

# ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 30 April 2022

## FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	\$1,207.44
Month end redemption unit price	\$0.9580
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>

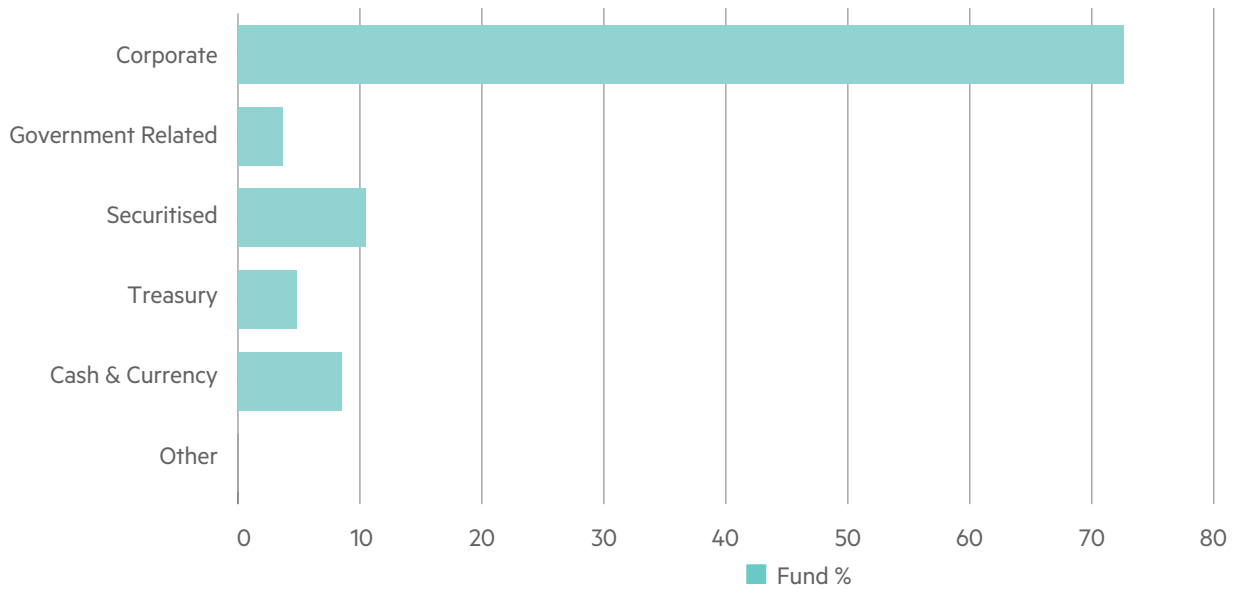
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(0.90)	(2.37)	(3.02)	0.17	0.72	1.79
Growth return	(0.90)	(2.37)	(6.23)	(1.82)	(1.49)	(0.45)
Distribution return	0.00	-	3.21	1.99	2.21	2.24
Benchmark return	(0.02)	(0.01)	0.02	0.40	0.99	1.70

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

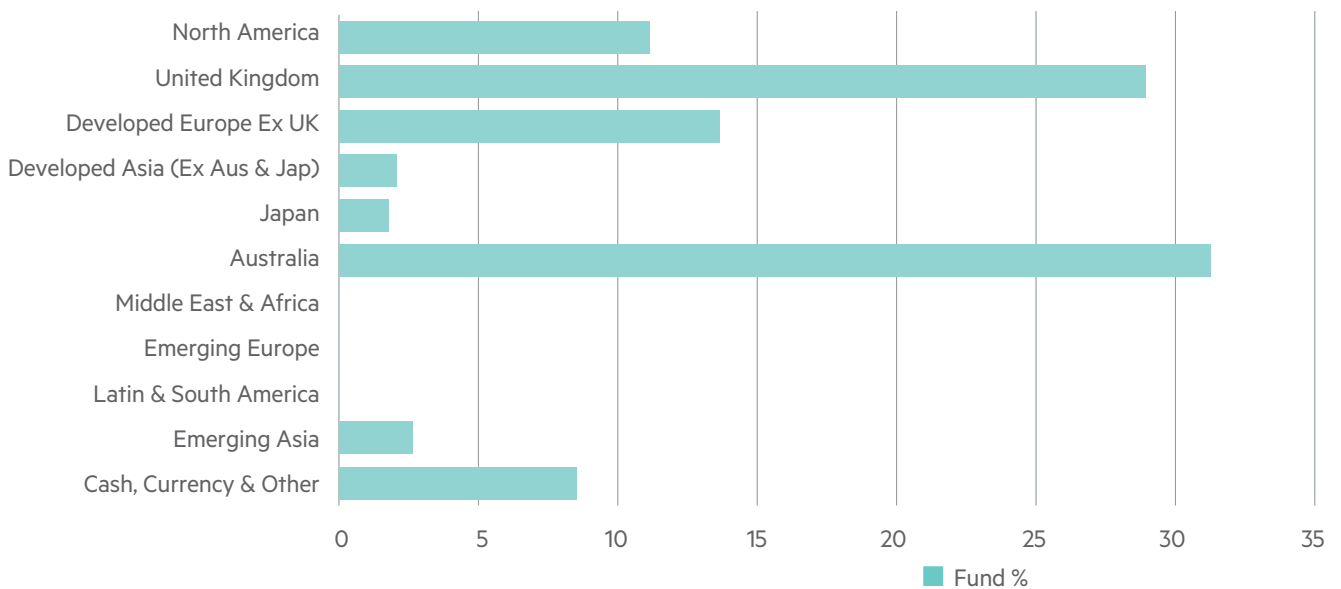
## TOP 5 ISSUERS

	Fund (%)
Ausgrid Finance Pty Ltd.	1.56
BNP Paribas S.A.	1.54
Lonsdale Finance Pty Ltd.	1.50
Suncorp Group Ltd.	1.50
Hawksmoor Mortgage Funding 2019-1 Plc	1.49

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



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



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

	Fund (%)
AAA	4.10
AA	5.11
A	16.65
BBB	61.92
Sub Investment Grade	5.93
Not Rated	(2.23)
Cash & Derivatives	8.52

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

	Portfolio	Benchmark
Effective Duration (Contribution)	1.07	0.12
Years to Maturity (Years)	12.93	0.13
Effective Yield (%)	3.37	0.38

## FUND UPDATE

The Advance Defensive Yield Multi-blend Fund underperformed the benchmark during the month of April.

Notwithstanding the positive carry from the portfolio's credit positions, our underlying manager's performance was negative. This is a relatively resilient outcome given continued stresses across most markets and further sharp falls in risk assets, not to mention highly unusual and temporary positive correlation between rates and credit spreads. Coupon income remained consistently positive, though this was offset by credit spread widening. Rising sovereign yields also detracted from performance.

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.

The economic outlook remains extremely uncertain following Russia's invasion of Ukraine. While supply-side disruptions keep energy, commodity and food prices elevated, the growth implications are clearly negative. The International Monetary Fund (IMF), for example, now expects global growth to be 3.6% this year, down from 4.4% projected in January. Further downside risks to growth stem from China's commitment to its zero-Covid policy, which has seen strict mobility restrictions imposed in several regions, including Shanghai. The combination of higher inflation and the prospect of slower growth poses a significant challenge to policymakers.

Most global sovereign yields rose, as markets dialled up expectations for future monetary policy tightening by major central banks. In the US, another high CPI print and hawkish rhetoric from Fed Chair Powell, suggesting a 50bps rate hike at the May FOMC meeting, contributed to a sharp increase in yields. Bunds, Gilts and peripheral European yields also ended the month higher. At its policy meeting, the European Central Bank (ECB) confirmed its plan to scale down monetary policy accommodation saying that the latest data, which included March eurozone Consumer Price Inflation (CPI) jumping from 5.9% to 7.5%, "reinforce its expectation" that its asset purchase program should end in Q3 this year.

With the Fed on track to hike again in early May and the pace of hikes expected to remain steady, the US 2-Year yield rose 38 bps to 2.7%. The benchmark US10-Year yield reached 2.9%, a rise of nearly 60 bps, while US 30-Year yields rose 55 bps to 3.0%.

Corporate credit bonds were also weaker during the month, marked by a 3.8% decline in the Bloomberg U.S. Aggregate Index. Corporate credit was particularly weak, which was led lower by non-financial assets. After a small remediation of yield spreads in March, April brought forth another month of widening, as spreads finished 19 bps wider for the month, and 42 bps wider year-to-date. Yields among investment grade credit have now risen to 4.2%, the highest level seen in recent years, and the same level as the high yield index at the start of the year. Higher yields provide a cushion against rising rates and have also led to improved valuations.

In the securitised sectors, except for agency MBS, securitized assets performed nearly in line with Treasuries on a duration-adjusted basis, trailing only modestly with yield spreads marginally wider (approximately 3 bps wider for CMBS and ABS). Agency MBS, however, lagged Treasuries by 105 bps on a duration-adjusted basis, weighed down by rate volatility and concerns about active selling by the Fed.

## 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.

- 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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