

Advance Defensive Multi-Blend Fund (the Fund)

Monthly report to 30 Apr 2023

ARSN 087 296 491

APIR ADV0049AU

Fund overview

Commencement date	30 Sep 1998
Fund size (AUD)	\$351.9m
Recommended investment timeframe	At least 3 years
Risk label	Low to medium
Minimum initial investment	\$5,000
Distribution frequency	Monthly
Investment management fee pa*	0.58%

*Additional fees and charges may apply.

Investment objective

To provide income with a low risk of capital loss over the short to medium term, with some capital growth over the long term.

Investment strategy

The Fund invests in a diverse mix of assets with the majority in the defensive assets of cash and fixed interest (around 70%) and a modest investment in growth assets such as shares and property (around 30%). The Fund's exposure to these asset classes will be obtained primarily by investing directly into our sector specific funds. The Fund may also hold assets directly including derivatives, currency and other unit trusts.

Investment managers

Advance Asset Management Limited ('AAML') selects investment managers for the Fund and we manage and monitor the managers on your behalf. Therefore we may remove, replace, or appoint additional investment managers at our discretion at any time.

For information on the Fund's investment managers, please refer to the Manager List for the Fund available at mercerc.com.au/mercercfunds.

Performance review

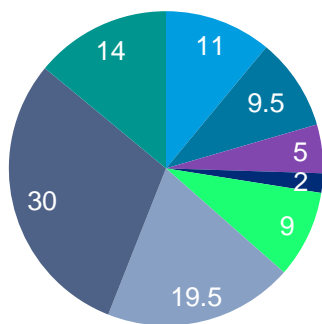
Total return	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa	Since Inception % pa
After fees and costs ¹	0.7	1.2	0.5	2.9	2.7	3.3	5.1

Notes: **Past performance is not a reliable indicator of future performance.**

Returns are calculated using month end exit prices and assume distributions are reinvested. Returns over 12 months are annualised.

1. Performance figures are calculated after deduction of investment management fees and costs, and any applicable performance fees. See the PDS for details of current fees and costs.

Asset allocation



Asset classes	Neutral %	Range %
Equity - Australian Listed	11	0 - 31
Equity - International Listed	9.5	0 - 32
Property	5	0 - 20
Infrastructure	2	0 - 17
Commodities	0	0 - 5
Other Alternatives	9	0 - 19
Australian fixed income	19.5	2 - 42
International fixed income	30	10 - 50
Cash	14	0 - 34

Market update

In April, risk asset returns in developed markets were mostly positive, while defensive assets also provided modest gains. Emerging market equities were lower than their developed market counterparts due to the weakness in Chinese stocks.

News flow during April was fairly quiet until the last week of the month when banking concerns resurfaced, as First Republic Bank came under pressure and was ultimately acquired by J.P. Morgan. Equity market volatility ended the month at its lowest level since late-2021, despite a brief spike during the last week of the month. Major economies remained resilient, driven largely by service activity. US GDP for Q1 2023 rose at a 1.1% annualised rate, which was below expectations. Consumer confidence remained on the rise and labour markets remained tight, in spite of high profile layoffs in the US.

Headline inflation continued to decline in major economies, reaching 5.0% in the US, its lowest level since mid-2021. In the UK, inflation fell by less than expected and remained above 10.0%, the highest rate in major developed economies. The People's Bank of China and Reserve Bank of Australia left key lending rates unchanged.

Over April, Hedged Developed Markets Overseas Shares returned 1.6%. Even though the US earnings season delivered a fair number of positive EPS surprises relative to expectations, the earnings decline over the first quarter is set to be the largest since the second quarter of 2020. Returns were positive for most sectors with Consumer Staples delivering the largest gains for the month. Value outperformed growth among large- and mid-cap stocks, while growth outperformed among small-caps. Emerging Market Shares (UH) underperformed unhedged Overseas Shares in April. Weakness in China outweighed the better performance from India and Brazil.

Hedged Overseas Government Bonds returned 0.2% over the month as bond yields generally saw modest changes for most countries during the month. In the US, the 10-year bond yield fell by 4bps, while the 30-year yield was flat. In developed markets outside the US, 10-year yields rose by 6bps for Japan and 23bps for the UK. US inflation expectations, as measured by the 10-year inflation breakeven rate, fell from 2.3% to 2.2%. Australian Government Bonds were flat over the month.

Lending conditions remain somewhat stressed due to banking concerns but bond markets have remained fairly calm. Credit spreads generally declined during the month, with investment-grade spreads falling 2bps and high yield spreads declining 3bps.

Australian Shares returned 1.8%, underperforming their overseas counterparts in April. Real Estate (5.2%) and IT (4.5%) were the strongest sectors, meanwhile Materials (-2.6%) and Utilities (1.4%) were the largest detractors.

Significant developments

- Australian March CPI rose 1.4% for the first quarter of 2023 taking the one year figure to 7.0%. The quarterly rise has been the lowest since December 2021.
- The Institute for Supply Management (ISM) Manufacturing Index recorded 47.1 in April, above consensus for 46.8 and above the 46.3 recorded in March. Of the five manufacturing industries that reported growth in March, the top performers were Printing & Related Support Activities and Apparel, Leather & Allied Products. There were 11 industries that recorded contraction in April compared to March. The ISM Services Index recorded 51.9 in April, above consensus for 51.8 and above the 51.2 recorded in March. Of the 14 services industries that reported growth, the top performers were Arts, Entertainment & Recreation and Other Services. There were three industries that reported a decrease in the month of April.
- US Non-Farm Payrolls increased by 253,000 in April, above the 236,000 increase recorded for March. The unemployment rate decreased to 3.4% over April, below expectations of 3.6%.
- US GDP first estimate for Q1 2023 is 1.1% quarter on quarter (QoQ) annualised, below expectations of 1.9%.
- The Caixin Manufacturing PMI in China recorded 49.5 in April, below expectations of 50, as business conditions moderated slightly over the month.
- The preliminary estimate of the European Core CPI recorded 5.6% over the year to April, in line with expectations.
- The Eurozone composite PMI increased to 54.4 in April, above expectations for 53.7.
- The first estimate recorded for Q1 2021 Eurozone seasonally adjusted GDP is 0.1% QoQ and 1.3% YoY.

Further Information

Please contact your financial adviser or:

Go to mercer.com.au/mercerfunds

Email InvestorHelpAU@mercer.com

Call 1300 728 928

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- If you are a direct investor who meets the eligibility criteria detailed in the PDS please complete the accompanying application form or;
- If you are investing through an Investor Directed Portfolio Service (IDPS) or an IDPS-like service (such as a master trust, wrap account, custody or nominees service), complete the forms your provider requires.

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