

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 May 2021

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	\$1,200.18
Month end redemption unit price	\$1.0230
Investment objective	To provide returns of 2% pa after fees above the benchmark over the short to medium term.
Recommended investment timeframe	5 years
Minimum initial investment	\$5,000
Distribution frequency	Quarterly
Management costs (%) pa ¹	0.55
Buy/sell spread (%)	0.07/0.17

FUND PERFORMANCE²

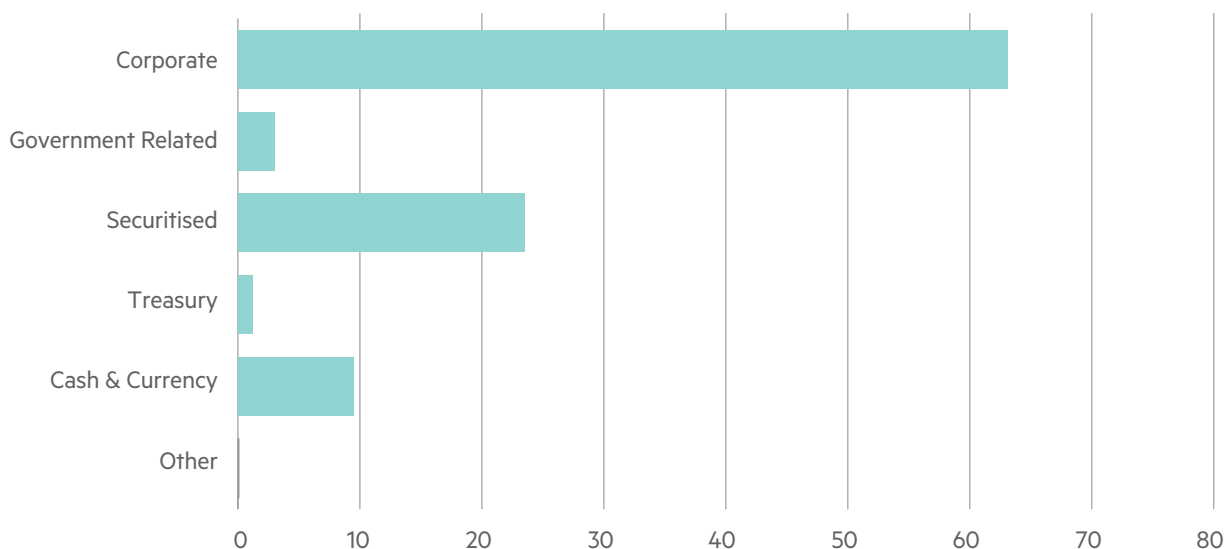
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.14	0.36	3.36	1.68	1.98	2.36
Growth return	0.14	0.36	1.82	0.51	(0.36)	0.26
Distribution return	0.00	0.00	1.54	1.17	2.34	2.10
Benchmark return	0.00	0.01	0.06	1.01	1.33	1.88

Benchmark: Bloomberg AusBond Bank Bill IndexSM

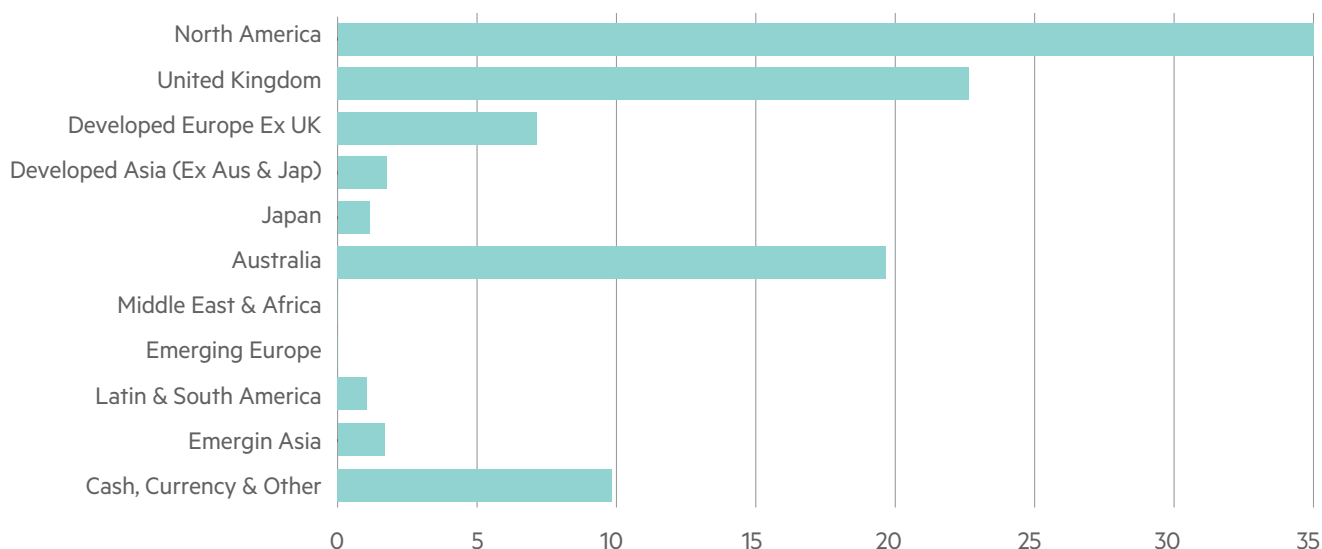
TOP 5 ISSUERS

	Fund (%)
Government of the United States of America	8.26
Ripon Mortgages Plc.	2.20
Federal National Mortgage Association	1.48
Uniform Mortgage Backed Securities	1.41
Commonwealth Bank of Australia	1.25

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	16.53
AA	8.16
A	13.77
BBB	47.24
Sub Investment Grade	10.87
Not Rated	(6.40)
Cash & Derivatives	9.83

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	1.51	0.12
Years to Maturity (Years)	12.32	0.12
Effective Yield (%)	1.50	0.03

FUND UPDATE

The Advance Defensive Yield Multi Blend Fund outperformed the benchmark during the month of May with all managers outperforming the benchmark.

TCW's portfolio performance benefited from the slightly longer than normal duration position as US Treasury yields edged lower, and also from the allocation to corporate credit and non-agency MBS. Notably among corporate credit the biggest contributors were non-cyclicals, communications, energy, and banks.

TwentyFour also outperformed the benchmark during May owing to its exposure towards short-dated securities which benefited from a modest contraction in credit spreads.

Kapstream continued to deliver a steady return with coupon income remaining the primary driver of returns.

May saw a continuation of the optimism over US growth. Economic data releases were generally positive, marked by supply bottlenecks and rising prices as demand swelled amid the ongoing reopening of the broader economy. US CPI rose more than anticipated and recorded the largest year-over-year jump since 2008. Meanwhile, soaring costs of building materials and lumber, and near-record low inventories, dampened housing data.

Across the continent in Europe, economic sentiment reached a three-year high, bolstered by gains in the services and retail sectors. Europe made significant progress in its vaccination program during May, with various countries also again beginning to ease restrictions. Economic data prints reflected a corresponding pickup in economic activity and the European Commission upgraded its euro area 2021 growth forecast to 4.3% from 3.8%.

Most major central banks maintained accommodative monetary policies despite the growing optimism. The US Federal Reserve (Fed) members continued to describe the rise in inflation as transitory with more data required to assess any change in policy direction. Against this guidance, a sizable miss in the number of jobs added in April cast doubt on the earliest timelines for the Fed to begin signalling a taper of its asset purchases.

Global sovereign yields ended mixed. US yields ended lower and in Europe, the European Central Bank's taper speculation drove peripheral yields higher, although sovereign bonds pared their losses into month-end after European Central Bank President Lagarde reiterated it was too early to discuss slowing PEPP purchases.

Most fixed income sectors gained on an excess return basis as credit spreads largely tightened, supported by continued economic recovery. Within the securitized sectors, commercial mortgage-backed securities and asset-backed securities outperformed, while agency mortgage-backed securities underperformed duration-equivalent government bonds. Within emerging markets (EM), local markets debt outperformed external debt in USD terms.

FUND STRATEGY

The Fund invests in a diversified mix of fixed interest, cash and cash equivalent securities and instruments in both Australian and international markets, with an emphasis on liquidity and capital stability regardless of the overall direction of fixed interest and cash markets. The ability of the Fund's investment strategy to produce investment returns will be dependent on a number of factors including the asset allocation and investment selection skills of the investment managers, market conditions and specific risk factors. The Fund does not have specific diversification guidelines or limits. Although there are no geographical restrictions on where assets may be located, they will typically be located in Australia, Europe and the United States. The base currency of the Fund is Australian dollars however the assets of the Fund may be denominated in a variety of currencies.

There have been no material changes in the Fund's strategy this month.

FUND RISK PROFILE

3 Low – Medium. Low to medium risk of short-term loss. Likely to produce low to medium returns over the minimum suggested timeframe.

There have been no material changes in the Fund's risk profile this month.

KEY SERVICE PROVIDERS

The responsible entity of the Fund is Advance Asset Management Limited.

JP Morgan Chase Bank N.A. is the custodian and administrator of the Fund.

PwC is the external auditor of the financial statements of the Fund. In addition, an individual partner of PwC acts as the auditor of the Fund's Compliance Plan.

The underlying investment managers for the Fund are:

- > Kapstream Capital Pty Ltd
- > TwentyFour Asset Management (TwentyFour)
- > Trust Company of the West (TWC)
- > Advance Cash Multi-Blend Fund

There have been no material changes in the Fund's key service providers this month.

- 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. 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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The information in this document has been prepared by Advance Asset Management Limited ABN 98 002 538 329 AFSL 240902 ('Advance').

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Advance is the responsible entity of the Advance Defensive Yield Multi-Blend Fund, ASRN 166 771 875 ('Fund'). The Fund is closed to new investors. The Financial Services Guide ('FSG') for Advance can be obtained via www.advance.com.au.

Advance is a subsidiary of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 (Westpac). An investment in the Fund is not an investment in, deposit with, or other liability of Westpac or any other company in the Westpac Group. An investment in the Fund is subject to investment risk, including possible delays in the payment of withdrawals and loss of income and principal invested. No member of the Westpac Group (including Advance) stands behind or otherwise guarantees the capital value or investment performance of the Fund.

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