ADVANCE ASSET MANAGEMENT

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 December 2021

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	$1,245.39
Month end redemption unit price	$0.9863
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 PERFORMANCE[2]

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.09	(0.50)	0.00	1.62	1.62	2.18
Growth return	0.09	(0.50)	(3.30)	(0.40)	(0.71)	(0.15)
Distribution return	0.00	0.00	3.31	2.02	2.33	2.33
Benchmark return	0.00	0.01	0.03	0.63	1.11	1.76

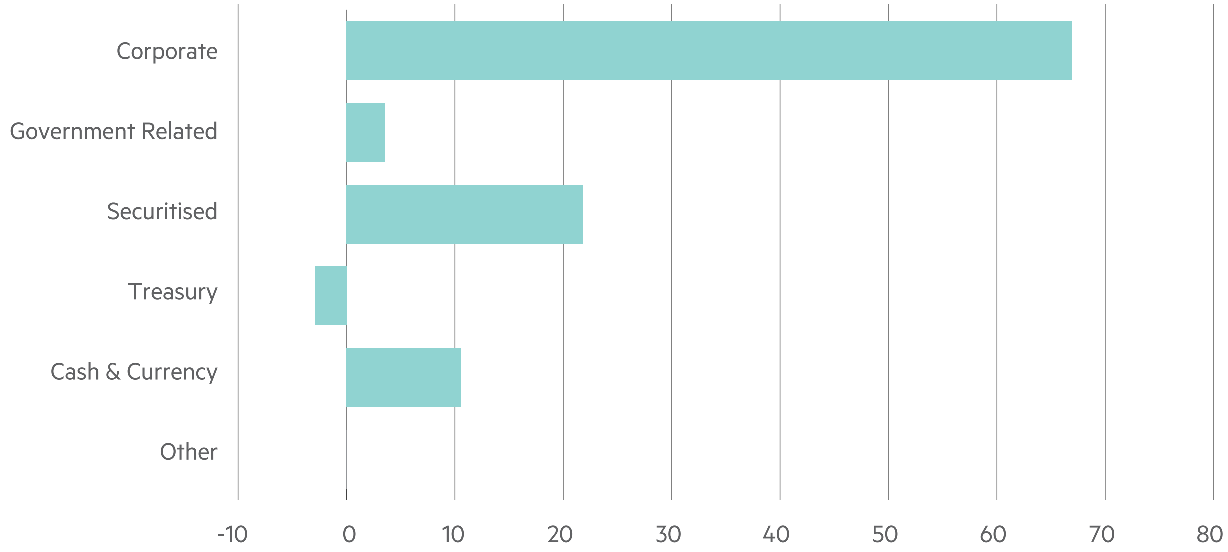
Benchmark: Bloomberg AusBond Bank Bill Index[SM]

TOP 5 ISSUERS

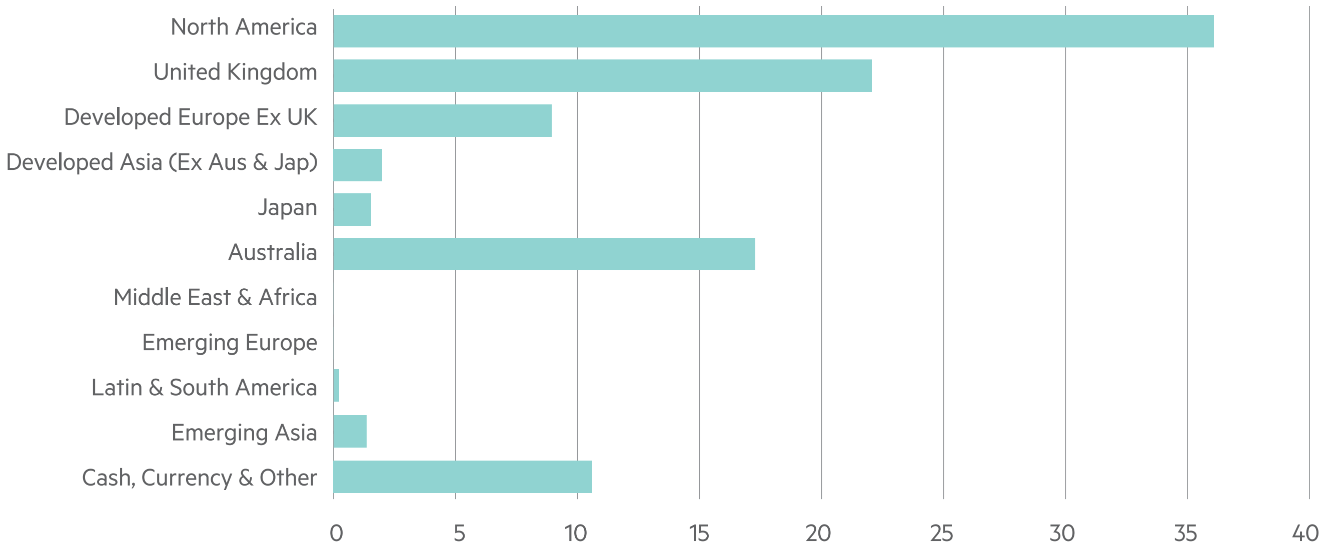
	Fund (%)
Government of the United States of America	5.83
Ripon Mortgages Plc	2.14
Uniform Mortgage Backed Securities	1.42
Federal National Mortgage Association	1.38
Ausgrid Finance Pty Ltd.	1.31

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	13.46
AA	5.03
A	17.65
BBB	50.92
Sub Investment Grade	10.39
Not Rated	(8.06)
Cash & Derivatives	10.60

FUND CHARACTERISTICS[6]

	Portfolio	Benchmark
Effective Duration (Contribution)	1.57	0.13
Years to Maturity (Years)	13.01	0.13
Effective Yield (%)	1.94	0.05

Please refer to the end of this report for the footnotes

FUND UPDATE

The Advance Defensive Yield Multi Blend Fund outperformed the benchmark during the month of December.

Performance was positive, with all our underlying managers outperforming the benchmark. Notwithstanding minor headwinds coming from the duration position as rates rose for intermediate maturities, our underlying manager performance were slightly positive - driven by tighter credit spreads and excess carry which helped offset the impact of higher bond yields. Our managers remain focus on high conviction, high quality names and defensive sectors like communications and non-cyclicals, with an eye towards migrating down the quality spectrum to take advantage of expected further dislocation in more credit sensitive sectors.

Notwithstanding some intra-month volatility, global developed market (DM) government bond yields ended the month higher. Markets were buoyed by reports showing considerably lower hospitalization and death rates associated with the new Covid Omicron variant despite some initial jitters earlier in the month.

Central banks further progressed on their paths toward policy normalization during the period as inflation broadened out across more goods and services. The US Federal Reserve (Fed) accelerated the timeline for tapering its large-scale asset purchase program and projected three rate hikes in both 2022 and 2023. The Bank of England (BOE) hiked rates for the first time since the onset of the pandemic, citing persistent price pressures. While it expects to keep its policy rate on hold through the end of 2022, the European Central Bank (ECB) announced it would conclude its purchases under its pandemic emergency purchase program by March. The Norges Bank once again lifted its policy rate and indicated more hikes were likely, depending on the evolution of the pandemic. The Swiss National Bank and Bank of Japan diverged from many of their peers, maintaining policy rates of -0.75% and -0.1%, respectively.

Against this backdrop, global sovereign yield curves flattened driven by increasing short-term yields following a hawkish pivot by major developed market central banks. Policymakers announced plans to dial back monetary stimulus as inflation concerns persisted into Q4. Omicron concerns did not delay monetary policy tightening plans, as most central banks remained focused on upside inflation risks. Within Emerging Markets (EM), select central banks in Latin America and Central and Eastern Europe, Middle East, and Africa continued to hike rates. However, the People's Bank of China eased policy, cutting the reserve ratio and the policy rate as weak growth persisted, driven by regulatory clampdown on sectors like real estate and technology.

Across credit, European Investment Grade (IG) outperformed US and sterling IG credit. EUR IG index spreads tightened 13bps while US and GBP index spreads tightened by 7bps and 2bps, respectively. Most credit spread sectors outperformed government bonds, boosted also by their income advantage and ongoing fundamental improvement. Cyclically sensitive sectors tied to "re-opening" outperformed, including airlines, lodging, energy, aerospace, REITs, and autos. Meanwhile, underperformers were generally those impacted by either fundamental and/or secular concerns (tobacco, cable), M&A-related re-leveraging (tech), or issuance pressures (banks).

On the currency front, the US dollar (USD) was mixed during the month but finished lower versus most currencies in 2021.

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 Ltd.

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.

Advance Asset Management, GPO Box B87, Perth WA 6838

Customer Relations 1800 819 935 Adviser Services 1300 361 864 Fax (02) 9274 5211

advance.com.au