Mercer

Factsheet for the month ending 30 June 2023

Advance Australian Fixed Interest Multi-Blend Fund - Wholesale Units

Fund overview

ARSN	087 295 234
APIR	ADV0084AU
Commencement date	30 June 2004
Fund size (AUD)	$1428.3m
Benchmark	Bloomberg AusBond Composite 0+ Yr Index
Recommended investment timeframe	At least 3 years
Risk label	Low to medium
Minimum initial investment	$500,000
Distribution frequency	Quarterly
Investment management fee pa*	0.45%

*Additional fees and charges may apply. See Product Disclosure Statement (PDS) for details.

Investment objective

To provide a source of income from Australian fixed interest exposure with a total investment return (before fees and taxes) that outperforms the benchmark over periods of three years or longer.

Investment strategy

The Fund invests in a wide range of Australian issued government, semi-government and corporate fixed interest securities and instruments. The Fund may also invest in debt securities issued by supranationals and non-Australian governments and corporates. All foreign exposures are fully hedged to Australian dollars.

Investment managers

As the Responsible Entity, Advance Asset Management Limited ('AAML') selects investment managers for Advance Australian Fixed Interest Multi-Blend Fund - Wholesale Units ('the Fund') and we manage and monitor the managers on your behalf. Therefore we may remove, replace, or appoint additional investment managers at our discretion at any time.

For information on the Fund's investment managers, please refer to the Manager List for the Fund available at mercer.com.au/mercerfunds.

Performance review

Total return	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa
After fees and costs[1,2]	-2.0	-2.9	2.0	-3.3	0.5	0.8
Benchmark	-2.0	-2.9	1.2	-3.5	0.5	0.8

Notes: **Past performance is not a reliable indicator of future performance.**

1. Returns are calculated using month end exit prices and assume distributions are reinvested. Returns over 12 months are annualised.
2. Performance figures are calculated after deduction of investment management fees and costs, and any applicable performance fees. See the PDS for details of current fees and costs.

Market update

In June, global equities, commodities and REITs posted strong returns, while bonds were generally flat with credit outperforming government bonds.

Markets continue to price in a soft landing as news flow remains focused on falling headline inflation, a potential end to the global interest rate hiking cycle and broad economic resilience, despite challenges for some sectors, such as regional banks.

Inflation continues to edge down in most major economies raising hopes that the hiking cycle is near an end in most regions. Although the Federal Reserve kept rates on hold for the first time in over a year, forward guidance was more hawkish than expected, which weakened the positive momentum that markets carried during the first half of the month. The ECB and RBA hiked rates by 25bps each, while the Bank of England was compelled to hike by 50bps, given stubbornly elevated levels of inflation in the UK. China continued to ease as its expected economic recovery has been underwhelming. Labour markets remain resilient, with unemployment only marginally rising in some regions, however, remaining close to multi-decade lows.

Volatility in rate markets fell in June, following the resolution of the debt ceiling talks, and the pause in monetary tightening in the US. Bond yields rose slightly in June, while credit spreads slightly decreased during the month.

Over June, Hedged Developed Markets Overseas Shares returned 5.6%, US stocks outperformed emerging markets and other international developed markets. Value and growth stocks delivered similar results in June, although year to date growth has significantly outperformed value. Japan contributed significantly to the outperformance of developed markets, gaining 7.5% in June, as the Bank of Japan continues to stimulate the economy. Emerging Markets Shares (UH) gained 0.9%, held back by weakness in China. Latin America was the standout in emerging markets as the recovery in commodities provides a tailwind for its equities.

Hedged Overseas Government Bonds returned -2.3% over the month, as bond yields generally increased during June. In the US, the 10-year bond yield rose by 16bps. In developed markets outside the US, 10-year yields fell by 3bps in Japan, while yields rose 20bps in the UK, and 13bps in the Eurozone. US inflation expectations, as measured by the 10-year inflation breakeven rate, was unchanged and ended June at 2.2%.

Australian Shares returned 1.7%, underperforming their overseas counterparts in June. Materials (4.6%) and Financials (3.1%) were the strongest sectors, meanwhile Healthcare (-6.4%), and Communication Services (-1.0%) were the largest detractors.

Fixed interest

Global bond markets generated a negative return over June with the Barclays Capital Global Aggregate Bond Index (Hedged) returning -0.2% and the FTSE World Government Bond (ex-Australia) Index (Hedged) returning -0.3%. Most ten-year bond yields moved higher over the month, increasing in the UK (20bps to 4.38%), the US (16bps to 3.81%), and Germany (14bps to 2.41%), while decreasing in Japan (-3bps to 0.40%). Two-year bond yields mostly moved higher over the month, increasing in the UK (93bps to 5.26%), the US (40bps to 4.94%) and Germany (49bps to 3.19%), while decreasing in Japan (-2bps to -0.08%).

Returns for most Australian bondholders were negative over June as 10-year bond yields (42bps to 4.03%), five-year bond yields (58bps to 3.95%) and two-year bond yields (64bps to 4.20%) increased.

Further Information

Please contact your financial adviser or:

Go to mercer.com.au/mercerfunds
Email InvestorHelpAU@mercer.com
Call 1300 728 928