ADVANCE ASSET MANAGEMENT

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 August 2022

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	$1,061.37
Month end redemption unit price	$0.9419
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	(0.69)	(1.32)	(5.00)	(0.68)	0.15	1.57
Growth return	(0.69)	(1.45)	(5.13)	(2.33)	(1.64)	(0.60)
Distribution return	0.00	0.14	0.13	1.64	1.79	2.17
Benchmark return~	0.15	0.33	0.37	0.36	0.95	1.68

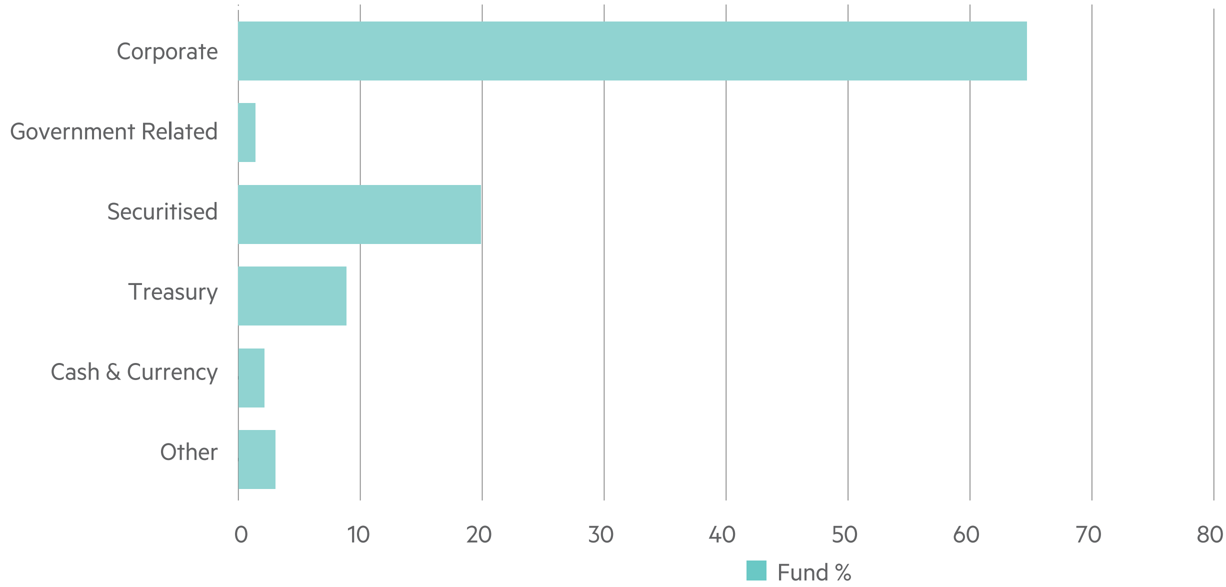
~ Benchmark: Bloomberg AusBond Bank Bill Index[SM]

TOP 5 ISSUERS

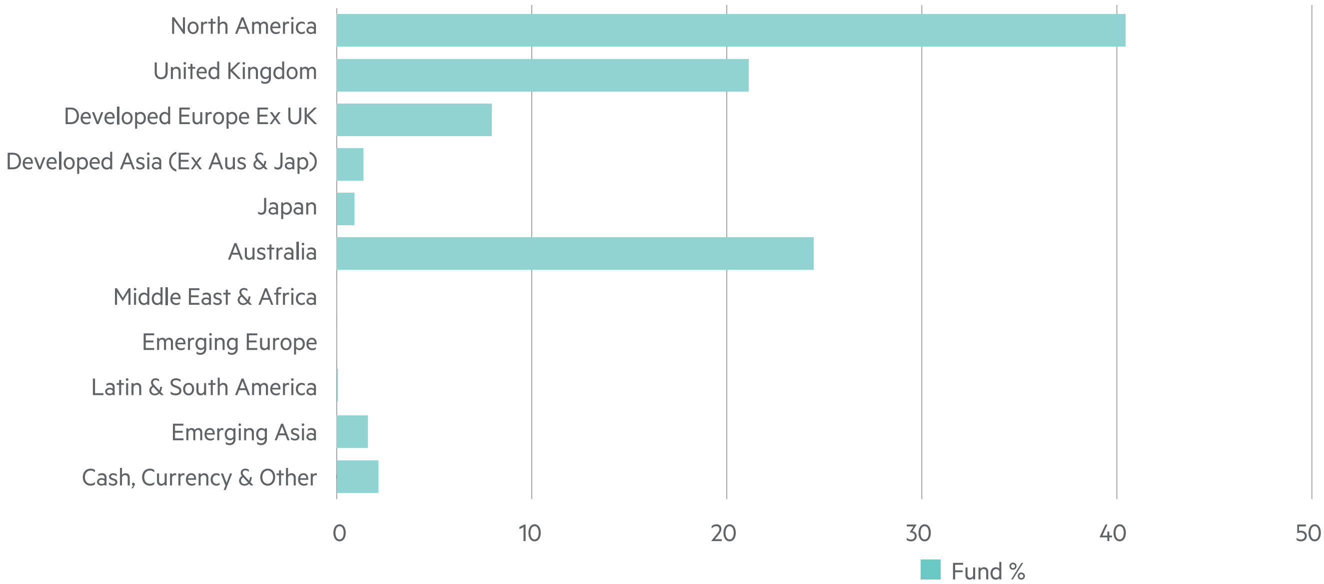
	Fund (%)
Government of the United States of America	7.99
Australia and New Zealand Banking Group Ltd.	3.11
Federal National Mortgage Association	2.89
Westpac Banking Corp.	2.64
Suncorp Group Ltd.	1.30

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	17.29
AA	6.33
A	15.02
BBB	47.15
Sub Investment Grade	8.20
Not Rated	3.90
Cash & Derivatives	2.12

FUND CHARACTERISTICS[6]

	Portfolio	Benchmark
Effective Duration (Contribution)	1.45	0.13
Years to Maturity (Years)	11.35	0.13
Effective Yield (%)	4.71	2.17

Please refer to the end of this report for the footnotes

FUND UPDATE

The Fund underperformed the benchmark during the month of August.

Against a backdrop of rising rates and continued hawkish rhetoric from the Fed, TCW's performance trailed the Bloomberg AusBond Bank Bill Index by nearly 150 bps for the month. Returns were held back largely by the strategy's positive duration position given the rise in U.S. Treasury yields, with a smaller headwind resulting from the position in agency MBS as the sector retraced gains from July to post negative excess returns for the month.

TwentyFour also lagged the benchmark as exposures to hybrids, however short dated, continue to pressure the portfolio's performance.

Kapstream outperformed the benchmark as the fund's Australian credit exposures benefitted with a lag from the compression in credit spreads seen elsewhere in July.

August was another volatile month with increased market expectations for more rate hikes over the remainder of this year, coupled with diminishing expectations for rate cuts in 2023. Slowing growth, an intensifying energy crisis, and steadfast hawkish remarks from major central banks to combat unyielding inflation elicited a sharp increase in sovereign yields, weighing on fixed income markets.

Most global sovereign yields rose sharply, particularly in Europe, on higher-than-expected inflation and continuing hawkish narrative from major central banks. The Bank of England (BoE) hiked the Bank Rate by 50 bps to 1.75%, the largest hike since 1995. UK inflation data released subsequently exceeded expectations at 0.6% in July and seeing the annual inflation rate at 10.1%.

The European Central Bank (ECB) also hit the headlines late in the month with reports emerging that some members of the Governing Council want to discuss a 75-bps increase at their September meeting. Attending the Jackson Hole summit, two members of the Governing Council also warned that a larger sacrifice will be needed to tame inflation and that price growth risks risk spinning out of control. Energy prices continued to surge in Europe and inflation increased further, reaching 9.1% in its initial reading for August up from 8.9% in July.

In the US, strong labour market data and hawkish rhetoric from several Federal Open Market Committee (FOMC) members added additional upward pressure on US Treasury yields. In Federal Reserve (Fed) Chair Jerome Powell's speech at the Jackson Hole symposium, he reiterated that US policymakers "must keep at it until the job is done," implying that interest rate increases will continue, adding that successfully controlling inflation is likely to restrain economic growth "for some time." Inflation did decline in July at the headline level, falling back more than had been expected, to 8.5%, from 9.1%, while the core rate remained steady at 5.9%. The yield curve inverted further as short rates raced higher in anticipation of additional central bank tightening, with the U.S. 2-Year yield up 61 bps to 3.5%, while the U.S. 10-Year yield rose by 54 bps to 3.2%.

It was a volatile month for spread sectors. The risk appetite remained fragile because of the macroeconomic uncertainty and the instability in government bond markets. Global credit bonds slightly outperformed duration-equivalent government bonds as US spreads tightened modestly. In the securitized sectors, the risk-on rally in the early parts of the month helped propel non-agency CMBS and ABS to positive excess returns, with yield spreads across both legacy and non-agency MBS also tightening throughout August. Agency MBS and CMBS, however, fared worse amid the rising rates and hawkish rhetoric in the latter half of the month as both trailed duration-matched 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 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)

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.

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