Mercer

Factsheet for the month ending 30 June 2023

Advance Defensive Multi-Blend Fund - Retail Units

Fund overview

ARSN	087 296 491
APIR	ADV0022AU
Commencement date	31 May 1992
Fund size (AUD)	$2.7m
Recommended investment timeframe	At least 3 years
Risk label	Low to medium
Minimum initial investment	Closed to new investors
Distribution frequency	Monthly
Investment management fee pa*	1.17%

*Additional fees and charges may apply.

Investment objective

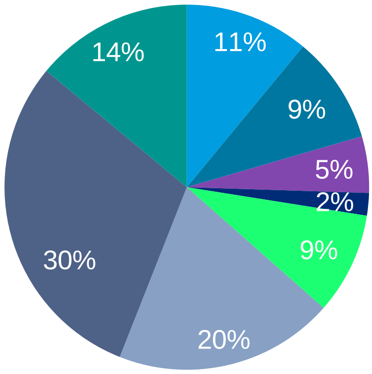
To provide income with a low risk of capital loss over the short to medium term, with some capital growth over the long term.

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.

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



Investment managers

As the Responsible Entity, Advance Asset Management Limited ('AAML') selects investment managers for Advance Defensive Multi-Blend Fund - Retail Units ('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 mercer.com.au/mercerfunds.

Performance review

Total return	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa
After fees and costs[1, 2]	0.1	0.1	3.6	1.3	1.5	2.1

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

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

2. Performance figures are calculated after deduction of investment management fees and costs, and any applicable performance fees.

Market update

In June, global equities, commodities and REITs posted strong returns, while bonds were generally flat with credit outperforming government bonds.

Markets continue to price in a soft landing as news flow remains focused on falling headline inflation, a potential end to the global interest rate hiking cycle and broad economic resilience, despite challenges for some sectors, such as regional banks.

Inflation continues to edge down in most major economies raising hopes that the hiking cycle is near an end in most regions. Although the Federal Reserve kept rates on hold for the first time in over a year, forward guidance was more hawkish than expected, which weakened the positive momentum that markets carried during the first half of the month. The ECB and RBA hiked rates by 25bps each, while the Bank of England was compelled to hike by 50bps, given stubbornly elevated levels of inflation in the UK. China continued to ease as its expected economic recovery has been underwhelming. Labour markets remain resilient, with unemployment only marginally rising in some regions, however, remaining close to multi-decade lows.

Volatility in rate markets fell in June, following the resolution of the debt ceiling talks, and the pause in monetary tightening in the US. Bond yields rose slightly in June, while credit spreads slightly decreased during the month.

Over June, Hedged Developed Markets Overseas Shares returned 5.6%, US stocks outperformed emerging markets and other international developed markets. Value and growth stocks delivered similar results in June, although year to date growth has significantly outperformed value. Japan contributed significantly to the outperformance of developed markets, gaining 7.5% in June, as the Bank of Japan continues to stimulate the economy. Emerging Markets Shares (UH) gained 0.9%, held back by weakness in China. Latin America was the standout in emerging markets as the recovery in commodities provides a tailwind for its equities.

Hedged Overseas Government Bonds returned -2.3% over the month, as bond yields generally increased during June. In the US, the 10-year bond yield rose by 16bps. In developed markets outside the US, 10-year yields fell by 3bps in Japan, while yields rose 20bps in the UK, and 13bps in the Eurozone. US inflation expectations, as measured by the 10-year inflation breakeven rate, was unchanged and ended June at 2.2%.

Australian Shares returned 1.7%, underperforming their overseas counterparts in June. Materials (4.6%) and Financials (3.1%) were the strongest sectors, meanwhile Healthcare (-6.4%), and Communication Services (-1.0%) were the largest detractors.

Significant developments

- Australian seasonally adjusted employment increased by 75,900 in May, well ahead of expectations for an increase of 17,500 and significantly above the prior month's decrease of 4,300. Unemployment rate decreased to 3.6%, below expectations of 3.7%, with the participation rate increasing to 66.9% (above expectations of 66.7%). Full time jobs increased by 61,700 and part-time jobs +14,200.
- Australian building approvals increased by 20.6% month-on-month to May, compared to the decrease of -6.8% (revised) for April.
- The Institute for Supply Management (ISM) Manufacturing Index (US) recorded 46 in June, below consensus for 47.1 and below the 46.9 recorded in May. Of the four manufacturing industries that reported growth in May, the top performers were Printing & Related Support Activities; and Nonmetallic Mineral Products. There were 11 industries that recorded contraction in June compared to May. The ISM Services Index recorded 53.9 in June, above consensus for 51.2 and above the 50.3 recorded in May. Of the 15 services industries that reported growth, the top performers were Accommodation & Food Services; and Arts, Entertainment & Recreation. There were three industries that reported a decrease in the month of June.
- US Non-Farm Payrolls increased by 209,000 in June, below the 339,000 increase recorded for May. The unemployment rate decreased to 3.6% over June and in line with expectations.
- The third estimate of US GDP for Q1 2023 was 2% quarter on quarter (annualised), above expectations of 1.4%.
- China's Caixin Manufacturing PMI recorded 50.5 in June, above expectations of 50, as there was a modest rise in manufacturing production over the month.
- The preliminary estimate of the European Core CPI was 5.4% (year to June), marginally below expectations of 5.5%.
- The Eurozone composite PMI increased to 49.9 in June, below expectations for 50.3, showing slightly contractionary conditions.
- Eurozone seasonally adjusted GDP (first estimate for Q1 2023) was -0.1% QoQ and 1% 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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