ADVANCE ASSET MANAGEMENT

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 July 2022

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	$1,067.63
Month end redemption unit price	$0.9484
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 / 0.07

FUND PERFORMANCE[2]

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.88	(0.87)	(4.34)	(0.36)	0.35	1.65
Growth return	0.88	(1.00)	(4.47)	(2.00)	(1.45)	(0.54)
Distribution return	-	0.14	0.13	1.65	1.80	2.19
Benchmark return~	0.12	0.21	0.22	0.33	0.94	1.68

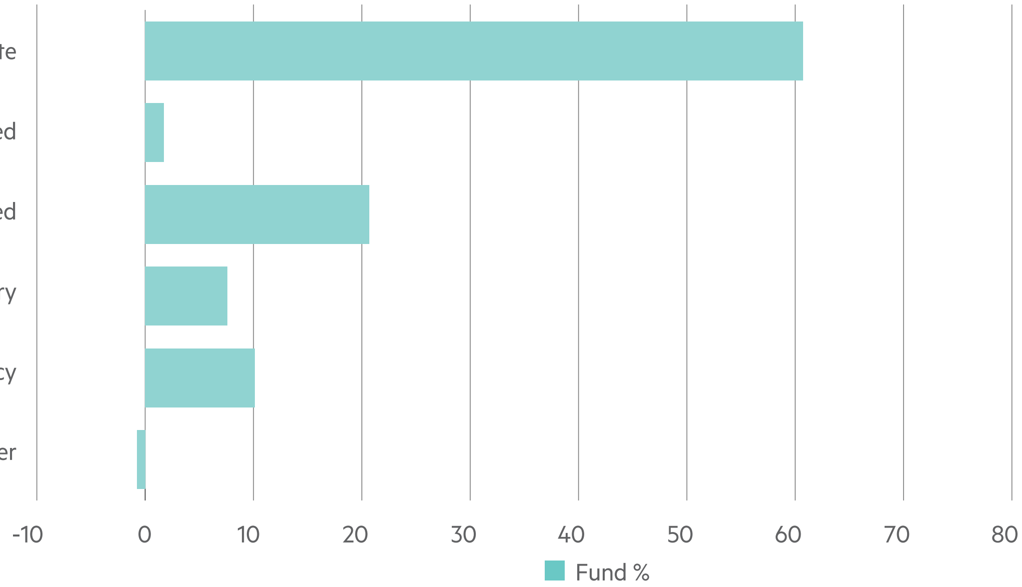
~ Benchmark: Bloomberg AusBond Bank Bill Index[SM]

TOP 5 ISSUERS

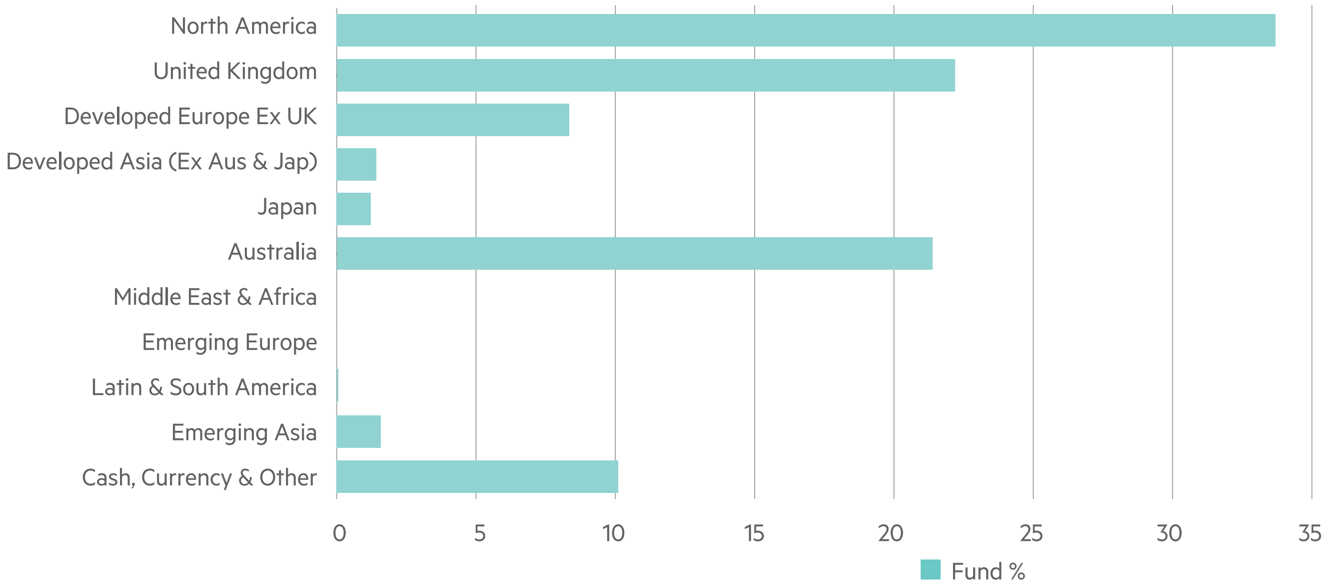
	Fund (%)
Government of the United States of America	7.11
Australia and New Zealand Banking Group Ltd.	2.87
Federal National Mortgage Association	2.65
Westpac Banking Corp.	2.63
National Australia Bank Ltd.	1.31

Please refer to the end of this report for the footnotes

SECTOR ALLOCATIONS[3,4]



REGIONAL ALLOCATIONS[3,4]



CREDIT QUALITY[3,4,5]

	Fund (%)
AAA	14.22
AA	8.31
A	18.49
BBB	47.71
Sub Investment Grade	8.58
Not Rated	(7.41)
Cash & Derivatives	10.11

FUND CHARACTERISTICS[6]

	Portfolio	Benchmark
Effective Duration (Contribution)	1.42	0.12
Years to Maturity (Years)	11.62	0.13
Effective Yield (%)	4.05	1.64

Please refer to the end of this report for the footnotes

FUND UPDATE

The Advance Defensive Yield Multi-Blend Fund outperformed the during the month of July.

Relative manager performance was generally positive over the month with TCW and TwentyFour both rebounding strongly after an extended period of underperformance. Kapstream was modestly down versus the benchmark. The contraction of credit spreads was the biggest driver of performance alongside a decline in rates which also provided a positive tailwind to returns.

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 2.50%, 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 securitized 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.

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.

Please refer to the end of this report for the footnotes

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.

Advance Asset Management, GPO Box B87, Perth WA 6838

Customer Relations 1800 819 935 Adviser Services 1300 361 864 Fax (02) 9274 5211

advance.com.au

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