ADVANCE
ASSET MANAGEMENT

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 October 2022

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	$997.07
Month end redemption unit price	$0.9279
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	0.28	(2.16)	(5.90)	(1.26)	(0.20)	1.39
Growth return	0.28	(2.16)	(6.03)	(2.90)	(1.97)	(0.74)
Distribution return	-	-	0.13	1.63	1.77	2.13
Benchmark return~	0.24	0.54	0.76	0.43	0.97	1.69

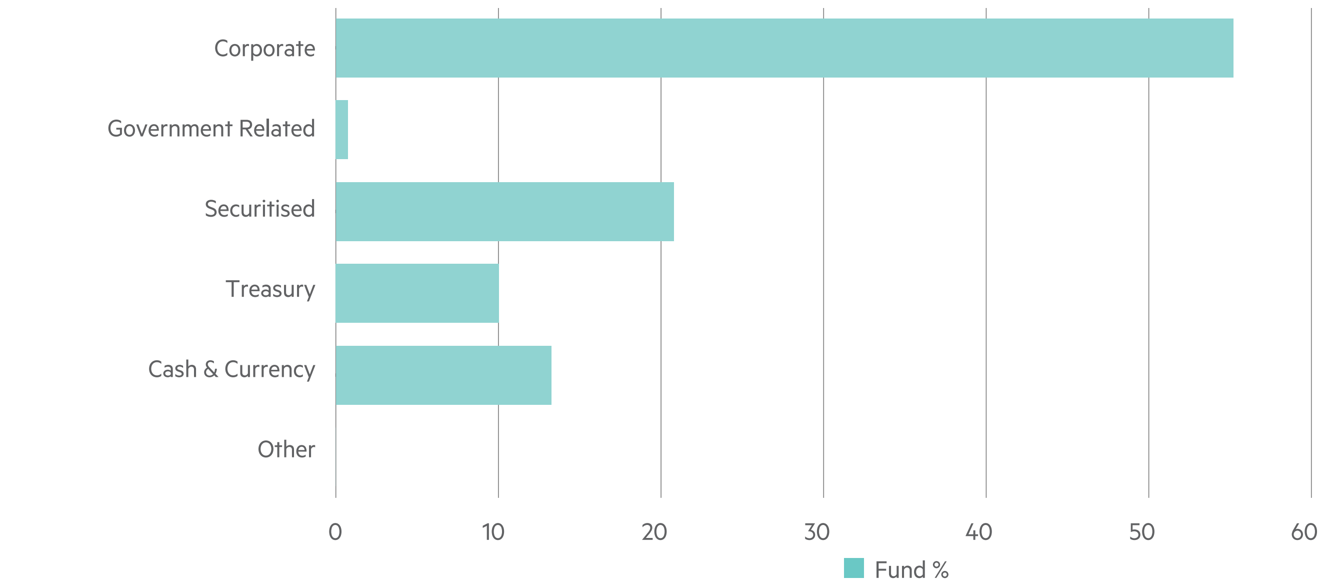
~ Benchmark: Bloomberg AusBond Bank Bill Index[SM]

TOP 5 ISSUERS

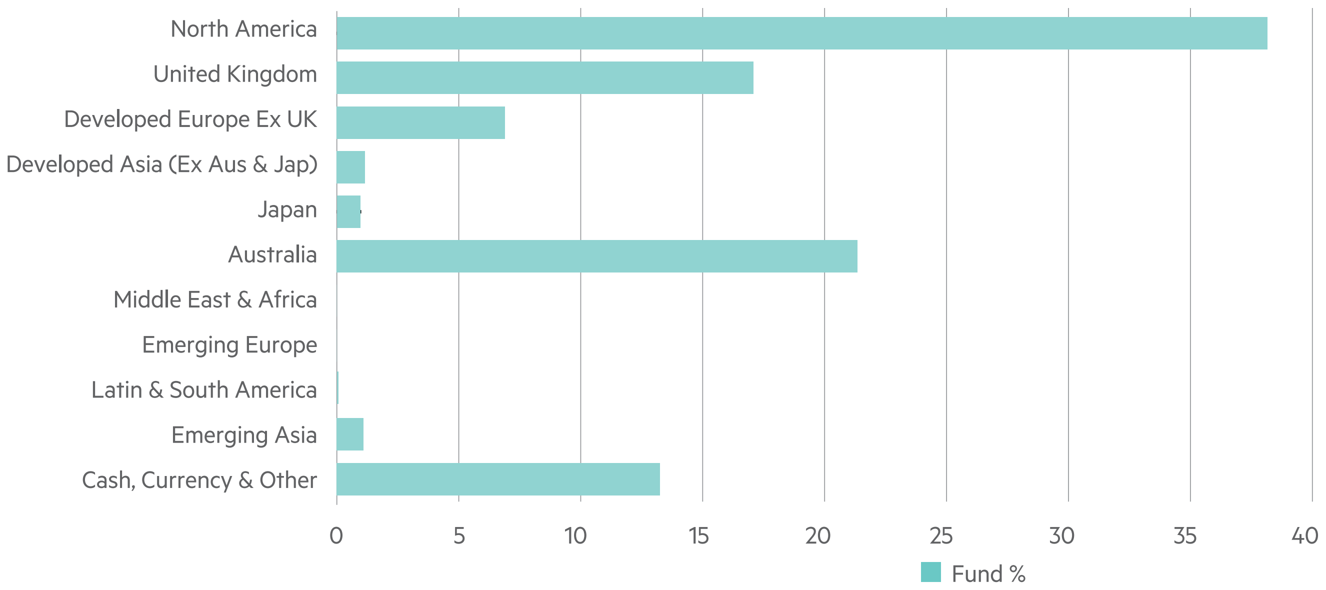
	Fund (%)
Government of the United States of America	6.21
Federal National Mortgage Association	3.88
Australia and New Zealand Banking Group Ltd.	2.63
Westpac Banking Corp.	1.40
Heartland Australia Group Pty Ltd.	1.14

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	13.24
AA	5.99
A	16.62
BBB	41.71
Sub Investment Grade	7.98
Not Rated	1.21
Cash & Derivatives	13.25

FUND CHARACTERISTICS[6]

	Portfolio	Benchmark
Effective Duration (Contribution)	1.36	0.12
Years to Maturity (Years)	6.51	0.12
Effective Yield (%)	4.91	2.91

Please refer to the end of this report for the footnotes

FUND UPDATE

The Advance Defensive Yield Multi Blend outperformed the benchmark during the month of October.

Relative manager performance was mixed over the month, with TwentyFour outperforming while TCW and Kapstream detracting at the margins.

Kapstream delivered a negative return owing to its interest rate hedges attracting a negative outcome (as yields contracted). However, the coupon income carry in the portfolio helped to largely offset the impact from these adverse market movements, with the yield to maturity rising further to close at 5.25% at month end.

In TCW's case, the theme was similar with the rise in rates leading to negative return for the mandate. Relative performance was also held back by the positive duration position as rates rose, and by the allocation to lagging securitized products. In particular, the position in legacy non-agency MBS detracted as spreads widened.

TwentyFour however rebounded modestly as the yields across a number of its hybrid positions recovered as sentiment improved across the sector.

It was another volatile month in October with mixed government bond markets, which generally weakened against an ongoing backdrop of inflation and increased monetary tightening. Policymakers continue to assess the trade-off between reducing inflation and maintaining economic growth. Global government bond yields traded over a wide range during the month and posted mixed returns.

Major central banks continued to raise rates. In Europe, the European Central Bank (ECB) increased interest rates by 75bp as had been widely expected, taking the refinancing and deposit facility rates to the highest rates since 2009. The hikes accompanied warnings of further increases to come, as inflation remained "far too high," reflecting continued increasing inflation in the broad eurozone. The Bank of Canada (BoC) raised their overnight rate by a less than expected 0.50% to 3.75%. BoC Governor Macklin noted that 'this tightening phase will draw to a close. We are getting closer, but we aren't there yet'.

In the United Kingdom, the new Chancellor reversed the tax cuts plan of his predecessor, which helped settle gilt markets and propel a market recovery as yields fell sharply. The Bank of England (BoE) announced that they would be intervening in the gilt market. The BoE stated that the move was necessary as 'the prospect of self-reinforcing 'fire sale' dynamics pose a material risk to UK financial stability' and was driven by feedback that the need to liability driven investment funds to deleverage would accelerate and greatly exaggerate instability. The BoE also confirmed that Quantitative Tightening (balance sheet reduction) would begin at the end of October. There had been some speculation that bond sales may have been delayed given the market turmoil.

In the US, strong labour and inflation data, and hawkish rhetoric from several Federal Open Market Committee (FOMC) members at the beginning of the month together pushed terminal policy rate expectations and US Treasury yields higher. US economic data was mixed. Recession worries and continued inflation pressure weighted on consumer confidence. The inflation data continues to exceed expectations and led to the market pricing in up to a further 1.5% increase in the Fed Funds rate prior to the end of the year. Headline and Core inflation both exceeded expectations by 0.2% at 0.4% and 0.6% respectively, taking the annual rate to 8.2% and 6.6%. The core rate rose to the highest level since 1982. Bond yields continued surging higher over the month. In the US, 2-year and 10-year bond yields ended the month 20 and 22 bps higher in yield at 4.48% and 4.05% respectively.

After trading near year-to-date wides in October, corporate credit improved near the end of the month on the solid US GDP print and hopes for a more dovish central bank calendar. While higher rates resulted in a negative 2.8% return for the sector, yields climbed 24 bps to end the month at a decade high of 5.81%. Within the securitized sectors, agency mortgage-backed securities continued to struggle, but performed the best, falling 1.4% but lagging Treasuries by only 29 bps. Asset-backed securities and commercial mortgage-backed securities underperformed duration-equivalent government bonds, trailing Treasuries by 72 bps and over 100 bps, respectively.

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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