

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 30 June 2022

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	\$1,188.08
Month end redemption unit price	\$0.9414
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

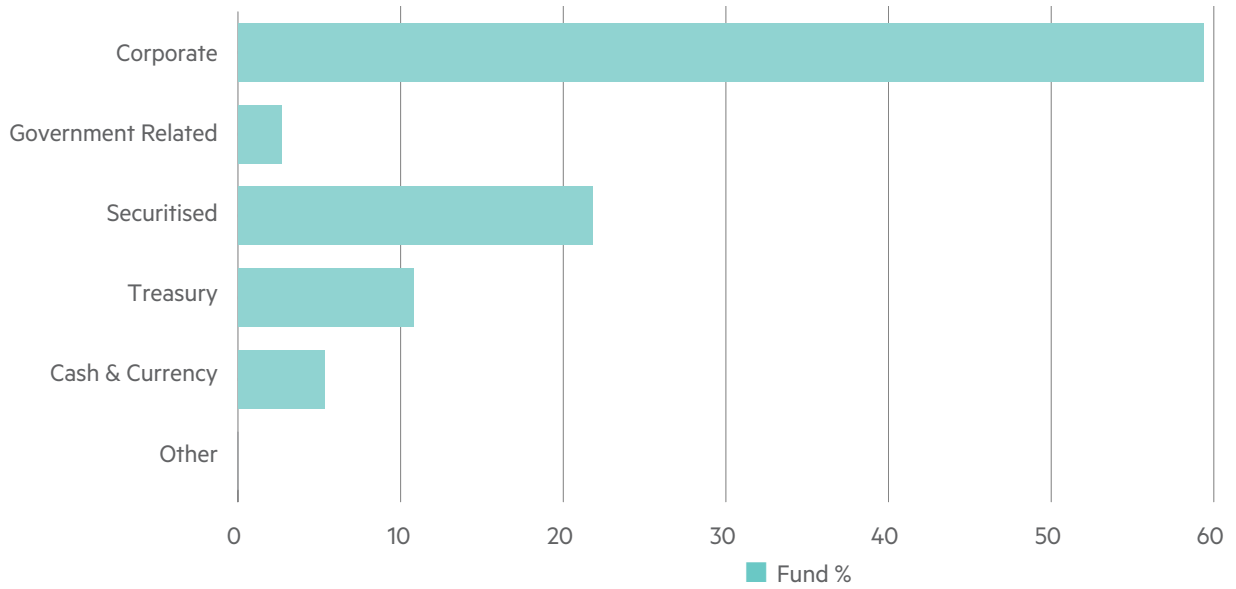
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(1.51)	(2.62)	(4.91)	(0.54)	0.26	1.58
Growth return	(1.64)	(2.75)	(5.04)	(2.18)	(1.54)	(0.63)
Distribution return	0.14	0.13	0.13	1.64	1.80	2.21
Benchmark return [~]	0.05	0.07	0.10	0.33	0.95	1.68

[~] Benchmark: Bloomberg AusBond Bank Bill IndexSM

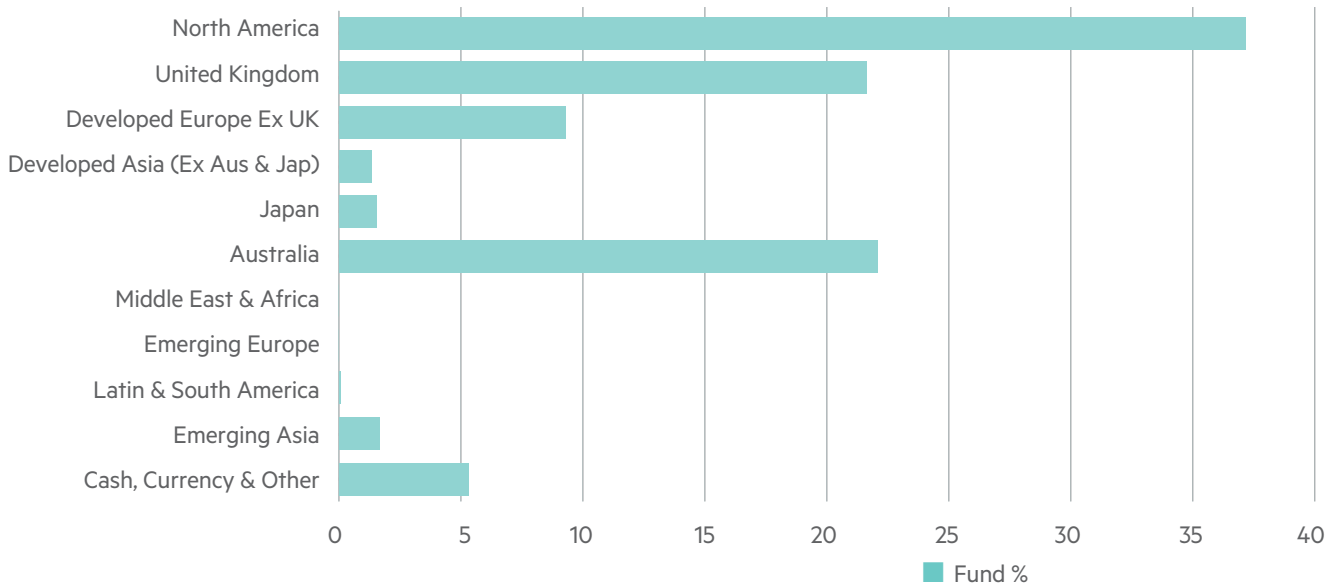
TOP 5 ISSUERS

	Fund (%)
Government of the United States of America	7.76
Federal National Mortgage Association	3.01
Australia and New Zealand Banking Group Ltd.	2.92
Westpac Banking Corp.	2.16
National Australia Bank Ltd.	1.55

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	16.85
AA	8.89
A	14.48
BBB	49.00
Sub Investment Grade	9.78
Not Rated	(4.32)
Cash & Derivatives	5.32

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	1.41	0.13
Years to Maturity (Years)	11.78	0.13
Effective Yield (%)	4.39	1.36

FUND UPDATE

The Advance Defensive Yield Multi Blend-Fund underperformed the benchmark during the month of June.

Notwithstanding the positive carry from the portfolio's credit positions, our underlying manager's performance was again negative over the month as rising bond yields and the widening of credit spread continue to impact overall performance.

Managers such as TCW and TwentyFour (who are exposed to higher beta sectors in the credit markets) were more negatively impacted than peers.

Our underlying managers continue to maintain a defensive tilt given the volatility in markets and have ample liquidity to add positions if volatility persists. However, a cautious approach remains until further clarity is evident in the medium term.

It was another volatile month in fixed-income markets. High energy prices, the Ukraine war and Covid related supply side bottlenecks and tight labour markets have continued to drive inflation higher globally. Global government bond yields continued to move higher following ongoing monetary policy tightening intentions in response to persistent inflation pressures. While inflation remained the dominant theme, an increasing number of activity indicators disappointed during the month across the US, UK and Europe, adding to growing fears over the global growth outlook.

Global sovereign yields moved sharply higher as most major central banks supercharged their hiking cycles. The Bank of England raised the bank rate by a further 25 bps as expected, which was the fifth straight increase, bringing rates to the highest level since 2009. The European Central Bank announced its plan to end QE and indicated it would begin raising rates in July while initiating a program to avoid fragmentation across eurozone government bond markets. President Lagarde suggested a larger hike would be appropriate in September, if inflation pressures persist.

In the US, the Federal Reserve (Fed) hiked rates by 75 bps, the largest hike since 1994, as Fed Chair Jerome Powell reiterated his commitment to bringing inflation back towards the 2% target. The Fed guided for a 50 to 75 bps rate hike at July meeting. Powell also flagged significant risk that elevated inflation could become entrenched if the public began to question the Fed's resolve to adjust the policy stance as warranted. The two- and ten-year US Treasury bond yield curve briefly inverted during the month, which is a potential indicator of a forthcoming recession, as two-year rates surged to a 15 year high, ending at 2.95%. The ten-year Treasury yield rose to an 11 year high of almost 3.5% before declining back, ending at 3.01%.

Corporate credit bonds were also weaker during the month, as all sectors posted negative total returns. Investment grade credit, high yield debt, and agency MBS all lagged duration-matched Treasuries during the month, while agency CMBS and ABS slightly outperformed. Investment grade credit posted negative total returns in June and trailed duration-matched Treasuries by 151 bps. Headwinds from macro uncertainty, rate volatility, consistent fund outflows and recession fears weighed on the sector overall, with yield spreads widening 22 bps. Moreover, credit yields of 4.58% at the end of the month were more than what high yield credit offered at the beginning of the year.

In the securitised sectors, continued rate volatility weighed on the agency MBS basis as yield premiums rose 12 bps in the sector leading to negative total and excess returns. Despite also posting negative total returns, CMBS and ABS both outpaced duration-adjusted Treasuries in June, with yield spreads in the ABS sector compressing 5 bps.

The Bloomberg Barclays Global Aggregate Bond Index returned a negative -1.64% over the month, bringing the one-year performance to -9.33%.

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 Ltd.

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)

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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Advance is the responsible entity of the Advance Defensive Yield Multi-Blend Fund, ASRN 166 771 875 ('Fund'). A Product Disclosure Statement ('PDS') for Wholesale investors is available for the Fund and can be obtained by calling the Contact Centre on 1800 819 935, or visiting advance.com.au, the Retail Fund is closed to new investors. The Financial Services Guide ('FSG') for Advance can be obtained via advance.com.au. For the Target Market Determination for this product please refer to bt.com.au/tmd.

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