

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 30 June 2021

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	\$1,201.76
Month end redemption unit price	\$1.0216
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 (%)	0.07/0.17

FUND PERFORMANCE²

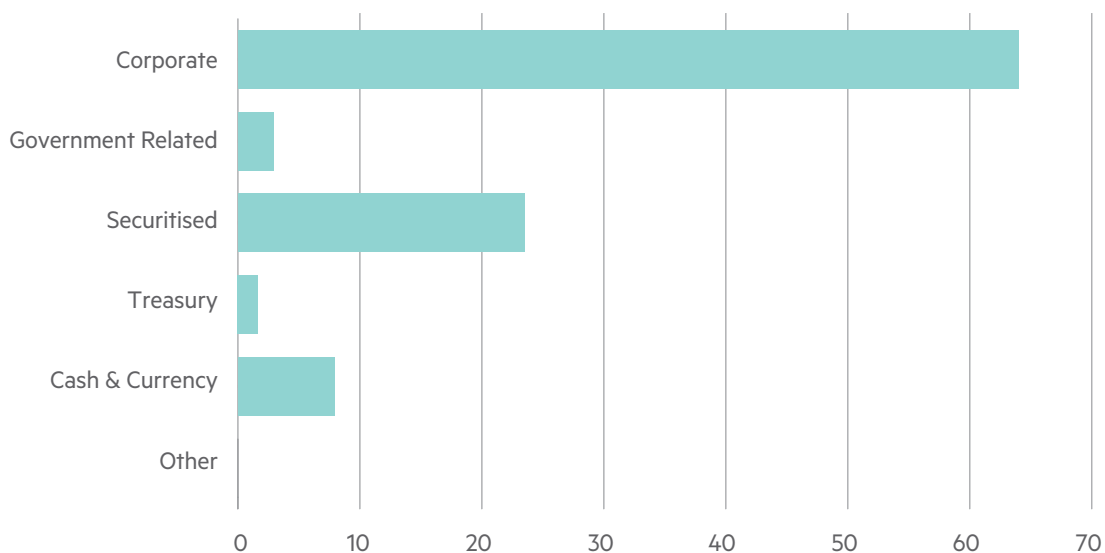
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.08	0.47	2.78	1.74	1.96	2.35
Growth return	(3.23)	(2.86)	(0.82)	(0.32)	(0.53)	(0.11)
Distribution return	3.31	3.32	3.61	2.06	2.49	2.46
Benchmark return	0.00	0.01	0.06	0.96	1.29	1.86

Benchmark: Bloomberg AusBond Bank Bill IndexSM

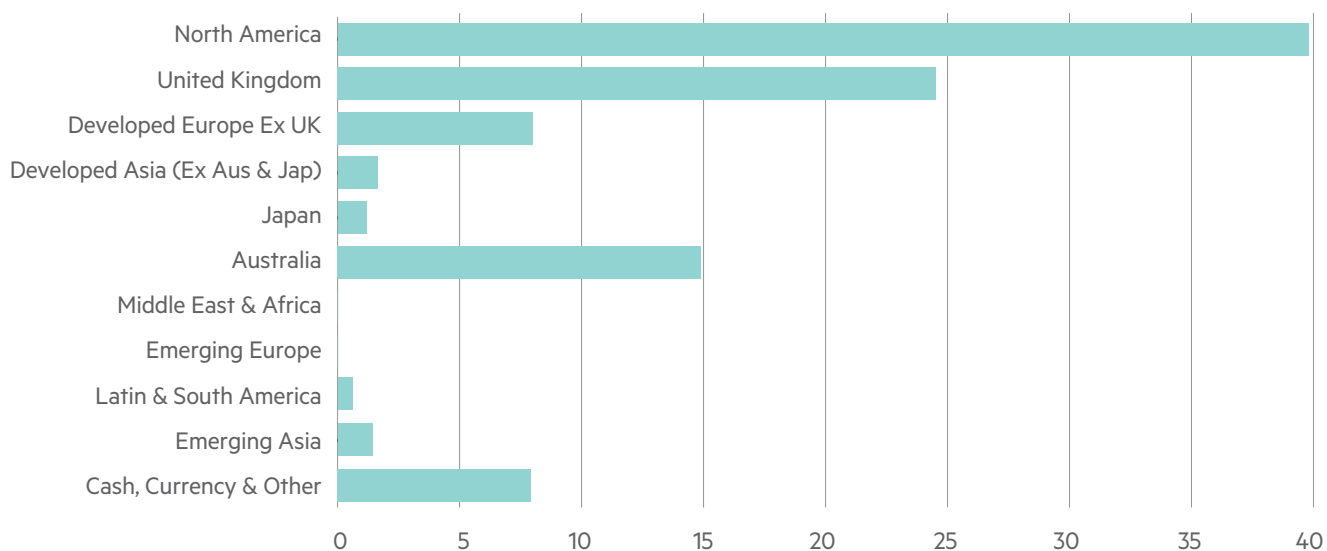
TOP 5 ISSUERS

	Fund (%)
Government of the United States of America	9.76
Ripon Mortgages Plc.	2.20
Federal National Mortgage Association	1.52
Uniform Mortgage Backed Securities	1.36
New South Wales Treasury Corp.	1.32

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	15.79
AA	4.21
A	16.24
BBB	50.91
Sub Investment Grade	11.03
Not Rated	(6.12)
Cash & Derivatives	7.94

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	1.76	0.13
Years to Maturity (Years)	13.27	0.13
Effective Yield (%)	1.67	0.03

FUND UPDATE

The Advance Defensive Yield Multi Blend Fund outperformed the benchmark during the month of June. Performance was broadly positive with all managers outperforming the benchmark.

TCW's outperformance was driven by the allocation to investment grade credit as spreads compressed during the month, particularly for top performing industrials. A small exposure to high yield also benefited performance given the considerable gains for the sector. Within the securitized products position non-agency MBS holdings did well, followed by CMBS, while agency MBS detracted as the sector faced headwinds of rate volatility.

TwentyFour and Kapstream also outperformed the benchmark during the month of June. The portfolio's exposure towards short-dated securities benefited from a modest contraction in credit spreads, combined with excess carry from underlying coupons.

Global GDP growth continued to recover during the second quarter as progress on vaccinations enabled economies to reopen, though it contracted further in Europe and Japan. The US labour market continued to improve while the housing market remained supported by low mortgage rates and scarce supply. Chinese manufacturing PMI expanded, though strong demand was tempered by sharp price increases of raw materials. Eurozone manufacturing PMI jumped to an all-time high, partially driven by record high input prices resulting from supply bottlenecks.

Global fixed income sectors generated positive returns over the second quarter of 2021. Sovereign yield curves generally flattened as central banks signalled a shift toward tighter policy stances following recent high inflation data, leading market participants to perceive a reduced risk of policymakers falling behind the inflation curve

In the US, the Fed acknowledged discussing when it ought to start tapering its large-scale asset purchases amid the ongoing economic rebound and mounting inflationary pressures and updated its forecast to begin hiking rates in 2023. The European Central Bank and Bank of England reduced their weekly pace of quantitative easing purchases. Domestically, Australian yields remained biased to the downside as the Reserve Bank of Australia announced its decision to keep rates and its three-year yield target on hold, reiterating conditions for a rate hike – inflation and wage growth – are unlikely to be in place “until 2024 at the earliest”.

US 10-year bond yields moved higher following the Fed's statement, peaking at 1.63% early in the month before ending the month 13bps lower at 1.47%. The shorter part of the curve reflected the nearer rate hike expectations in the US with 2 and 5 year bond yields ending 11 and 9bps higher in yield at 0.25% and 0.89%.

Australian yields mirrored offshore moves with 10-year bonds trading in a 26bps range before ending the month 16bps lower at 1.50%. The short end of the curve underperformed, with the market casting some doubt on the timing around the RBA's lift off in terms of rate hikes.

Credit sectors continued to outperform in June, led by strong technicals, as economies continued to reopen following lockdown restrictions. Investment grade credit spreads compressed through previous cycle tightens to end June at 77 bps over Treasuries. Performance was again led by cyclical sectors, particularly airlines as travel volumes have recovered from pandemic lows. Energy also posted notably strong performance given rising commodity prices.

Among securitized products, ABS narrowed 3 bps while in CMBS, private-label issues incrementally tightened by 2 bps, but the agency cohorts widened 3 bps. Agency MBS was the laggard among securitized as the sector widened 11 bps and trailed comparable Treasuries by 36 bps.

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)
- > Advance Cash Multi-Blend Fund

There have been no material changes in the Fund's key service providers this month.

- 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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The information in this document has been prepared by Advance Asset Management Limited ABN 98 002 538 329 AFSL 240902 ('Advance').

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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 www.advance.com.au.

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