ADVANCE
ASSET MANAGEMENT

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 28 February 2022

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	$1,226.79
Month end redemption unit price	$0.9741
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	(0.73)	(1.15)	(1.17)	0.93	1.24	2.00
Growth return	(0.73)	(1.15)	(4.43)	(1.08)	(1.08)	(0.28)
Distribution return	-	-	3.27	2.01	2.32	2.28
Benchmark return	0.01	0.01	0.03	0.51	1.05	1.73

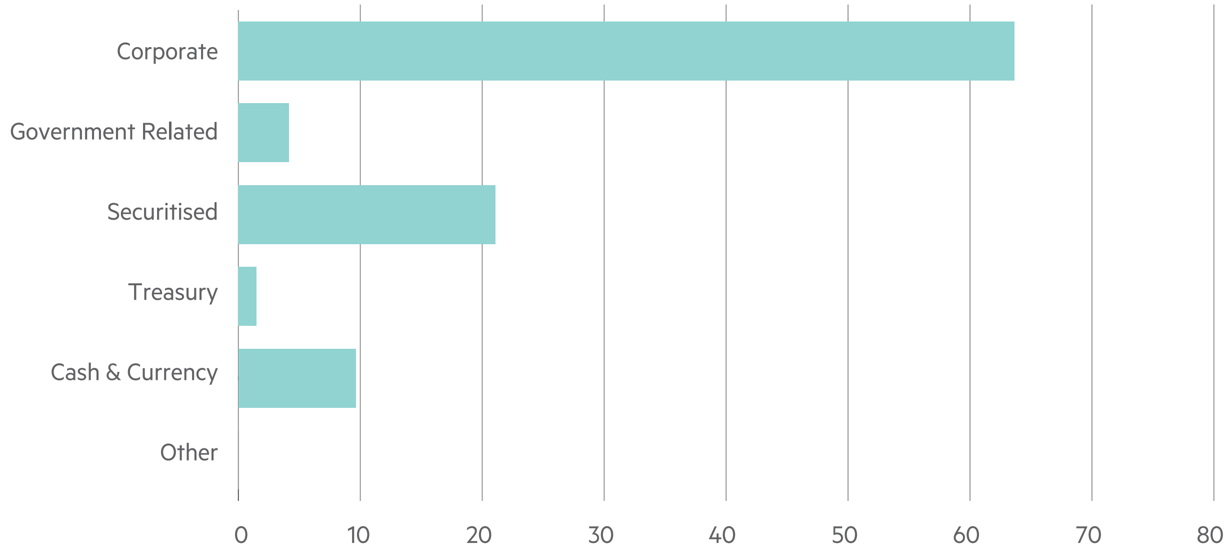
Benchmark: Bloomberg AusBond Bank Bill Index[SM]

TOP 5 ISSUERS

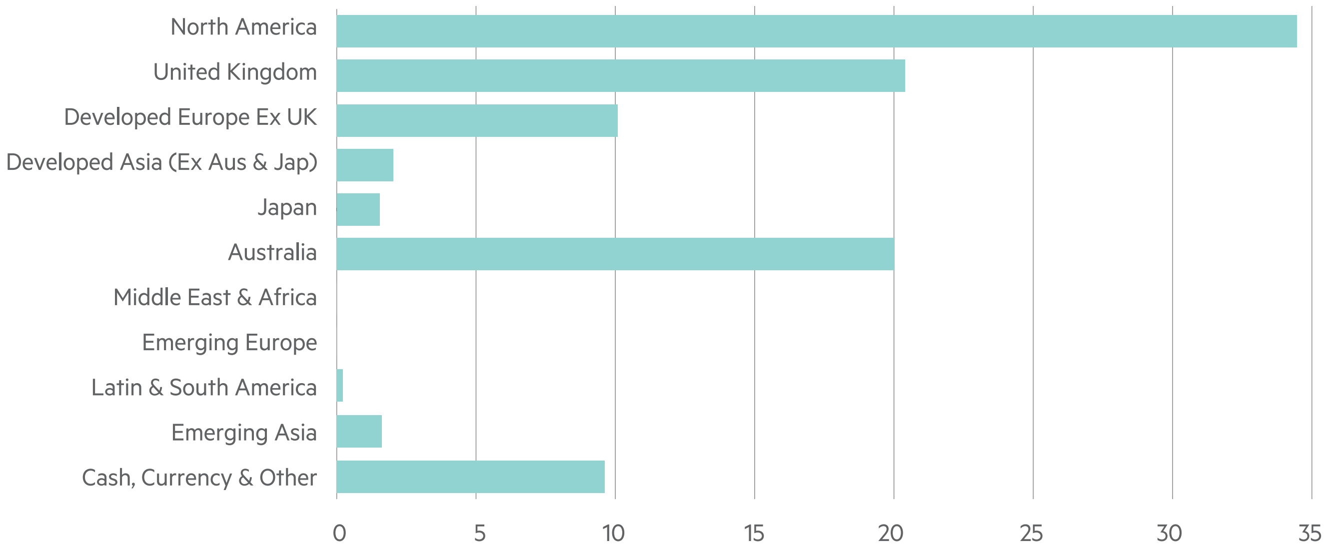
	Fund (%)
Government of the United States of America	5.88
Federal National Mortgage Association	2.06
Ausgrid Finance Pty Ltd.	1.30
Liberty Financial Pty Ltd.	1.29
Goldman Sachs Group, Inc.	1.21

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	14.80
AA	4.60
A	15.15
BBB	50.34
Sub Investment Grade	10.28
Not Rated	(4.79)
Cash & Derivatives	9.62

FUND CHARACTERISTICS[6]

	Portfolio	Benchmark
Effective Duration (Contribution)	1.47	0.12
Years to Maturity (Years)	12.67	0.12
Effective Yield (%)	2.28	0.05

Please refer to the end of this report for the footnotes

FUND UPDATE

The Fund underperformed the benchmark during the month of February.

Notwithstanding the positive carry from the portfolio's credit positions, all underlying manager performance was firmly negative as rates continued to increase across the curve. This has had an impact on the capital value of the securities as duration underperformed. Exposure to corporate credit and the securitised sectors also detracted as credit spreads widened during the month of February.

Our underlying managers continue to maintain a defensive tilt given the historically tight spreads and abundant risks. With ample levels of liquidity, we remain confident that our managers have the right framework to respond to potential volatility and opportunities in the market.

As the European geopolitical crisis continued to unfold, and as economic uncertainty escalated with Russia launching a full-scale invasion of Ukraine, most fixed income sectors underperformed amid broad credit spread widening, jointly with sovereign yield increases spurred by major central banks' tightening stance.

The month began with markets continuing to respond to rising inflation and the prospect of accelerated central bank tightening before a rapid escalation of geopolitical tensions culminated in Russia launching a full-scale invasion into Ukrainian territory.

Western nations announced joint sanctions on the Central Bank of Russia (CBR) and suspended select Russian Banks from SWIFT. There was much action on the policy front. Staring with Australia, the Reserve Bank of Australia ended its QE program. European Central Bank President Lagarde refused to rule out 2022 rate hike. The Bank of England hiked rates by 25 basis points, with four dissenters voting for a 50-basis points hike. The Riksbank expects asset purchases to remain unchanged in 2022. The Reserve Bank of New Zealand hiked rates by 25 basis points, opening the door to hiking by "larger increments," and raised cash rate projections to 3.4% in the third quarter of 2024. The Central Bank of Russia hiked policy rate from 9.5% to 20%, the highest since 2003, to defend the Russian Ruble.

In the US, optimism regarding the recovery from COVID-19 continued to rise as stronger-than-expected labour, inflation and retail sales data pushed markets to anticipate faster Federal Reserve (Fed) rate hikes and earlier balance sheet reductions.

Most global sovereign yields rose, driven by prospects of more aggressive central bank tightening amid higher inflation prints, though select G10 yields had a partial reversal around month-end driven by geopolitical concerns. In the US, hawkish rhetoric from Fed officials led to a bear flattening in the US curve. In Europe, bund yields moved higher after the perceived hawkish shift in European Central Bank rhetoric. Italian government bonds (BTPs) and Spanish bonds underperformed, and their spreads over bunds widened. Emerging markets yields generally increased in the second half of the month particularly in CEEMEA (South Africa, Poland, and Czech Republic) and LATAM (Brazil, Mexico). Meanwhile a measure of inflation expectations - the breakeven inflation rate increased by 14 basis points to 2.62% during the month on the back of higher energy prices and expected oil supply shortages.

Global credit bonds underperformed duration-equivalent government bonds as spreads widened. Within the securitized sectors, agency mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities underperformed duration-equivalent government bonds. Within emerging markets (EM), local markets debt (-5.00%) outperformed external debt (-6.55%), in USD terms. Spread widening detracted from results within external debt, and an increase in US Treasury yields also had a negative impact. EM rates movement drove negative performance in local markets, and currency depreciation also hurt performance. The USD ended flat versus most major currencies; however, there was a lot of intra-month volatility.

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.

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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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