

# ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 August 2021

## FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	\$1,250.79
Month end redemption unit price	\$0.9928
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 <sup>1</sup>	0.55
Buy/sell spread (%)	0.07 / 0.17

## FUND PERFORMANCE<sup>2</sup>

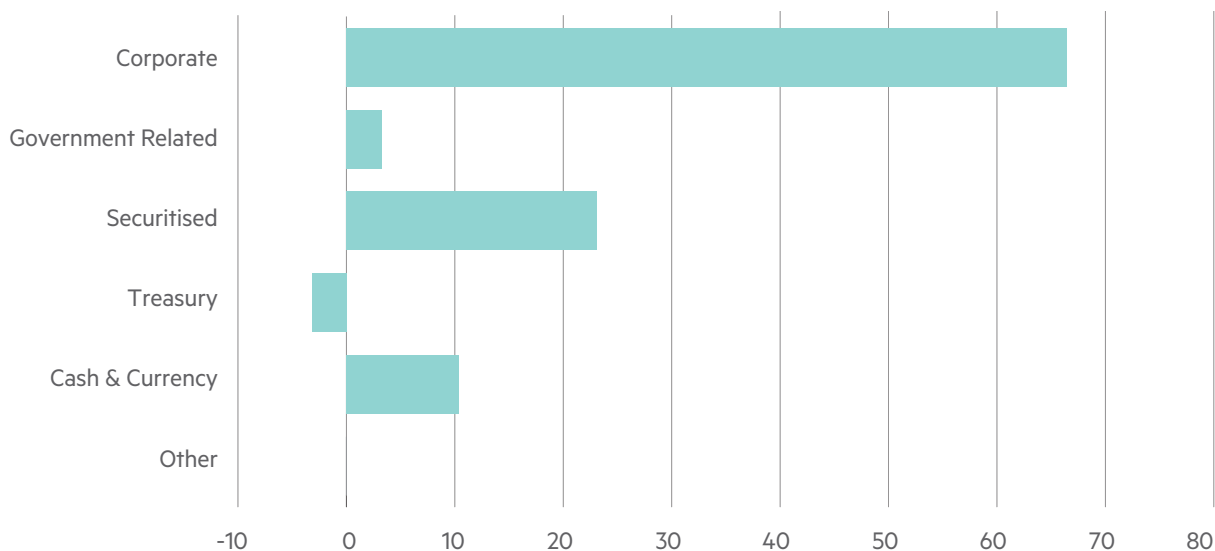
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.00	0.37	1.92	1.75	1.81	2.33
Growth return	0.00	(2.95)	(1.65)	(0.31)	(0.68)	(0.08)
Distribution return	0.00	3.32	3.57	2.06	2.49	2.42
Benchmark return	0.00	0.01	0.04	0.84	1.22	1.83

Benchmark: Bloomberg AusBond Bank Bill Index<sup>SM</sup>

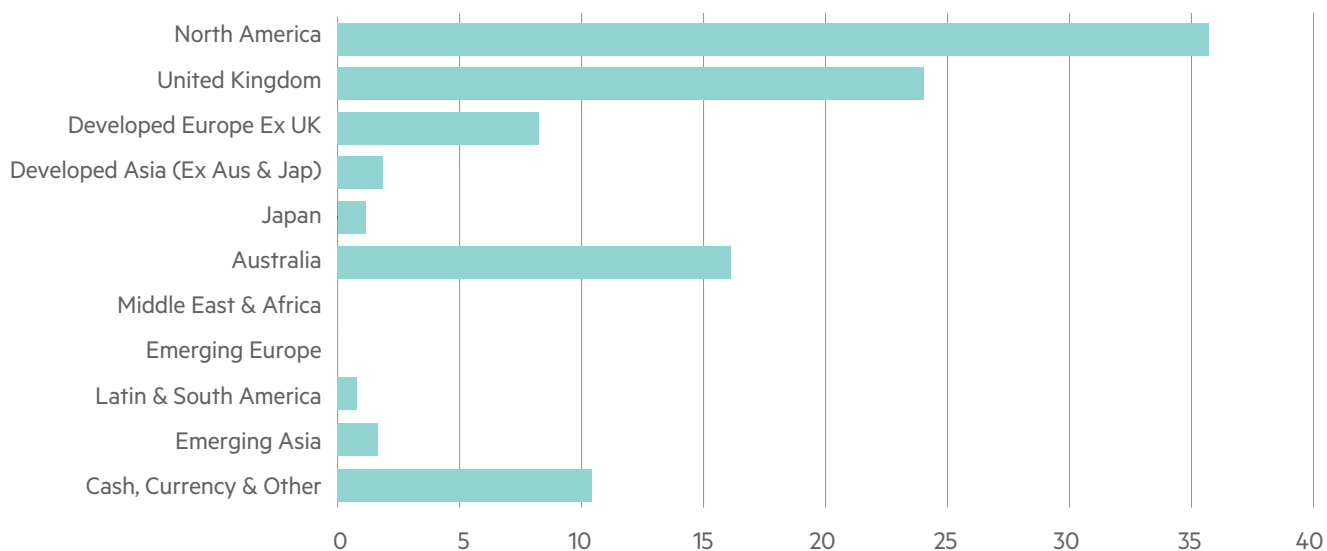
## TOP 5 ISSUERS

	Fund (%)
Government of the United States of America	6.76
Ripon Mortgages Plc.	2.17
Goldman Sachs Group, Inc.	1.61
Federal National Mortgage Association	1.51
Volkswagen Financial Services Australia Pty Ltd.	1.34

## SECTOR ALLOCATIONS<sup>3,4</sup>



## REGIONAL ALLOCATIONS<sup>3,4</sup>



## CREDIT QUALITY<sup>3,4,5</sup>

	Fund (%)
AAA	12.69
AA	4.54
A	17.10
BBB	52.65
Sub Investment Grade	10.47
Not Rated	(7.86)
Cash & Derivatives	10.42

## FUND CHARACTERISTICS<sup>6</sup>

	Portfolio	Benchmark
Effective Duration (Contribution)	1.70	0.13
Years to Maturity (Years)	13.19	0.13
Effective Yield (%)	1.53	0.02

## FUND UPDATE

The Advance Defensive Yield Multi Blend Fund was flat during the month, in line with the benchmark. Manager performance was mixed with Kapstream and TwentyFour outperforming the benchmark whilst TCW detracted.

In TCW's case, the fund benefitted from the exposure to corporate credit, particularly top performing high yield industrials and from non-agency MBS holdings, with those backed by subprime collateral contributing the most. The duration position of the portfolio resulted in a drag as treasury yields rose during the month.

Across our manager line up, coupon income was the primary driver of returns, with mild spread compression also contributing positively.

The fragile risk appetite continued from July into August as softer economic data in the US and China, regulatory headwinds in China and geopolitical tensions in Afghanistan all weighed negatively on investor sentiment.

Fixed income sectors posted mixed results versus government bonds as sovereign yields drifted higher. Fading vaccine efficacy amid new COVID-19 restrictions and the lurking Delta variant reinforced global growth concerns. US economic data remained steady though consumer sentiment remains challenged fuelled by concerns over rising COVID-19 Delta variant cases.

Most developed market government bonds yields rose over the month, as markets responded to hawkish signals from various central banks. The Fed indicated that it is likely to taper asset purchases later this year, first through the minutes of the July FOMC meeting, and then in Chair Jerome Powell's speech at Jackson Hole. While several Fed officials have advocated an earlier and faster taper, Powell's comments are consistent with an announcement coming in November or December rather than September as he warned of the risks of prematurely tightening policy.

In Europe, core and peripheral European government bond yields rose as statements from various ECB officials paved the way for a slowing of asset purchases. The underlying tone, however, remains one of which major central banks are reassessing their asset tapering plans while still maintaining accommodative policy overall.

On credit markets, spread sectors outperformed, led by high-yield corporate and hard currency emerging market (EM) bonds, which were buoyed by the prospect of a patient Fed and the view that the economic recovery will continue, even if at a slower pace in the near-term. Global investment-grade corporate spreads continued to trade within very small ranges with excess returns largely flat over the month. Within the securitized sectors, commercial mortgage-backed securities and asset-backed securities outperformed, while agency mortgage-backed securities underperformed duration-equivalent government bonds, respectively.

The US dollar posted mixed returns, strengthening at the beginning of the month, in-line with the risk-off environment but losing ground towards month-end.

## 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.

- 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](http://www.advance.com.au).

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