

# ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 28 February 2021

## FUND OVERVIEW

	Wholesale	Retail
Inception date	28 February 2001	31 July 2004
APIR	ADV0067AU	ADV0088AU
Fund size (AUD millions)	\$1,906.61	
Investment objective	To provide a source of income from international fixed interest exposure with a total investment return (before fees and taxes) that outperforms the benchmark over periods of three years or longer.	
Recommended investment timeframe	3 years	
Minimum initial investment	\$5,000	Closed to new investors
Distribution frequency	Quarterly	
Management costs (%) pa <sup>1</sup>	0.55	1.30
Buy/sell spread (%)	0.10 / 0.20	0.00 / 0.00

## FUND PERFORMANCE<sup>2</sup>

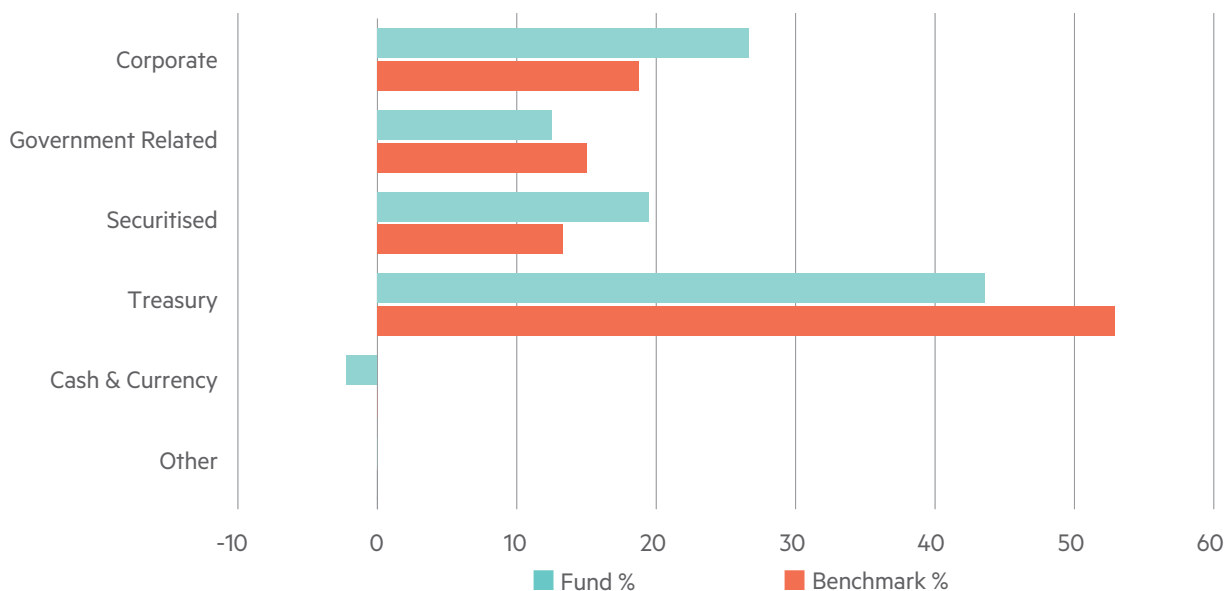
	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	Since Inception % pa
Total Net return	(1.68)	(1.74)	1.02	3.94	3.58	6.58
Growth return	(1.68)	(1.99)	(3.33)	0.45	(0.77)	0.33
Distribution return	-	0.25	4.35	3.49	4.34	6.25
Benchmark return	(1.56)	(1.87)	(0.18)	4.19	3.54	6.65

Benchmark: Barclays Global Aggregate Bond Index (fully hedged) in Australian dollars

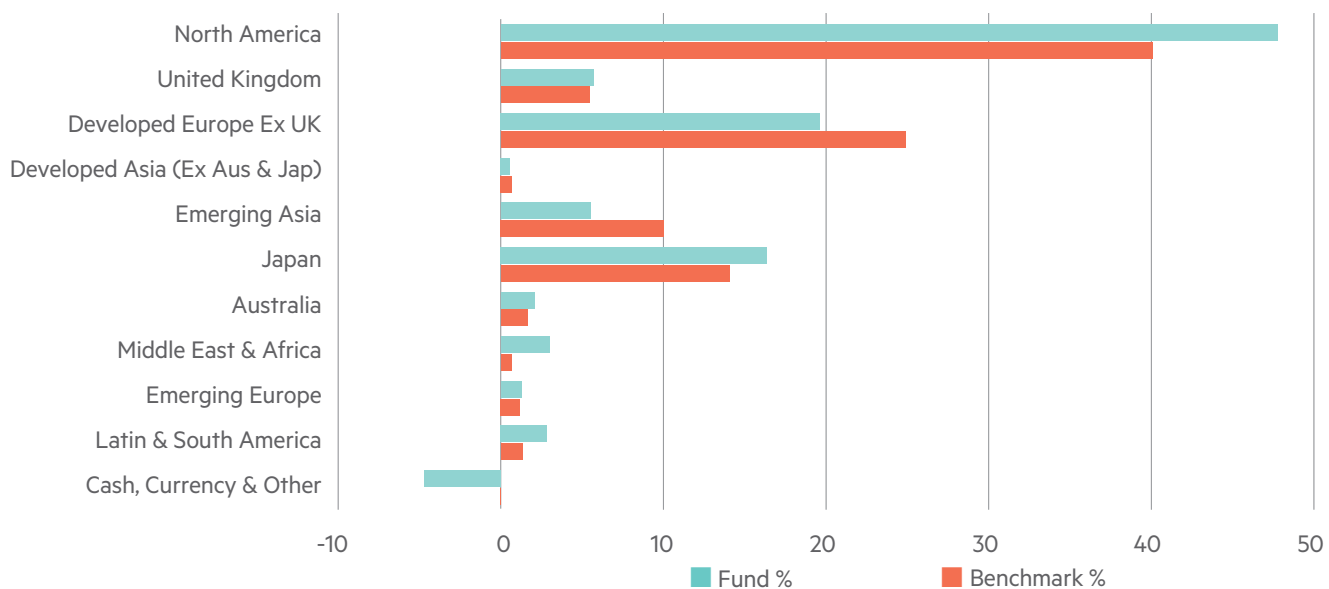
## TOP 5 ISSUERS

	Fund (%)	Benchmark (%)
Government of the United States of America	13.02	13.82
Government of Japan	10.83	12.78
Federal National Mortgage Association	7.40	0.18
Government of Germany	3.73	2.41
Government of France	2.24	3.39

### SECTOR ALLOCATIONS<sup>3,4</sup>



### REGIONAL ALLOCATIONS<sup>3,4</sup>



### CREDIT QUALITY<sup>3,4,5</sup>

	Fund (%)	Benchmark (%)
AAA	38.22	34.56
AA	9.69	15.95
A	23.75	29.89
BBB	22.46	19.14
Sub Investment Grade	6.18	0.46
Not Rated	1.91	0.00
Cash & Derivatives	(2.21)	0.00

## FUND CHARACTERISTICS<sup>6</sup>

	Portfolio	Benchmark
Effective Duration (Contribution)	6.78	7.27
Years to Maturity (Years)	12.23	10.92
Effective Yield (%)	1.33	0.96

## FUND UPDATE

The Advance International Fixed Interest Multi Blend Fund underperformed the benchmark during the month of February with most managers also underperforming the benchmark.

Wellington was the only manager that outperformed. It's macro driven duration and currency strategies contributed, while country and yield curve strategies were neutral. Wellington held underweight positions in major sovereign markets which benefitted amid the bond selloff.

PIMCO was broadly flat versus the benchmark as a number of its country trades (eg underweight German Bunds) benefited from the moves across the yield curve, whilst others detracted (eg overweight Australian Bonds). At the same time, the strategy benefited from the continued contraction in credit spreads.

WAM had a modestly negative month as its country allocation strategies detracted alongside it's currency positions. Standish benefited from its rates positions but minor underperformance from its securitised sectors saw the fund deliver a flat outcome for the month of February.

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. The Bloomberg Barclays Global Aggregate Bond Index returned a negative -1.56% over the month, bringing the one year performance to -0.18%.

- 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 and relates to the wholesale class of investment only. If you are an investor in the retail class of investment, you can obtain up to date returns at [advance.com.au](http://advance.com.au). 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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