

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 March 2019

FUND PERFORMANCE*	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 year (% pa)	Since incept (% pa)
Total return	0.37	1.18	0.72	0.64	1.62	2.54
Growth return	0.34	1.15	0.69	(0.19)	(0.93)	0.15
Distribution return	0.03	0.03	0.03	0.83	2.55	2.39
Benchmark return	0.17	0.52	1.00	2.02	1.88	2.30

Benchmark: Bloomberg AusBond Bank Bill IndexSM.

FUND UPDATE	
	The Fund outperformed the benchmark during the March quarter with Kapstream and Standish both outperforming their respective benchmarks for the quarter.
	Standish was the best performer, with the portfolio aided by a rebound across its credit and ABS positions. This was however offset at the margins by weaker performance numbers across its yield curve positioning and short duration positions.
	Kapstream also outperformed the benchmark. A modest tightening in credit spreads provided the strategy with some capital gains alongside the positive carry of the portfolio.
	Pendal however detracted relative to the benchmark. A number of duration, yield curve and macro strategies did not work in the manager's favour. In particular, a recovery in risk assets hurt a number of Pendal's short credit exposures.

ACTUAL ASSET ALLOCATION BY REGION [~]	Region	Fund (%)
	North America	21.31
	United Kingdom	0.33
	Developed Europe ex UK	(3.21)
	Developed Asia (ex Aus & Jap)	4.26
	Japan	0.63
	Australia	48.44
	Middle East & Africa	2.52
	Emerging Europe	1.27
	Latin & South America	2.40
	Emerging Asia	2.57
	Cash, Currency & Other	19.49
	Total	100.00

ACTUAL ASSET
ALLOCATION BY
SECTOR[~]

Sector*	Fund (%)
Corporate	52.32
Government Related	10.77
Securitized	18.29
Treasury	(0.93)
Cash & Currency	19.49
Other	0.06
Total	100.00

CREDIT,
DURATION AND
MATURITY^{~†}

Years to Maturity	Fund (%)	Benchmark (%)
0-1 years	29.11	100.00
1-3 years	30.23	0.00
3-5 years	20.35	0.00
5-7 years	12.01	0.00
7-10yrs	1.27	0.00
10yrs+	7.03	0.00
Total	100.00	100.00

Effective Duration	Fund (Yrs)	Benchmark (Yrs)
<0yrs	(0.09)	0.00
0-1 years	0.01	0.12
1-3 years	0.80	0.00
3-5 years	0.70	0.00
5-7 years	0.08	0.00
7-10yrs	(0.21)	0.00
10yrs+	0.41	0.00
Total	1.68	0.12

Credit Quality	Fund (%)
AAA	13.00
AA	4.81
A	17.94
BBB	31.41
BB	2.41
B	1.58
CCC and Lower	0.10
Not Rated / Derivatives	(0.52)
A-1+	9.78
A-1	0.00
A-2	0.00
A-3	0.00
Cash & Currency	19.49
Total	100.00

MARKET COMMENTARY

Global fixed income sectors generated positive returns during the first quarter of 2019. Sovereign yields declined sharply across most markets in response to more dovish central bank policy actions/rhetoric and lingering concerns about deteriorating global growth. Geopolitical uncertainty remained elevated amid an elusive US/China trade agreement despite ongoing negotiations. The probability of a 'hard Brexit' scenario seems to have been reduced, though the outcome remains unclear.

Global monetary policies also took a dovish pivot during the period. The US Federal Reserve (Fed) downgraded its growth and inflation forecasts, announced an end to its balance sheet runoff by September, and no longer projected any rate hikes in 2019. The European Central Bank (ECB) pushed out the timing of its first rate hike until 2020 and announced extended liquidity operations for banks. The People's Bank of China cut its reserve requirement ratio by one percentage point in response to a weaker growth outlook. The Reserve Bank of New Zealand joined major central banks by issuing a policy statement that was considerably more dovish than market expectations. The Bank of England maintained its level of policy rates and expressed less confidence on domestic data while the Brexit outcome remained unclear.

Global credit markets performed well during the March quarter, with investment grade credit spreads tightening to recover most of the widening experienced during the prior quarter. Credit markets benefitted from improved sentiment from early in the quarter as risk assets generally rebounded, with a key trigger being the US Federal Reserve signalling a more accommodative tone with regard to monetary policy in late January. Credit markets continued their push tighter, with investment grade credit spreads continuing to tighten in particular during March in an environment of sharply lower interest rates across the major markets and dovish messages from the US Federal Reserve and European Central Bank.

On the currency front, the US dollar (USD) ended mixed as dovish monetary policy balanced global growth fears. Signs of progress on US-China trade negotiations supported the CNY and commodity-linked currencies. The GBP appreciated as markets priced in a lower probability of a "no deal" Brexit outcome even though the UK Parliament and the EU could not agree to a deal.

INVESTMENT OBJECTIVE

To provide returns of 2% pa after fees above the benchmark over the short to medium term.

BENEFITS OF INVESTING IN THE FUND

- > Potential for an enhanced absolute return offering across a range of market conditions.
- > The Fund aims to deliver quarterly distributions to investors.
- > A team of experienced and dedicated professionals actively looking after your investment.
- > Advance has access to the best fund managers from around the world and for this Fund, we have appointed investment managers who have a shared commitment to provide the best outcome for investors. You also have access to their investment expertise, research and process through your investment in the Fund.
- > The Fund has the ability to invest in a broad range of suitable investments and has the ability to take advantage of opportunities across the globe.
- > A high level of transparency through informative and regular reporting.
- > Access to information about your investments 24/7 on our secure client website Investor Online at advance.com.au, enabling you to keep track of your investments.

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:

- > Standish Mellon Asset Management Company LLC
- > Kapstream Capital Pty Ltd
- > Pandal Institutional Limited

There have been no material changes in the Fund's key service providers this month.

KEY FEATURES

	Wholesale
Date established	October 2012
Distribution frequency	Quarterly
Minimum investment¹	\$5,000 (\$1,500 for Regular Savings Plan)
Minimum withdrawal	\$1,500.00
Withdrawal period	5 business days
Entry fee²	Nil
Management costs^{2,3}	0.59% pa
Exit fee	Nil
Regular Savings Plan¹	Yes
Regular Withdrawal Plan¹	Yes
Distribution reinvestment	Yes
Total assets (AUD millions)	\$1,026.51
Month end redemption unit price	\$1.0100
Buy/sell spread (%)³	0.07/0.07

¹ Refer to the Product Disclosure Statement for further information

² Includes the effect of GST (net of RITC) and an estimate of performance fees paid for the 12 months ended 31 March 2017 of 0.04%.

³ The Management Costs and buy-sell spread included in this fact sheet do not include the impact of RG 97 enhanced fees and costs disclosures and you should refer to the Product Disclosure Statement for further information

* The Fund performance is net of management costs.

~ Allocations may not equal 100% due to rounding.

† 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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ADVANCE
ASSET MANAGEMENT

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'). A Product Disclosure Statement ('PDS') is available for the Fund and can be obtained by calling the Contact Centre on 1800 819 935, or visiting www.advance.com.au. The Financial Services Guide ('FSG') for Advance can also be obtained via the Product Disclosure Statement page on www.advance.com.au. Any retail client should obtain and consider the PDS for the Fund and the FSG before deciding whether to acquire, continue to hold or dispose of units in the Fund.

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