

# Advance Moderate Multi-Blend Fund - Wholesale Units

## Fund overview

ARSN	108 947 011
APIR	ADV0091AU
Commencement date	30 June 2004
Fund size (AUD)	\$754.0m
Recommended investment timeframe	At least 4 years
Risk label	Medium
Minimum initial investment	\$500,000
Distribution frequency	Quarterly
Investment management fee pa*	0.62%

\*Additional fees and charges may apply. See the Product Disclosure Statement ('PDS') for details.

## Investment objective

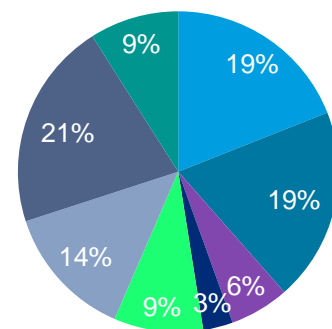
To provide relatively stable total returns (before fees and taxes) over the short to medium term, with some capital growth over the long term through a diversified mix of growth and defensive assets.

## Investment strategy

The Fund invests in a mix of defensive assets such as cash and fixed interest (around 50%) and growth assets such as shares and property (around 50%). 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	19	0 - 39
Equity - International Listed	19.5	2 - 42
Property	6	0 - 21
Infrastructure	3	0 - 18
Commodities	0	0 - 5
Other Alternatives	9	0 - 19
Australian fixed income	13.5	0 - 35
International fixed income	21	2 - 42
Cash	9	0 - 29



## Investment managers

As the Responsible Entity, Advance Asset Management Limited ('AAML') selects investment managers for Advance Moderate Multi-Blend Fund - Wholesale 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](https://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 <sup>1,2</sup>	1.4	1.4	4.6	4.7	3.9	4.7

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.
- 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.

## Market update

In July, global equity markets maintained current upward momentum with most regions delivering solid, positive returns. On the other hand, fixed income performance was mixed, although in this “risk on” phase of the cycle, riskier parts of the sector fared better.

A combination of further declines in headline inflation, resilient economic data, particularly from the US, and market expectations that the current interest rate hiking cycle is nearing an end, led to positive investor sentiment throughout the month.

The advanced Q2 2023 US GDP growth figure was reported late month, coming in at 2.4% and surprising market economist estimates of 1.8%. On the flipside, UK and Eurozone growth was close to flat. Benefitting from the base effects of emerging from its extensive 2022 Covid lockdown, China’s GDP growth rate was measured at an annualised 6.3%, though a little below 7.3% expectations. Forward-looking composite purchasing manager indices (PMI) kept falling across the globe in July, with Japan the only region holding steady. PMIs for the services sector continue to outpace manufacturing though are easing towards 50, an important level that is considered the line between expansion and contraction.

Inflation data continued to decline, somewhat aided by the impact of last year’s energy price surge rolling off. US headline Consumer Price Index (CPI) fell to 3.0% p.a and is at the lowest level since early 2021. Similarly, CPI data across the UK, Eurozone and Australia, continues to show easing inflationary conditions, albeit at higher levels than the US. CPI has flatlined at near zero in China. Japan was the only major country that recorded a marginal increase in its inflation rate during Q2 2023. Central banks continued to err on the side of caution, increasing rates by 25bps in the US and Eurozone and 50bps in the UK, where inflation remains the highest among major developed economies. Central banks continued to emphasise a data-driven approach to future rate adjustments. In the US, which is furthest ahead in the inflation cycle, markets are now pricing in a greater than 50% chance that the Fed’s policy rate has peaked and interest rate cuts maybe forthcoming in 2024.

Over July, Hedged Developed Markets Overseas Shares delivered a 2.8% return. US indices were broadly in line with international developed markets, however, Emerging Markets (unhedged) outperformed with a positive 4.9% return. Value modestly outperformed growth over the period, although when looking on a year-to-date basis, mega-cap tech stocks still dominate returns and has led to increased market concentration within that segment of global markets. In the US, with roughly half of S&P500 companies having reported their Q2 2023 earnings, FactSet currently projects a 7% quarter over quarter (QoQ) earnings decline, which would be the softest quarterly outcome since the height of Covid’s impact. That said, to date the majority of companies have reported better than expected earnings results.

Hedged Overseas Government Bonds returned -0.4% over the month, as bond yields across most regions increased in July. Yields on both key long bonds in the US (10-year and 30-year) rose by approximately 15bps over the month. Outside the US, Japan’s 10-year yield rose by around 19bps, which is noteworthy following the Bank of Japan’s announcement that it will further increase the upper tolerance range for the 10-year yield (now 1.0% vs 0.5% previously). The UK was the only major economy where the 10-year yield fell, albeit modestly.

Australian Shares returned 2.9%, marginally outperforming their overseas counterparts in July. Financials (4.9%) and Energy (8.4%) were the strongest sectors of the market, while Healthcare (-1.5%), and Materials (1.4%) detracted.

## Significant developments

Australian seasonally adjusted employment increased by 32,600 in June, above the +15,000 expectations, though decidedly below the prior month’s increase of 75,900. Full time positions were up 39,300, partially offset by a 6,700 drop in part time jobs and led to an unemployment rate decreasing to 3.5%, beating 3.6% expectations. The participation rate was down slightly to 66.8% (expectations were 66.9%).

Australian building approvals recorded a 7.7% decrease during July (month-on-month to June) and compares to a 20.6% increase (revised) for the prior month – underscoring the volatility in these data.

The Institute for Supply Management (ISM) Manufacturing Index (US) recorded 46.4 in July, below consensus for 46.9, however, above June’s 46.0 figure. The two segments that reported growth were Petroleum & Coal Products; and Furniture & Related Products. Sixteen sectors recorded contraction in July compared to 11 in June. ISM Services Index came in at 52.7 for July, below both consensus (53.1) and June’s 53.9. Four services sub-industries reported contraction in July, an uptick of one from June.

US Non-Farm Payrolls increased by 187,000 in July, marginally below the 209,000 increase recorded in June and well down from May’s 339,000 number. Replicating Australia’s unemployment data, the US unemployment rate also dropped to 3.5% and beat expectations for a 3.6% figure.

In July, the Q2 2023 advanced estimate for US GDP came in at 2.4% (QoQ, annualised) against a market consensus number of 1.8%.

China’s Caixin Manufacturing PMI recorded 49.2 in July, below expectations of 50.1, as manufacturing conditions softened slightly over the month. Chinese Services PMI at 54.1 bucked the global trend and 52.5 expectations, highlighting resilience at the consumer level.

Turning to Europe, the preliminary estimate of European Core CPI was 5.5% (consensus 5.4%) whilst Eurozone composite PMI increased to 48.6 in July (48.9 expectations). Seasonally adjusted GDP growth (first estimate) was 0.3% QoQ and 0.6% YoY.

## Further Information

Please contact your financial adviser or:

**Go to** [mercer.com.au/mercerfunds](https://mercer.com.au/mercerfunds)

**Email** [InvestorHelpAU@mercer.com](mailto:InvestorHelpAU@mercer.com)

**Call** 1300 728 928

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