ADVANCE
ASSET MANAGEMENT

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 28 February 2023

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	$591.32
Month end redemption unit price	$0.9493
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	(0.23)	1.32	(2.41)	(0.82)	0.13	1.57
Growth return	(0.23)	1.32	(2.55)	(2.46)	(1.41)	(0.50)
Distribution return	-	-	0.13	1.64	1.54	2.07
Benchmark return~	0.24	0.76	1.76	0.66	1.05	1.73

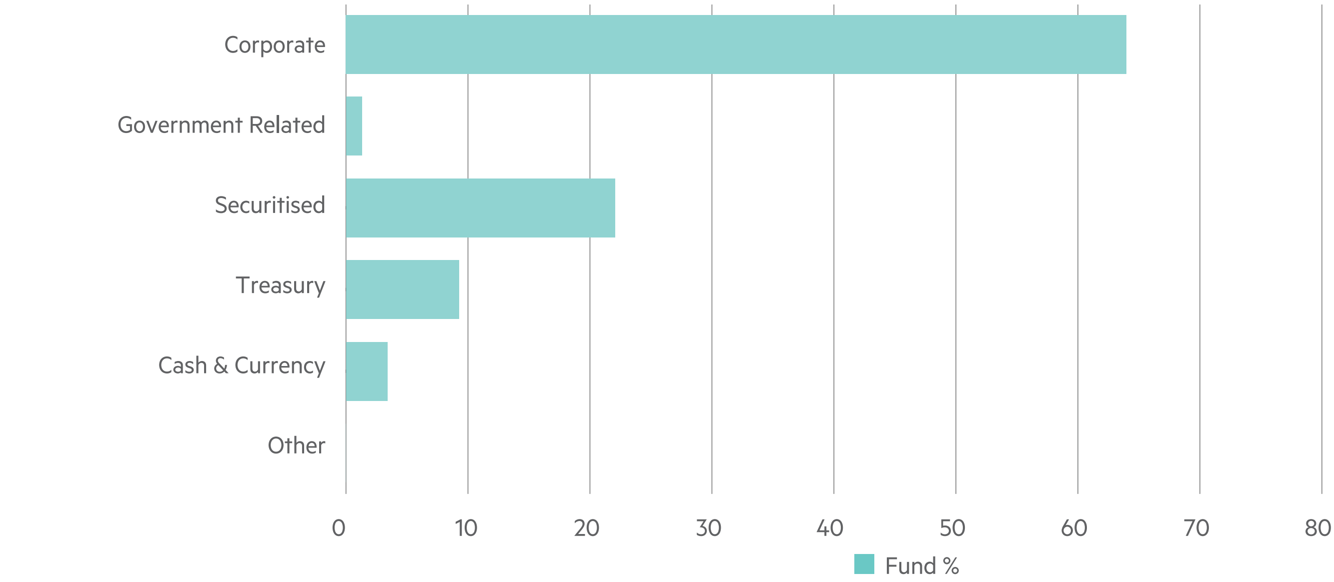
~ Benchmark: Bloomberg AusBond Bank Bill Index℠

TOP 5 ISSUERS

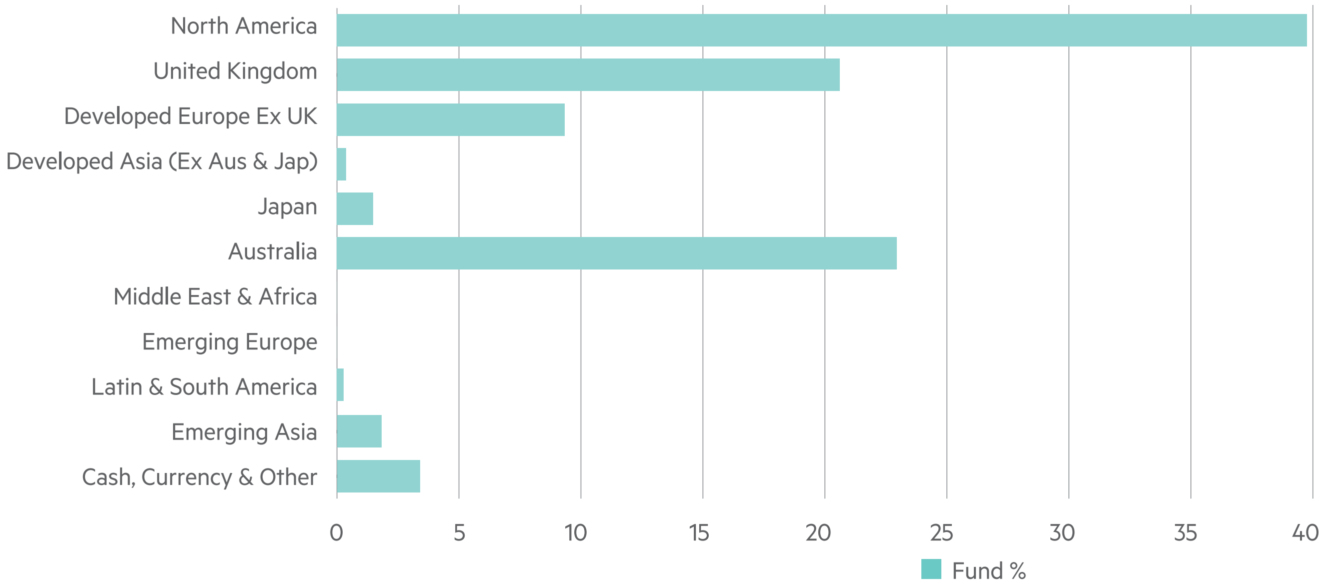
	Fund (%)
Government of the United States of America	6.61
Federal National Mortgage Association	3.50
Liberty Financial Pty Ltd.	1.80
Heartland Australia Group Pty Ltd.	1.63
Bank of Queensland Ltd.	1.56

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	14.17
AA	6.84
A	19.96
BBB	47.97
Sub Investment Grade	7.77
Not Rated	(0.12)
Cash & Derivatives	3.40

FUND CHARACTERISTICS[6]

	Portfolio	Benchmark
Effective Duration (Contribution)	1.45	0.13
Years to Maturity (Years)	9.86	0.13
Effective Yield (%)	5.14	3.45

Please refer to the end of this report for the footnotes

FUND UPDATE

The Advance Defensive Yield Multi Blend underperformed the benchmark by 47bps during the month of February.

Relative manager performance was mixed over the month, with TwentyFour and TCW underperforming versus the benchmark whilst Kapstream outperformed.

TwentyFour underperformed over the month as broader spread widening in financials as well as non-financial corporates, led to some weakness in underlying returns. The ABS positions however contributed positively as the sector continues to recover from its LDI squeeze and it's floating rate nature provided a natural hedge against rising rates.

TCW also underperformed with duration being the primary detractor as Treasury yields rose over concerns of persistent inflation data that drove expectations for more restrictive Fed policy. Against this backdrop, the allocation to credit and securitized sectors contributed to relative performance.

Kapstream fared well during February with its conservative approach to duration positioning allowing the portfolio to mitigate against rising government bond yields. Australian physical credit spreads also compressed domestically, which allowed for some capital appreciation withing the portfolio.

The fixed income markets traded with mixed results for the month of February as government bond yields generally rose and credit markets struggled to make an impact, with relatively limited moves in credit spreads. Overall, risk markets moved little in February after higher volatility in previous months. Most major central banks raised interest rates early in the month, all of which were expected. Inflations continued to slacken, led by softer energy prices. However, certain upward influences such as higher food prices continue to retain the attention of policymakers who remain concerned for the potential of a renewed uptick in inflation data.

In Europe, the European Central Bank (ECB) increased interest rates by 50bp in early February taking the benchmark rate to 3.0%, a 15-year high. ECB President Christine Lagarde reiterated the hawkish stance of eurozone policymakers by saying a further 50bp increase is planned for the March meeting. Headline inflation fell back in January, though the core measure edged higher. The Bank of England also hiked rates by 50 basis points and accompanied by a dovish statement.

In the US, the Federal Reserve increased official rates once more, as was widely expected, but policymakers opted to hike by just 25bp, which might signal a deceleration in monetary tightening. While recent improvements in inflation may pave the way for a softer approach, meeting minutes showed the Federal Open Market Committee believes risks to inflation remain skewed to the upside and that it would not consider lowering rates "until inflation is clearly on a path to 2%." Feb members, including Chair Powell, pushed a potential "higher for longer" narrative following strong US economic data.

Economic data out of the US was generally stronger than expected, which saw the market reprice terminal cash rates higher as the expectation is that central banks will need to continue to hike rates to slow economies to bring inflation down. The labour market remained tight and the unemployment rate moved down from 3.6% to 3.4%, the lowest level in more than 50 years, and average hourly earnings rose 0.3% in January resulting in an annual increase of 4.4%, while consumer sentiment continued to improve. January inflation data was in line with consensus. Headline inflation rose 0.4% for the month and resulting in an annual increase of 6.4%, whilst core inflation was 0.4% and 5.6% for the same periods. The US 10-year and 2-year yields increased by 41 bps and 61 bps to 3.92% and 4.82% respectively.

Global credit bonds underperformed duration-equivalent government bonds as spreads widened. Higher yields and the prospect of "higher for longer" interest rate regimes weighed on fixed income assets. Investment grade corporates were down the most (-3.2%), lagging Treasuries by over 50 bps on a duration-adjusted basis, while agency MBS also posted negative excess returns. Despite slipping 1.3%, high yield corporates finished ahead of duration-adjusted Treasuries by 39 bps, as did securitized credit with ABS and CMBS ahead of Treasuries by 26 and 24 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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