

Advance Moderate Multi-Blend Fund - Retail Units

Fund overview

| | |
|----------------------------------|-------------------------|
| ARSN | 108 947 011 |
| APIR | ADV0090AU |
| Commencement date | 30 June 2004 |
| Fund size (AUD) | \$0.8m |
| Recommended investment timeframe | At least 4 years |
| Risk label | Medium |
| Minimum initial investment | Closed to new investors |
| Distribution frequency | Quarterly |
| Investment management fee pa* | 1.32% |

*Additional fees and charges may apply.

Investment objective

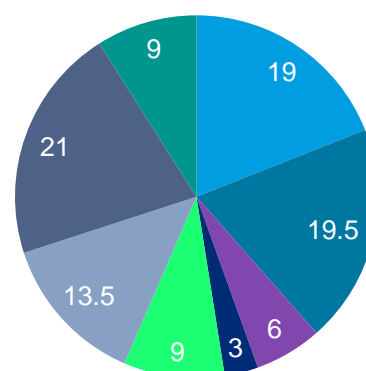
To provide relatively stable total returns (before fees and taxes) over the short to medium term, with some capital growth over the long term through a diversified mix of growth and defensive assets.

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.

Strategic 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 - 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 | Since Inception % pa |
|-------------------------------------|-----------|------------|----------|--------------|--------------|--------------|----------------------|
| After fees and costs ^{1,2} | -0.8 | 0.9 | 1.0 | 3.6 | 2.9 | 3.6 | 4.6 |

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 May, risk asset returns in developed markets were mostly negative, bonds and real assets also generally declined. Emerging market equities returns were marginally positive.

News flow during May focused predominantly on the debt ceiling deadline looming in early June. Overall, the market impact has been fairly limited, although ratings agencies have placed US credit on watch for potential downgrades. The challenges facing regional banks in the US continued to be a major topic in early-May with regulators brokering a deal for JP Morgan to purchase First Republic Bank. However, the sell-off in shares of other vulnerable banks continued along with sizable deposit outflows.

Economic data in general remained resilient. US unemployment rose slightly in May but remains at historically low levels, although, other indicators such as wage growth show that the labour market is gradually cooling. Forward-looking purchasing manager indices remain in expansion territory across most major regions, with strength in services outweighing weakness in manufacturing. In spite of economic resilience, headline inflation continued to decline in most major economies with it falling to just under 5% in the US. Inflation in Japan rose to 3.5%, which is high by historical standards, but still lower than in other developed countries. In the UK and Eurozone, inflation remains more resilient, but also on a downward trajectory. Inflation in China remains low amid a slow and developing expected economic recovery.

Rate markets continue to grapple with the question of how long monetary policy will remain tight. The bond market is pricing in an initial rate cut toward the end of this year or early next year, but US Fed officials have generally cast doubt on that timeline. Credit spreads moved slightly higher during the month. Issuance is coming back after a slowdown earlier in the year when the first signs of distress emerged among US regional banks.

Over May, Hedged Developed Markets Overseas Shares returned -0.2%, equity volatility increased moderately over the month, with one spike early in the month due to renewed banking concerns and another spike later in the month amid debt ceiling negotiations. Earnings season for Q1 2023 is coming to an end, with a second consecutive quarterly decline. Equities markets have seen through weaker earnings so far as attested by strong year to date returns for Overseas Shares. Over the month, it was notable that growth outperformed value by a large margin, in spite of rising yields. A couple of contributors included optimism over developments in A.I. favouring growth stocks, while more cyclical sectors that dominate value indices lagged. Emerging Markets Shares (UH) gained 0.4%, as poor performance in China offset positive performance in other major emerging economies.

Hedged Overseas Government Bonds returned -0.6% over the month as bond yields generally increased during May. In the US, the 10-year bond yield rose by 22bps, while the 30-year yield was up by 18bps. In developed markets outside the US, 10-year yields rose by 8bps for Japan and 46bps for the UK, while falling 3bps for the Eurozone. US inflation expectations, as measured by the 10-year inflation breakeven rate, fell 3bps to 2.2%.

Australian Shares returned -2.5%, underperforming their overseas counterparts in May. IT (10.4%) and Utilities (1.1%) were the strongest sectors, meanwhile Consumer Discretionary (-6.2%), and Consumer Staples (-4.5%) were the largest detractors.

Significant developments

- Australian seasonally adjusted employment decreased by 4,300 in April, below expectations for an increase of 25,000 and above the prior month's decrease of 53,000. The unemployment rate increased to 3.7%, above expectations of 3.5%. The participation rate remained at 66.7%, inline with expectations. Part time jobs increased by 22,800 and full time jobs decreased by 27,100.
- Australian building approvals decreased by 8.1% month-on-month to April, compared to the decrease of 1.0% (revised) for March.
- The Institute for Supply Management (ISM) Manufacturing Index recorded 46.9 in May, below consensus for 47.0 and below the 47.1 recorded in April. Of the four manufacturing industries that reported growth in May, the top performers were Non-metallic Mineral Products and Furniture & Related Products. There were 14 industries that recorded contraction in May compared to April.
- The ISM Services Index recorded 50.3 in May, below consensus for 52.4 and below the 51.9 recorded in April. Of the 11 services industries that reported growth, the top performers were Accommodation & Food Services and Management of Companies & Support Services. There were seven industries that reported a decrease in the month of May.
- US Non-Farm Payrolls increased by 339,000 in May, above the 253,000 increase recorded for April. The unemployment rate increased to 3.7% over May, above expectations of 3.5%.
- US GDP second estimate for Q1 2023 is 1.3% quarter on quarter (QoQ) annualised, above expectations of 1.1%.
- The Caixin Manufacturing PMI in China recorded 50.9 in May, above expectations of 49.5, as manufacturing output growth improves to 11-month high.
- The preliminary estimate of the European Core CPI recorded 5.3% over the year to May, below expectations of 5.5%.
- The Eurozone composite PMI increased to 52.8 in May, below expectations for 53.3.
- The Q1 2023 Eurozone seasonally adjusted GDP is -0.1% QoQ and 1.0% 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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