

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 28 February 2021

FUND OVERVIEW

	Wholesale
Inception date	5 October 2012
APIR	ADV0173AU
Fund size (AUD millions)	\$1,184.83
Month end redemption unit price	\$1.0193
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

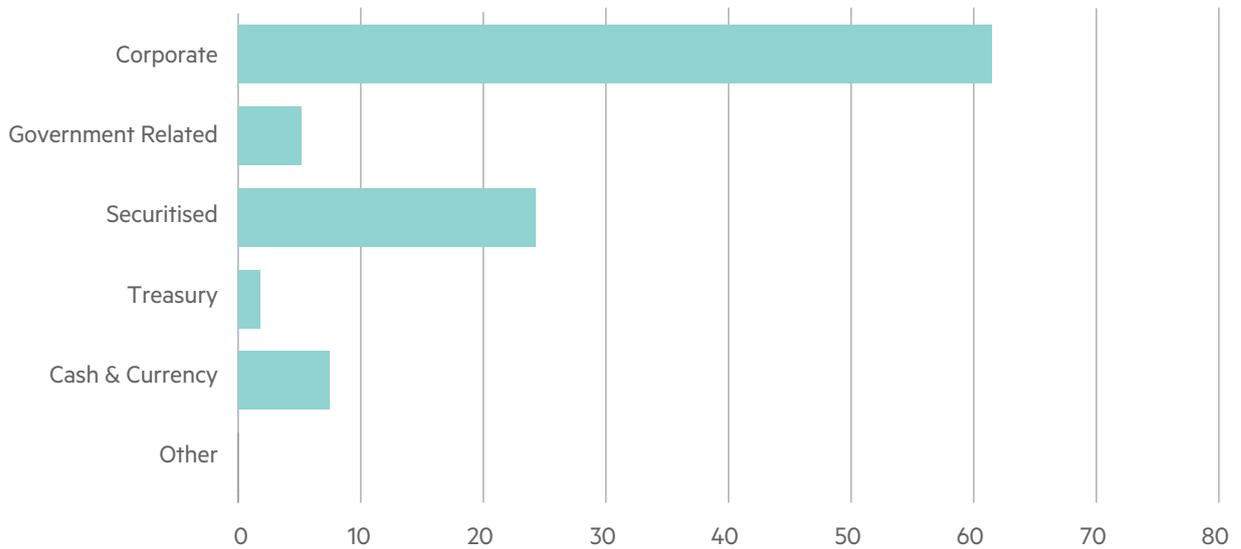
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(0.15)	0.22	1.16	1.43	2.14	2.39
Growth return	(0.15)	0.22	(0.35)	(0.00)	(0.33)	0.23
Distribution return	-	-	1.51	1.43	2.48	2.16
Benchmark return	(0.00)	0.00	0.21	1.16	1.44	1.93

Benchmark: Bloomberg AusBond Bank Bill IndexSM

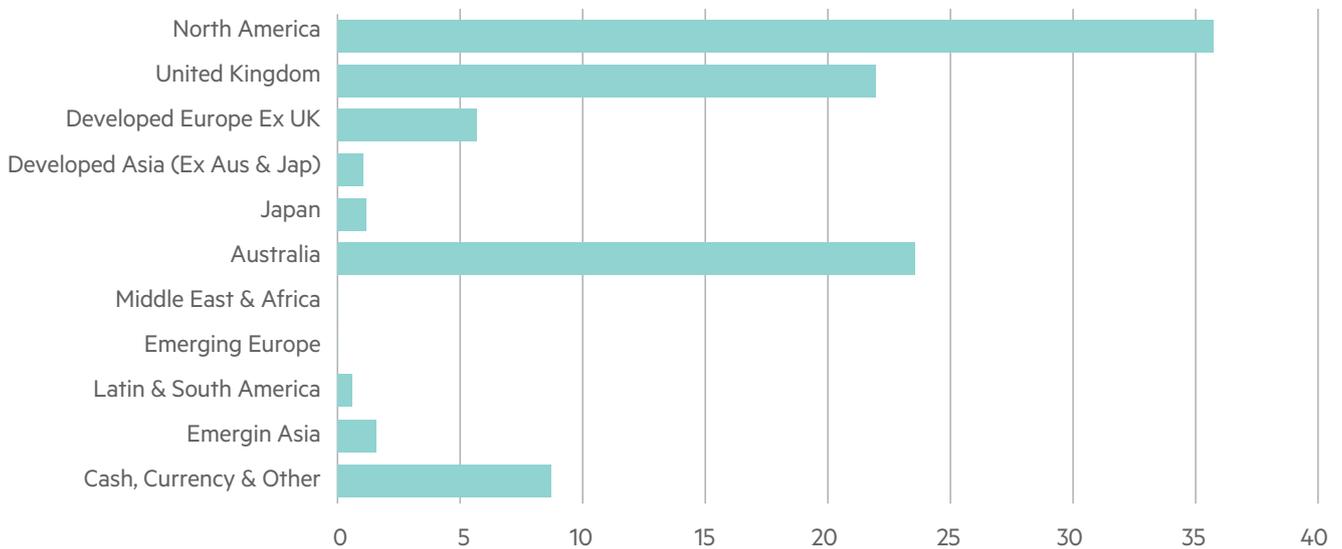
TOP 5 ISSUERS

	Fund (%)
Government of the United States of America	5.92
Uniform Mortgage Backed Securities	2.41
Ripon Mortgages Plc	2.22
Westpac Banking Corporation	1.64
Federal Home Loan Bank System	1.42

SECTOR ALLOCATIONS^{3,4}



REGIONAL ALLOCATIONS^{3,4}



CREDIT QUALITY^{3,4,5}

	Fund (%)
AAA	20.56
AA	6.17
A	15.11
BBB	46.43
Sub Investment Grade	9.69
Not Rated	(5.38)
Cash & Derivatives	7.42

FUND CHARACTERISTICS⁶

	Portfolio	Benchmark
Effective Duration (Contribution)	1.58	0.12
Years to Maturity (Years)	12.62	0.13
Effective Yield (%)	1.55	0.02

FUND UPDATE

The Advance Defensive Yield Multi Blend Fund underperformed the benchmark during the month of February as all managers also underperformed the benchmark.

Whilst credit exposures, both corporate and securitised were largely positive during the month, their positive performance were offset by the small duration exposure across the various mandates. Owing to the sizeable moves across bond yields, 'duration' was firmly a negative contributor during the month of February across all our underlying mandates.

Optimism over the global growth outlook continued to rise in February as COVID-19 infections, hospitalizations and deaths slowed, shifting the focus to progress on vaccination programs. Growing expectations for fiscal stimulus in the US also put additional upward pressure on developed market government bond yields. As a result, many fixed income sectors generated negative total returns as global sovereign yields rose substantially.

US Treasury nominal yields moved higher, led by real yields. Fed Chair Powell acknowledged the move as a sign of confidence in the US economic recovery. Australian 10-year yields increased the most among major economies. The Reserve Bank of Australia conducted an unscheduled bond buying operation late in the month as short end yields rose above its policy target. UK gilt yields and breakevens soared supported by hawkish remarks from the Bank of England.

At the same time, most major central banks maintained their asset purchase programs. Fed Chair Powell maintained a dovish rhetoric but stated that economic outlook had improved. The Reserve Bank of Australia announced additional quantitative easing following the current program. All other major central banks kept their policy rates unchanged.

Spread sectors tightened on the back of the higher rates, while inflation expectations continued to rise. Global credit bonds outperformed duration-equivalent government bonds. Within the securitized sectors, commercial mortgage-backed securities and asset-backed securities outperformed, while agency mortgage-backed securities underperformed.

The risk-off tone saw the US dollar strengthen versus most currencies.

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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