

# ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 30 April 2019

## FUND PERFORMANCE\*

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 year (% pa)	Since incept (% pa)
Total return	0.25	0.98	1.16	0.93	1.54	2.54
Growth return	0.25	0.95	1.13	0.10	(1.00)	0.18
Distribution return	(0.00)	0.03	0.03	0.83	2.55	2.36
Benchmark return	0.16	0.50	0.99	2.02	1.88	2.30

Benchmark: Bloomberg AusBond Bank Bill Index<sup>SM</sup>.

## FUND UPDATE

The Fund outperformed the benchmark during the April quarter net of fees.

Kapstream and Standish both outperformed their respective benchmarks in the month of April. Standish was the best performer with asset allocation being the primary contributor to performance as the portfolio benefitted from short positioning in US treasuries and US mortgage backed securities. Standish's overweight positioning in US high yield corporates and European investment grade bonds also contributed to returns for the month.

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 long duration positions.

## ACTUAL ASSET ALLOCATION BY REGION<sup>†</sup>

Region	Fund (%)
North America	18.22
United Kingdom	1.32
Developed Europe ex UK	1.13
Developed Asia (ex Aus & Jap)	4.23
Japan	0.72
Australia	44.94
Middle East & Africa	2.64
Emerging Europe	1.38
Latin & South America	2.39
Emerging Asia	2.43
Cash, Currency & Other	20.60
<b>Total</b>	<b>100.00</b>

ACTUAL ASSET  
ALLOCATION BY  
SECTOR<sup>~</sup>

Sector*	Fund (%)
Corporate	52.50
Government Related	10.65
Securitised	17.89
Treasury	-1.67
Cash & Currency	20.60
Other	0.04
<b>Total</b>	<b>100.00</b>

CREDIT,  
DURATION AND  
MATURITY<sup>~†</sup>

Years to Maturity	Fund (%)	Benchmark (%)
0-1 years	35.26	100.00
1-3 years	21.72	0.00
3-5 years	21.60	0.00
5-7 years	13.55	0.00
7-10yrs	2.57	0.00
10yrs+	5.30	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Effective Duration	Portfolio (Yrs)	Benchmark (Yrs)
<0yrs	(0.01)	0.00
0-1 years	0.03	0.13
1-3 years	0.38	0.00
3-5 years	0.74	0.00
5-7 years	0.36	0.00
7-10yrs	(-0.44)	0.00
10yrs+	0.05	0.00
<b>Total</b>	<b>1.12</b>	<b>0.13</b>

Credit Quality	Fund (%)
AAA	8.64
AA	5.39
A	18.32
BBB	31.89
BB	2.54
B	1.61
CCC and Lower	0.10
Not Rated / Derivatives	1.17
A-1+	6.66
A-1	1.93
A-2	1.16
A-3	0.00
Cash & Currency	20.60
<b>Total</b>	<b>100.00</b>

## MARKET COMMENTARY

The combination of better economic news and dovish central bank rhetoric supported most risk assets. Global sovereign yields moved higher, credit spreads tightened, and the US dollar gained versus most currencies. Credit spreads tightened amid a strong rally in global equity markets, driven by robust US economic data, improving growth prospects in China and Europe, and US-China trade negotiation progress.

Yields in most developed regions shifted broadly higher over the month, rising even as more central banks shifted towards accommodative stances. The US Treasury curve steepened, led by the long end given the backdrop of higher US growth without significant inflation pressures. UK gilts struggled as the focus turned to stronger UK data. Australian front-end yields were weighed down by dovish RBA and lower-than-expected inflation.

Global corporate credit markets outperformed duration-equivalent government bonds as credit spreads tightened. Within the securitized sectors, agency mortgage-backed securities underperformed duration-equivalent government bonds, while asset-backed securities and commercial mortgage-backed securities outperformed duration-equivalent government bonds. Emerging markets continued to regain momentum against a backdrop of continued easy policy and higher oil prices.

## 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](http://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 Group

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

## KEY FEATURES

	Wholesale
<b>Date established</b>	October 2012
<b>Distribution frequency</b>	Quarterly
<b>Minimum investment<sup>1</sup></b>	\$5,000 (\$1,500 for Regular Savings Plan)
<b>Minimum withdrawal</b>	\$1,500.00
<b>Withdrawal period</b>	5 business days
<b>Entry fee<sup>2</sup></b>	Nil
<b>Management costs<sup>2,3</sup></b>	0.59% pa
<b>Exit fee</b>	Nil
<b>Regular Savings Plan<sup>1</sup></b>	Yes
<b>Regular Withdrawal Plan<sup>1</sup></b>	Yes
<b>Distribution reinvestment</b>	Yes
<b>Total assets (AUD millions)</b>	\$1,026.51
<b>Month end redemption unit price</b>	\$1.0122
<b>Buy/sell spread (%)<sup>3</sup></b>	0.07/0.07

<sup>1</sup> Refer to the Product Disclosure Statement for further information

<sup>2</sup> 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%.

<sup>3</sup> 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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