

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 July 2021

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	\$1,252.82
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

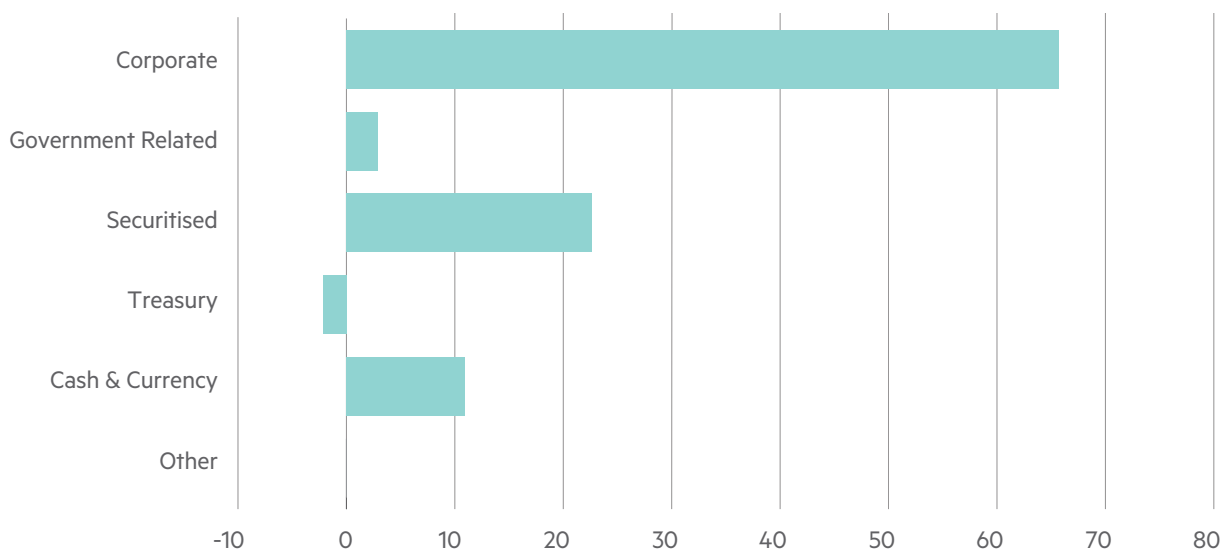
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.28	0.50	2.41	1.65	1.93	2.36
Growth return	0.28	(2.82)	(1.18)	(0.41)	(0.56)	(0.08)
Distribution return	-	3.32	3.59	2.06	2.49	2.44
Benchmark return	0.00	0.01	0.05	0.89	1.26	1.84

Benchmark: Bloomberg AusBond Bank Bill IndexSM

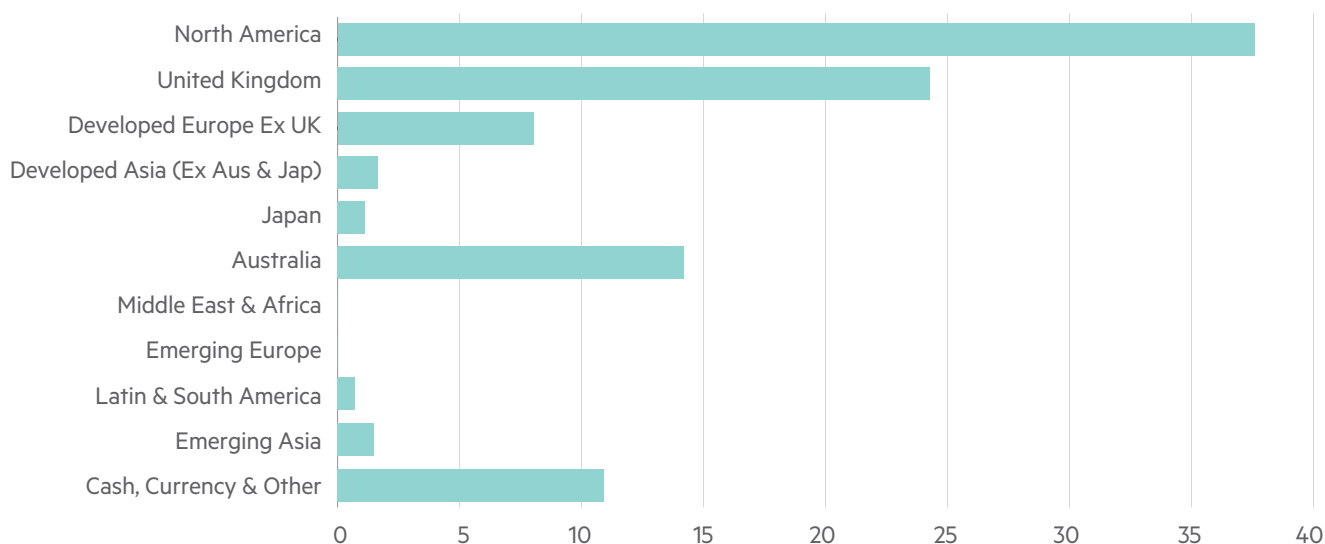
TOP 5 ISSUERS

	Fund (%)
Government of the United States of America	7.31
Ripon Mortgages Plc	2.20
Goldman Sachs Group, Inc.	1.61
Federal National Mortgage Association	1.51
Liberty Financial Pty Ltd.	1.27

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	13.78
AA	3.27
A	16.36
BBB	52.95
Sub Investment Grade	10.78
Not Rated	(8.06)
Cash & Derivatives	10.91

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	1.73	0.12
Years to Maturity (Years)	13.17	0.13
Effective Yield (%)	1.57	0.02

FUND UPDATE

The Advance Defensive Yield Multi Blend Fund outperformed the benchmark during the month of July, with all managers outperforming the benchmark. The positive contribution from duration was the largest single driver of performance during the month across our manager line up as global bond yields fell. Meanwhile, the allocation to corporate credit and securitised instruments proved a headwind as both sectors trailed government bonds as spread widened. Global government bond yields fell during July, as fears over the COVID-19 Delta variant continued to weigh on investor sentiment. Signs of weakness in US and Chinese data also dampened global growth optimism. Most fixed income sectors underperformed treasuries as interest rates rallied and credit spreads widened.

European government bonds rallied strongly following the outcome of the ECB's strategic review, which saw it adopt a symmetric 2% medium-term inflation target, an increase from the previous target of "below, but close to, 2%". At its subsequent policy-setting meeting, the ECB strengthened its forward guidance not to raise rates until it sees inflation at 2% "well ahead of the end of its projection horizon".

In the US, economic data releases were largely positive. Consumers remained upbeat about near-term expectations with personal income and spending both beating forecasts. Housing market activity slowed amid record high prices, supply shortages, and uncertain builder costs. Breakeven inflation expectations also rose over the month as strong CPI data for June beat expectations. Despite acknowledging that progress had been made towards policy targets, Fed Chair Jerome Powell continued to downplay the threat of higher inflation and indicated that there was still a long way to go before these key policy targets are met. This helped to push US Treasury yields lower.

Many major central banks announced asset tapering while maintaining accommodative policy overall. The FOMC acknowledged recent improvements in the economy, however did not provide a concrete timeline for tapering. The RBA announced a quantitative easing taper. The ECB adopted a symmetric 2% inflation target, as aforementioned. All other major central banks kept their policy rates unchanged.

Most global sovereign yields declined amid growing concerns about the Delta variant and continued reassurance of accommodative policies from central bank officials. Markets pushed back timing of future Fed rate hikes even after higher-than-expected June US CPI print. Yields ended lower across the dollar bloc (AUD, NZD, CAD) as the wave of risk aversion overwhelmed asset tapering announcements from their respective central banks.

Global credit bonds underperformed duration-equivalent government bonds as credit spreads widened over July. Within the securitised sectors, commercial MBS and ABS underperformed, while agency MBS outperformed duration-equivalent government bonds, respectively. Within emerging markets, local market debt underperformed external debt in USD terms.

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)

During the month the Fund redeemed its holdings in the Advance Cash Multi-Blend Fund, with proceeds distributed amongst other existing managers. 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.

Advance is a subsidiary of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 (Westpac). An investment in the Fund is not an investment in, deposit with, or other liability of Westpac or any other company in the Westpac Group. An investment in the Fund is subject to investment risk, including possible delays in the payment of withdrawals and loss of income and principal invested. No member of the Westpac Group (including Advance) stands behind or otherwise guarantees the capital value or investment performance of the Fund.

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