

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 December 2020

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	\$1,181.21
Month end redemption unit price	\$1.0200
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

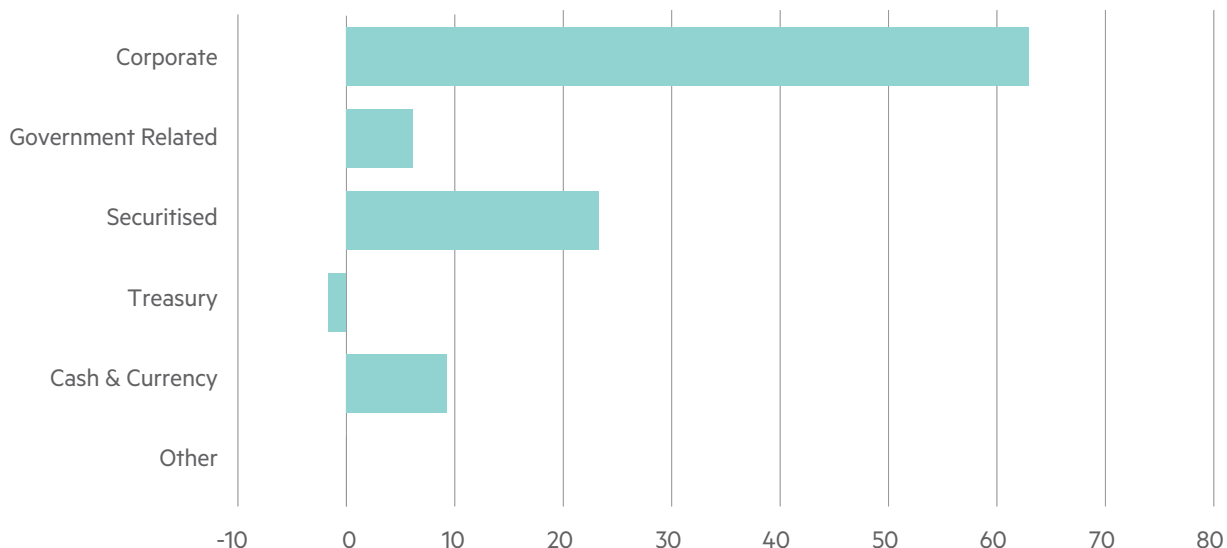
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	0.29	1.17	1.82	1.62	2.11	2.44
Growth return	0.29	1.17	0.30	0.18	(0.36)	0.24
Distribution return	0.00	0.00	1.52	1.43	2.47	2.20
Benchmark return	0.00	0.02	0.37	1.26	1.52	1.97

Benchmark: Bloomberg AusBond Bank Bill IndexSM

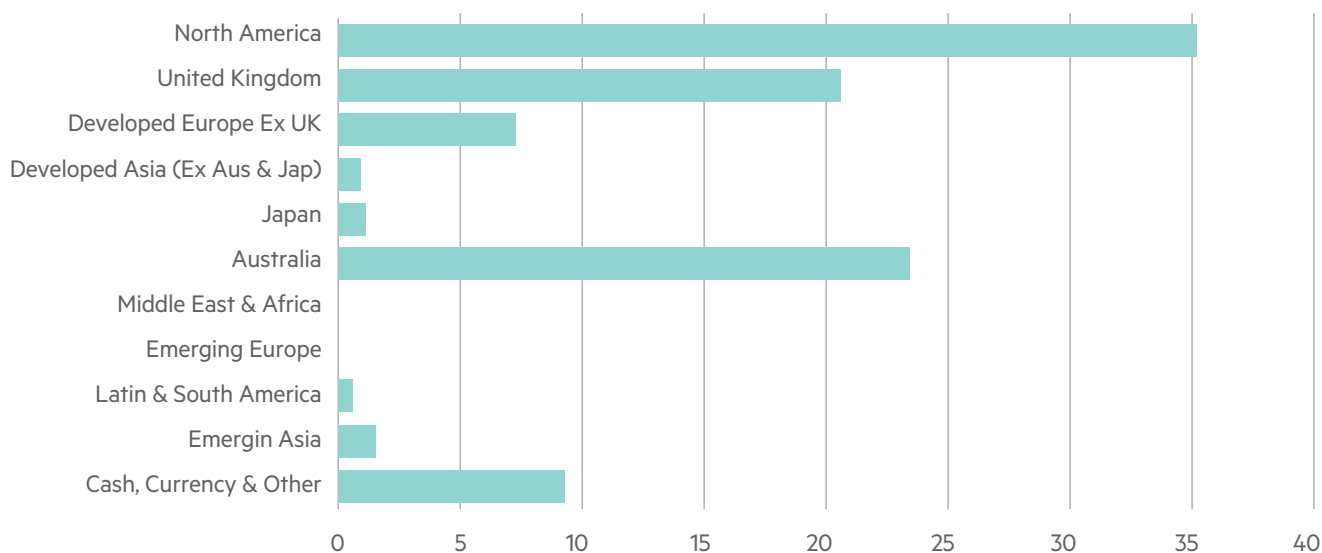
TOP 5 ISSUERS

	Fund (%)
Government of the United States of America	5.27
Federal Home Loan Bank System	2.49
Uniform Mortgage Backed Securities	1.87
Westpac Banking Corporation	1.43
Ripon Mortgages Plc	1.33

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	20.60
AA	6.05
A	16.89
BBB	43.74
Sub Investment Grade	9.94
Not Rated	(6.52)
Cash & Derivatives	9.30

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	1.56	0.13
Years to Maturity (Years)	11.67	0.13
Effective Yield (%)	1.30	0.02

FUND UPDATE

The Advance Defensive Yield Multi Blend Fund outperformed the benchmark during the month of December. Performance from our underlying managers continue to benefit from the strong excess carry alongside the continued contraction in credit spreads. TCW, TwentyFour and Kapstream all outperformed the index during the month of December.

TCW outperformed the benchmark in December with the outperformance driven by contributions from both investment grade and high yield industrial sectors such as energy and communications. Outside of credit, securitized products holdings were additive to returns, particularly residential MBS and non-agency CMBS. The duration positioning was a slight headwind to performance as Treasury rates moved higher across the curve.

TwentyFour outperformed the benchmark in December with the strategy focused on investing mainly across short dated BBB rated instruments.

Kapstream also outperformed the benchmark, as coupon income stemming from the fund's corporate bond exposure and capital appreciation from underlying holdings all benefiting the portfolio in December. However, owing to the more conservative stance of the portfolio, the excess returns from Kapstream was relatively less compared to the peer group.

Global fixed income sectors generated positive returns over December as risk sentiment remained constructive.

Most fixed income spread sectors outperformed as global credit spreads tightened, US presidential elections concluded, and major central banks' policies aimed to mitigate risks.

Global central banks maintained highly accommodative policy stances during the period. The Federal Reserve (Fed) provided additional assurance that asset buying would continue for the foreseeable future, noting that purchases of US Treasuries and agency mortgage-backed securities (MBS) would proceed at their current pace at least until "substantial further progress has been made" on the labour market and inflation outlooks.

The European Central Bank (ECB) also extended its pandemic emergency purchase program through at least March 2022. The Bank of Japan extended its relief programs for six months while also announcing a review of its monetary policy to better achieve its 2% inflation target. The Bank of England and the Reserve Bank of Australia (RBA) each announced additional quantitative easing, with the RBA aiming to purchase intermediate-dated bonds.

Accompanying this backdrop, global sovereign yields ended mixed. Sovereign curves in the dollar bloc economies (US, Australia, Canada, New Zealand) steepened, led by an increase in intermediate and long -end maturities while yields in Europe (UK, Germany) drifted lower.

US 10 - and 30 -year Treasury yields increased as they primarily responded to the growth implications of further US fiscal stimulus and vaccine rollouts, looking through near -term data weakness and the surging COVID -19 case count.

The rally in credit markets also continued in December despite rising COVID-19 infections and tighter restrictions aimed at containing the spread. Markets remained forward-looking as a number of vaccines with high efficacy levels began to receive regulatory approval, thus bringing forward the timing when economic activity should normalize.

On the currency front, most currencies across developed and emerging markets rallied versus the US dollar.

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)
- > Advance Cash Multi-Blend Fund

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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