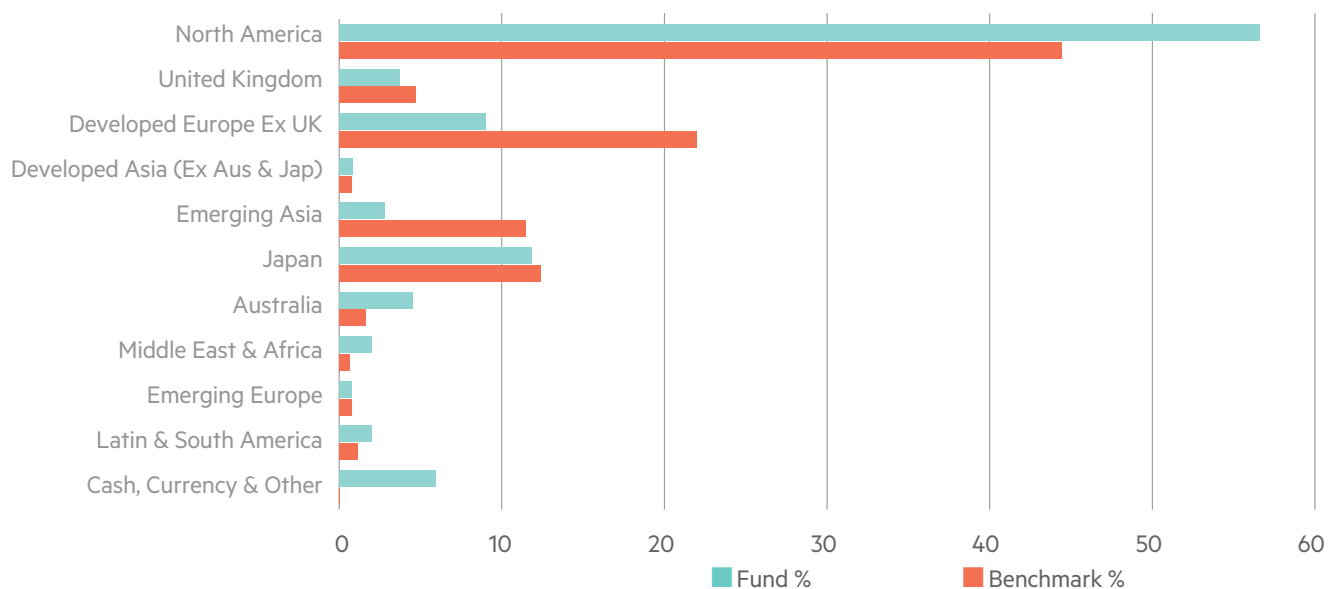
TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of Japan	12.17	11.33
Government of the United States of America	12.02	16.66
Federal National Mortgage Association	4.30	0.15
Government of Germany	3.22	2.15
Government of United Kingdom	2.10	3.16

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)	Benchmark (%)
AAA	35.06	39.09
AA	9.44	14.53
A	24.80	30.12
BBB	18.00	15.91
Sub Investment Grade	4.14	0.34
Not Rated	2.76	0.00
Cash & Derivatives	5.81	0.00

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	6.70	7.01
Years to Maturity (Years)	12.71	10.79
Effective Yield (%)	3.60	2.77

FUND UPDATE

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

Relative manager performance was mixed over the month with WAM, PIMCO and Standish outperforming the benchmark, whilst Wellington detracted at the margin.

Western positioned correctly from both duration and currency perspectives. An overweight to EM government bonds and corporate bonds also contributed.

Standish slightly outperformed the benchmark, with the active risk positions making positive contributions during the month. The significant source of positive alpha was an overweight to investment grade credit as spreads in this portion of the market tightened aggressively.

PIMCO also delivered a slightly positive excess return with the contributor being overweight exposure to financials as spreads tightened and the detractors being underweight in US duration and non-financial investment grade corporate credit.

Wellington underperformed the benchmark, with its duration strategies being the primary detractor. While currency and credit strategies were positive, country and yield curve strategies were marginally negative over the month.

Despite ongoing concerns around inflation, recessionary fears and central bank tightening, markets managed to stage a solid rebound in July. Global government bond yields fell as fears over weakening global growth were amplified. Inflation data continued to surpass expectations, while falling commodity prices raised hopes of a potential easing in inflation and a slowdown in the pace of monetary tightening. Russia appears to be limiting supplies significantly, leading European policymakers to step up their plans for rationalising gas usage across the continent in the months ahead and increasing concerns for a European recession.

Most global sovereign yields declined on recession fears, even as major central banks continued front-loading their hiking cycles. The European Central Bank (ECB) raised interest rates for the first time in 11 years with an increase of 50 bps, above the 25bps expected, taking the deposit facility rate back to zero from -0.5%. Headline inflation across the eurozone rose to 8.6% in June from 8.1%. The ECB's announcement of a new policy tool, the Transmission Protection Instrument (TPI) was a positive tailwind, while concerns over Russian gas supplies to Europe were omnipresent.

In the US, the Federal Open Market Committee (FOMC) hiked the federal funds rate with a second consecutive 75bps increase to 2.25%-2.50%, in line with market expectations. Federal Reserve (Fed) Chair Jerome Powell acknowledged the slowdown in economic activity, that the policy rate was now "in the range of what the FOMC think is neutral" and that it will "become appropriate to slow the pace of increases" as monetary policy tightens further. The hike came after another large increase in headline inflation, to 9.1% for June, the highest level since 1981. Bond yields traded in a wide range during the month with the longer end of the curve outperforming. 10-year bond yields traded in a 50 bps range, peaking at 3.08% before rallying over the second half of the month to end 36 bps lower at 2.65%. 2-year yields in the US traded in a 42 bps range and ended the month 7 bps lower in yield at 2.88%.

Corporate credit bonds also improved during the month as spreads tightened. Investment grade credit gained over 3.0% for the month and outpaced duration-matched Treasuries by 94 bps. Nearly every corporate sector posted positive excess returns, led by railroads, aerospace/defence, food & beverage, and restaurants. High yield corporates rallied 5.9% with positive excess returns of 434 bps, supported by a strong technical backdrop.

In the securitised sectors, agency MBS outperformed duration-matched Treasuries by 129 bps, marking the highest monthly excess return in history, while yield spreads tightened by 19 bps as interest rates reversed course and fell for the month. Meanwhile, ABS trailed Treasuries by 10 bps and yield spreads widened by 7 bps while CMBS performed largely in line with Treasuries.

The Bloomberg Barclays Global Aggregate Bond Index returned a positive 2.49% over the month, bringing the one year performance to -8.23%.

- 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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