

Advance International Fixed Interest Multi-Blend Fund (the Fund)

Monthly report to 30 Apr 2023

ARSN 094 108 924

APIR ADV0067AU

Fund overview

Commencement date	28 Feb 2001
Fund size (AUD)	\$1,626.8m
Benchmark	Bloomberg Barclays Global Aggregate Bond Index (fully hedged) in Australian dollars
Recommended investment timeframe	At least 3 years
Risk label	Medium
Minimum initial investment	\$5,000
Distribution frequency	Quarterly
Investment management fee pa*	0.55%

*Additional fees and charges may apply.

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.

Investment strategy

The Fund invests in a wide range of fixed interest securities and investments, such as government, corporate and typically other international fixed interest securities.

Investment managers

Advance Asset Management Limited ('AAML') selects investment managers for 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	Since Inception % pa
After fees and costs ¹	0.2	0.1	-2.4	-2.0	0.4	1.0	5.5
Benchmark	0.4	0.7	-2.3	-3.2	0.4	0.9	5.5

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

Returns are calculated using month end exit prices and assume distributions are reinvested. Returns over 12 months are annualised.

1. 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 April, risk asset returns in developed markets were mostly positive, while defensive assets also provided modest gains. Emerging market equities were lower than their developed market counterparts due to the weakness in Chinese stocks.

News flow during April was fairly quiet until the last week of the month when banking concerns resurfaced, as First Republic Bank came under pressure and was ultimately acquired by J.P. Morgan. Equity market volatility ended the month at its lowest level since late-2021, despite a brief spike during the last week of the month. Major economies remained resilient, driven largely by service activity. US GDP for Q1 2023 rose at a 1.1% annualised rate, which was below expectations. Consumer confidence remained on the rise and labour markets remained tight, in spite of high profile layoffs in the US.

Headline inflation continued to decline in major economies, reaching 5.0% in the US, its lowest level since mid-2021. In the UK, inflation fell by less than expected and remained above 10.0%, the highest rate in major developed economies. The People's Bank of China and Reserve Bank of Australia left key lending rates unchanged.

Over April, Hedged Developed Markets Overseas Shares returned 1.6%. Even though the US earnings season delivered a fair number of positive EPS surprises relative to expectations, the earnings decline over the first quarter is set to be the largest since the second quarter of 2020. Returns were positive for most sectors with Consumer Staples delivering the largest gains for the month. Value outperformed growth among large- and mid-cap stocks, while growth outperformed among small-caps. Emerging Market Shares (UH) underperformed unhedged Overseas Shares in April. Weakness in China outweighed the better performance from India and Brazil.

Hedged Overseas Government Bonds returned 0.2% over the month as bond yields generally saw modest changes for most countries during the month. In the US, the 10-year bond yield fell by 4bps, while the 30-year yield was flat. In developed markets outside the US, 10-year yields rose by 6bps for Japan and 23bps for the UK. US inflation expectations, as measured by the 10-year inflation breakeven rate, fell from 2.3% to 2.2%. Australian Government Bonds were flat over the month.

Lending conditions remain somewhat stressed due to banking concerns but bond markets have remained fairly calm. Credit spreads generally declined during the month, with investment-grade spreads falling 2bps and high yield spreads declining 3bps.

Australian Shares returned 1.8%, underperforming their overseas counterparts in April. Real Estate (5.2%) and IT (4.5%) were the strongest sectors, meanwhile Materials (-2.6%) and Utilities (1.4%) were the largest detractors.

Fixed interest

Global bond markets generated a positive return over April with the Barclays Capital Global Aggregate Bond Index (Hedged) returning 0.4% and the FTSE World Government Bond (ex-Australia) Index (Hedged) returning 0.2%. Most ten-year bond yields moved slightly higher over the month, increasing in the UK (23bps to 3.72%), Germany (2bps to 2.32%), and Japan (3bps to 0.36%), while decreasing in the US (-5bps to 3.43%). Most two-year bond yields also rose over the month, increasing in the UK (34bps to 3.78%) and Germany (5bps to 2.79%) while decreasing in the US (-5bps to 4.09%) and remaining unchanged in Japan at -0.05%.

Returns for most Australian bondholders were marginally positive over April despite 10-year bond yields increasing (4bps to 3.34%), five-year bond yields (4bps to 3.07%) and two-year bond yields remaining unchanged at 3.08%.

Further Information

Please contact your financial adviser or:

Go to mercer.com.au/mercerfunds

Email InvestorHelpAU@mercer.com

Call 1300 728 928

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- If you are a direct investor who meets the eligibility criteria detailed in the PDS please complete the accompanying application form or;
- If you are investing through an Investor Directed Portfolio Service (IDPS) or an IDPS-like service (such as a master trust, wrap account, custody or nominees service), complete the forms your provider requires.

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