ADVANCE ASSET MANAGEMENT

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 January 2023

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	$807.57
Month end redemption unit price	$0.9515
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	1.23	2.54	(2.90)	(0.70)	0.13	1.61
Growth return	1.23	2.54	(3.04)	(2.34)	(1.41)	(0.48)
Distribution return	-	-	0.13	1.64	1.54	2.09
Benchmark return~	0.27	0.77	1.52	0.61	1.03	1.72

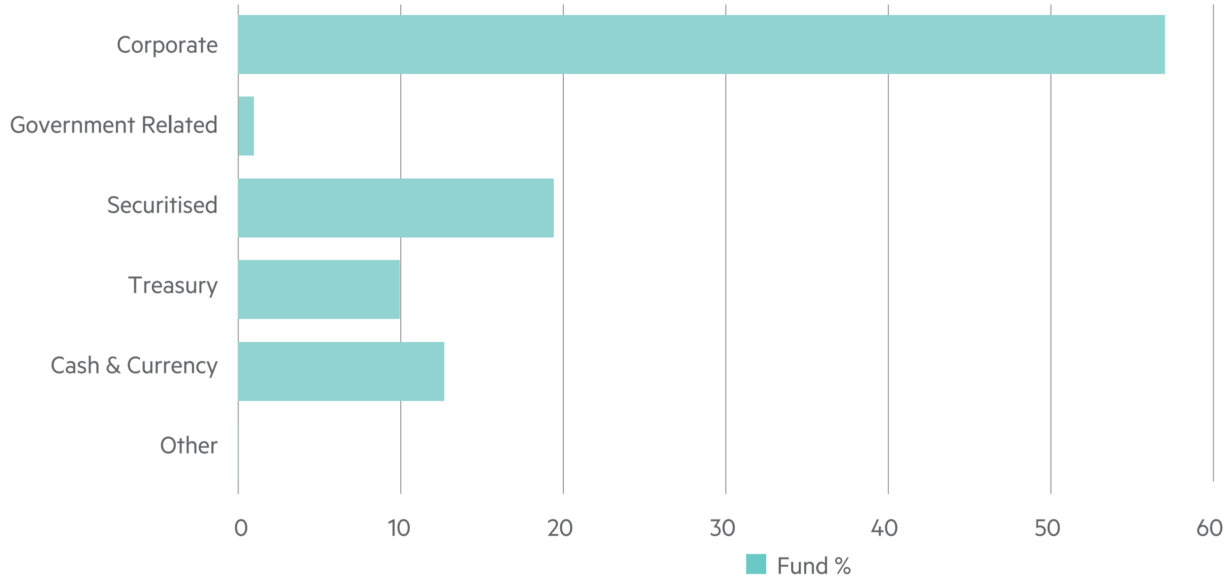
~ Benchmark: Bloomberg AusBond Bank Bill Index℠

TOP 5 ISSUERS

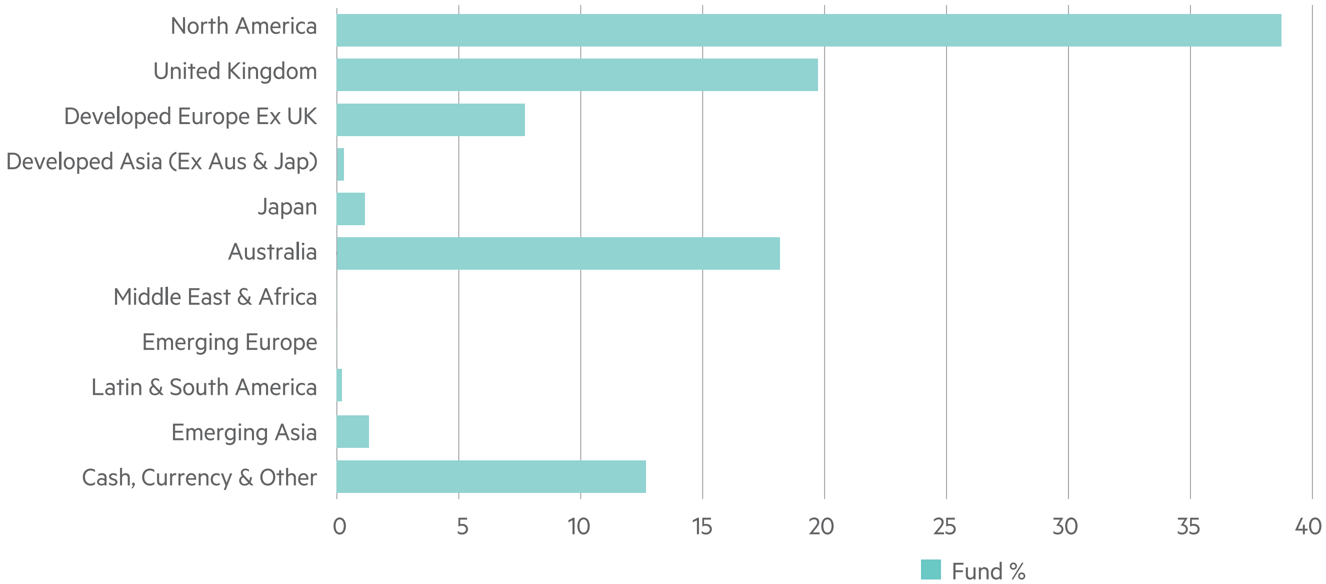
	Fund (%)
Government of the United States of America	8.76
Federal National Mortgage Association	2.88
Heartland Australia Group Pty Ltd.	1.40
Liberty Financial Pty Ltd.	1.32
BNP Paribas S.A.	1.25

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	15.35
AA	11.95
A	16.11
BBB	41.97
Sub Investment Grade	8.31
Not Rated	(6.38)
Cash & Derivatives	12.68

FUND CHARACTERISTICS[6]

	Portfolio	Benchmark
Effective Duration (Contribution)	1.38	0.13
Years to Maturity (Years)	8.92	0.13
Effective Yield (%)	4.35	3.24

Please refer to the end of this report for the footnotes

FUND UPDATE

The Advance Defensive Yield Multi Blend outperformed the benchmark by 96bps during the month of January.

TwentyFour rebounded strongly over the month as the fixed income rally continued. The portfolio made its largest gains in the higher beta areas, corporate hybrids and subordinated financials but made gains across the board as government bonds also rallied.

TCW also delivered strong returns in January. The portfolio's positive duration profile benefitted relative performance given the move lower in rates throughout the month, with the corporate credit allocation also key to outperformance as both investment grade and high yield corporates finished ahead of duration-matched Treasuries. Meanwhile, the impact from securitized products was an additional tailwind as all securitized sectors posted positive excess returns, with non-agency MBS providing the largest benefit as yield spreads tightened throughout the month, carrying over momentum from December.

Kapstream posted a monthly gain of +0.57% in January, taking the three month return to 1.10% as the higher yield environment which developed over 2022 continued to add to returns as anticipated. Australian physical credit spreads compressed in the month, further supporting the portfolio's returns given the modest but positive credit exposures.

Government bonds strengthened as yields declined in most major markets in January. Most larger central banks did not hold rate-setting meetings during the month, resulting in no changes to interest rate policy. Inflation, which remained the primary concern of most central banks, generally fell back slightly, though markets continued to anticipate more interest rate increases despite the fragile global economic outlook. Warmer weather in Europe, lower natural gas prices, and China's reopening added to the optimism.

In Europe, headline eurozone inflation fell back more than expected in January, declining to 9.2% from 10.1%, but core inflation continued to increase. There was no rate-setting meeting of the European Central Bank (ECB) in January but ECB policymakers continued with hawkish rhetoric, calling for rate increases to be continued and for some time. Minutes from the December meeting showed some members called for a third successive 75bp increase, but the consensus agreed on 50bp. In the UK, the Bank of England (BoE) noted that labour market indicators were loosening, and data indicated sluggish economic activity.

In the US, continued hawkish rhetoric emanating from the Federal Reserve (Fed) led the market to anticipate another, albeit smaller, rate hike in early February. Inflation continued to decline and initial data for GDP growth for Q4 2022 was a little better than had been expected at 2.9%, but still weaker than in Q3. Forward-looking indicators of economic activity seemed to confirm a softer tone, suggesting that the effects of higher interest rates is being reflected in the real economy.

In Federal Open Market Committee's (FOMC) meeting minutes released earlier in the month, the Fed reiterated their resolve to bring down inflation. The Fed commented that the move from 75 to 50 basis points "was not an indication of any weakening of the committee's resolve to achieve its price-stability goal". Fed officials' median projections for the appropriate path of interest rates also revealed that none of the Fed officials expect that it will be appropriate to cut interest rates in 2023. This is at odds with market pricing. The US 10-year and 2-year yields decreased by 37 bps and 22 bps to 3.51% and 4.2% respectively.

Global credit bonds outperformed in January as spreads tightened, with all sectors outpacing treasuries on a duration-equivalent basis. Corporate credit posted a strong month, led by the high yield cohort with 218 bps of positive excess returns, while investment grade corporates bested duration-matched Treasuries by 120 bps. Securitized sectors were also positive, led by agency MBS given a reduction in rate volatility, followed by CMBS and ABS.

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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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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