ADVANCE ASSET MANAGEMENT

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 30 September 2022

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	$1,042.53
Month end redemption unit price	$0.9253
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	(1.76)	(1.57)	(6.53)	(1.30)	(0.23)	1.38
Growth return	(1.76)	(1.57)	(6.66)	(2.94)	(2.00)	(0.77)
Distribution return	-	-	0.13	1.63	1.77	2.15
Benchmark return~	0.15	0.42	0.52	0.38	0.95	1.68

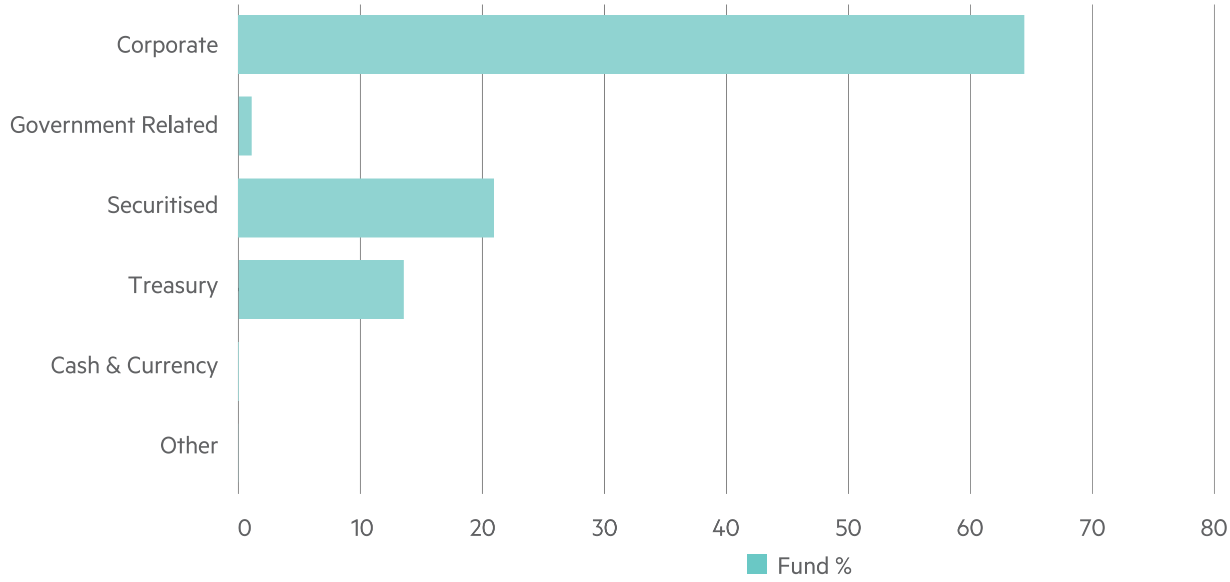
~ Benchmark: Bloomberg AusBond Bank Bill Index[SM]

TOP 5 ISSUERS

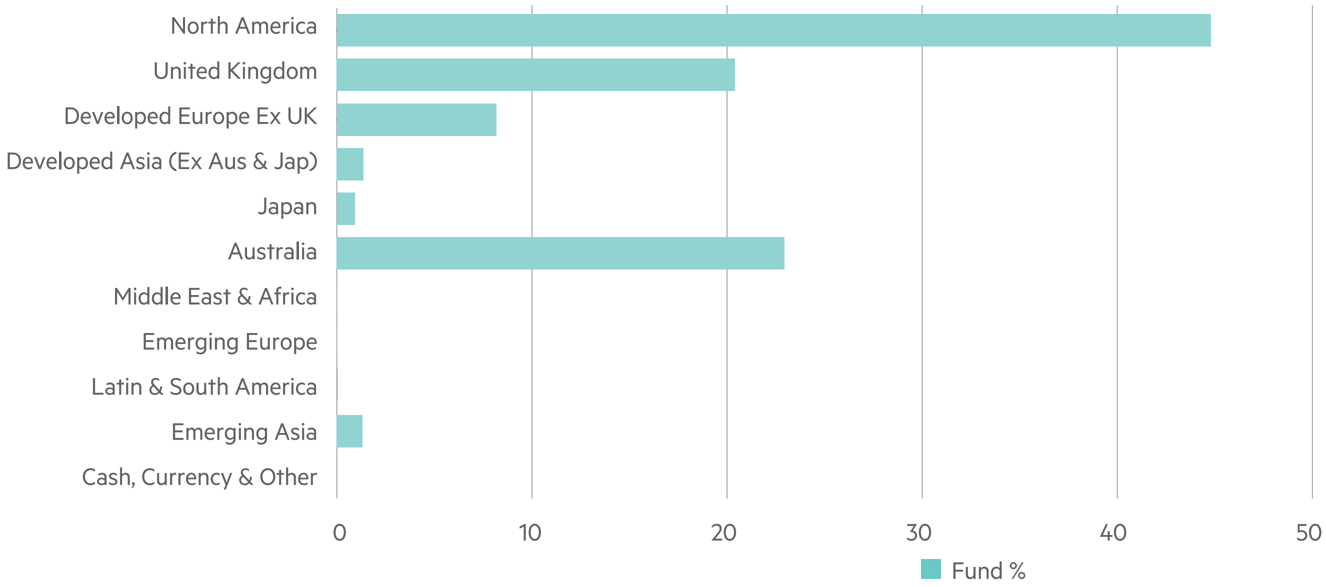
	Fund (%)
Government of the United States of America	10.48
Federal National Mortgage Association	3.49
Australia and New Zealand Banking Group Ltd.	2.78
Westpac Banking Corp.	1.35
Suncorp Group Ltd.	1.31

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	18.21
AA	4.03
A	17.77
BBB	46.89
Sub Investment Grade	8.72
Not Rated	4.37
Cash & Derivatives	0.02

FUND CHARACTERISTICS[6]

	Portfolio	Benchmark
Effective Duration (Contribution)	1.40	0.13
Years to Maturity (Years)	9.98	0.13
Effective Yield (%)	5.66	2.79

Please refer to the end of this report for the footnotes

FUND UPDATE

The Advance Defensive Yield Multi Blend underperformed the benchmark by 1.91% during the month of September.

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 266 bps for the month. The positive duration position was the biggest drag on relative returns. Sector positioning was mixed. Corporate bonds contributed to relative returns as intermediate corporates outpaced Treasuries for the period, with only long credit lagging, while securitized was a drag due to exposure to agency MBS, which widened to post-2008 levels

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

Kapstream fared better although it did still underperform relative to the benchmark.

It was another volatile month in September across fixed-income markets and global bond yields continued to rise. Global central banks continued fight against inflation led markets to raise policy rate forecasts. Lower energy prices and a moderation of future inflation expectations did little to assuage macroeconomic uncertainty amid growing recession concerns.

Persistent inflation and tighter monetary policies resulted in negative returns across most global sovereign markets. Central banks across most developed markets reinforced their hawkish intentions and expressed a willingness to keep policy in restrictive territory, even in the face of slower growth and weaker labour markets. In Europe, the European Central Bank (ECB) also raised rates by 75bp. Inflation in the eurozone increased by 9.1%, year over year. ECB President Christine Lagarde noted that central bank would need to keep hiking rates over several meetings to get inflation back under control.

The Bank of England (BoE) hiked the Bank Rate by 50 bps to 2.25% and confirmed a plan to begin quantitative tightening. Liz Truss was announced the new UK Prime Minister. The new UK Chancellor of the Exchequer, Kwasi Kwarteng, announced an expansive package of fiscal measures that triggered an unprecedented rise in UK gilt yields. The speed and magnitude of the selloff forced the BoE to act on financial stability grounds with operations to purchase long-dated UK gilts. Additionally, BoE reduced its forecast of peak inflation from over 13% to just below 11% largely because of the government's energy price cap.

In the US, the Federal Reserve (Fed) increased rates by another 75bp. Inflation for August declined, but by less than expectations, to 8.3% year over year. Recognising the third successive rate increase posed risks to growth, Fed Chairman Jerome Powell said rate hikes are "not as painful as failing to restore price stability." Powell also warned that it would be some time before tighter policy would have any clear impact on inflation. He continued to stress the need to act "forthrightly" to bring down inflation to the 2% goal and cautioned against prematurely loosening policy. The US dollar rallied strongly to its highest level in the last two decades, as it became increasingly clear that the Fed will likely tighten policy more aggressively to counter persistently high inflation. Bond yields continued surging higher over the month. In the US, 2-year and 10-year bond yields ended the month 79 and 64 bps higher in yield at 4.28% and 3.83% respectively.

Volatility also swept across credit spread sectors over the month. Risk appetite remained fragile and spreads on corporate bond widened. Corporate bonds were again in negative territory and led the decline, falling 5.26%, while agency MBS lost 5.05% and posted the worst monthly excess returns on record, trailing duration-matched Treasuries by 191 bps. CMBS fell a more modest 3.11%, while ABS fared slightly better, falling just over 1% and was the only sector to post a positive excess return versus 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.

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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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 advance.com.au. For the Target Market Determination for this product please refer to bt.com.au/tmd.

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