

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 31 March 2019

FUND PERFORMANCE*	3 months (%)	1 year (%)	2 years (%)	3 years (%)	5 years (%)
Growth return	2.93	(0.56)	(1.44)	(1.74)	(1.03)
Distribution return	0.00	3.76	4.61	4.62	4.84
Total return	2.93	3.20	3.16	2.88	3.82
Benchmark return	2.79	4.58	3.73	3.21	4.84

Inception date: 28 February 2001
Benchmark: Barclays Global Aggregate Bond Index (fully hedged) in Australian dollars

FUND UPDATE

The Fund outperformed the benchmark during the March quarter with all the underlying managers in the portfolio outperforming their respective benchmarks for the quarter. It should be noted that the benchmark also delivered strong absolute returns during the period.

Standish was the best performer from a relative sense, with the portfolio adding value (on the back of tighter credit spreads) from credit and sector selection. This was however offset by weaker performance numbers across its yield curve positioning and short duration positions.

PIMCO recorded a strong performance during the quarter owing to its overweight stance towards US duration and its holdings of investment grade corporate credit. An underweight towards European Government Bonds detracted as did EM external debt positions.

Western Asset Management delivered a mixed performance during the quarter. Its key positions included being overweight US duration, underweight Core European duration, long EM government bonds and being long EM currency. Overall duration position detracted owing mainly to the fund's short German Bund position. However EM and credit positions added value over the quarter.

Wellington performance was also mixed over the period. Its macro-driven duration, currency and yield curve strategies contributed while country and credit strategies were neutral. The strategy's underweight to US duration was the primary detractor during the quarter as the Fed surprised the market with a marked shift in the Fed funds projections.

ACTUAL ASSET ALLOCATION BY REGION[~]

Region	Fund (%)	Benchmark (%)
North America	55.31	67.42
United Kingdom	4.88	5.98
Developed Europe (ex UK)	17.08	16.03
Developed Asia (ex Aus & Jap)	2.09	1.99
Emerging Asia	8.00	0.00
Japan	7.81	8.39
Australia	0.78	0.00
Middle East & Africa	0.42	0.19
Emerging Europe	0.27	0.00
Latin & South America	1.89	0.00
Cash, Currency & Other	1.46	0.00
Total	100.00	100.00

SUB SECTOR ALLOCATIONS[~]

Sector	Fund (%)	Benchmark (%)
Corporate	27.33	18.84
Government Related	10.35	11.67
Securitised	26.02	15.31
Treasury	47.70	54.18
Cash & Currency	(11.43)	0.00
Other	0.03	0.00
Total	100.00	100.00

CREDIT AND MATURITY^{~£}

Credit Quality	Fund (%)	Benchmark (%)
AAA	41.57	39.40
AA	12.43	15.48
A	23.30	26.02
BBB	26.47	18.50
BB	4.35	0.61
B	1.32	0.00
CCC and Lower	0.11	0.00
Not Rated / Derivatives	1.87	0.00
A-1+	0.00	0.00
A-1	0.00	0.00
A-2	0.00	0.00
A-3	0.00	0.00
Cash & Currency	(11.43)	0.00
Total	100.00	100.00

Years to Maturity	Fund (%)	Benchmark (%)
0-1 years	(0.12)	1.05
1-3 years	8.75	21.61
3-5 years	30.78	17.17
5-7 years	16.05	11.75
7-10yrs	8.58	13.51
10yrs+	35.96	34.92
Total	100.00	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.

The global bond market as measured by the Bloomberg Barclays Global Aggregate Bond Index returned 2.79% over the quarter.

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.

BENEFITS OF INVESTING IN THE FUND

The International Fixed Interest Multi-Blend Fund provides a source of income from international fixed interest exposure and enhanced performance through active management. This asset sector is not usually as volatile as sharemarkets, and is generally used by the more conservative investor or those with shorter investment timeframes. Managers are selected for their own investment style and process. The Multi-Blend approach is based on the belief that the different styles of each manager when combined, can produce a more consistent outcome for investors by minimising style and portfolio risk.

KEY FEATURES

	Wholesale	Retail
Total assets (AUD millions)	\$2,022.93	
Date established	February 2001	July 2009
Distribution frequency	Quarterly	Quarterly
Minimum investment ¹	\$5,000 (\$1,500 for Regular Savings Plan)	\$1,500 (\$1,000 for Regular Savings Plan)
Minimum withdrawal	\$1,500	\$500
Withdrawal period	5 business days	5 business days
Entry fee ²	Nil	4.10% maximum
Management costs ^{2,3}	0.65% pa	1.85% pa
Regular Savings Plan ¹	Yes	Yes
Regular Withdrawal Plan ¹	Yes	Yes
Distribution reinvestment	Yes	Yes
Buy/sell spread (%) ³	0.10/0.10	Nil
Exit fee	Nil	Nil

¹ Refer to the Product Disclosure Statement for further information.

² Includes the effect of GST (net of RITC).

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 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

~ 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.

Advance Asset Management, GPO Box B87, Perth WA 6838

Client Services 1800 819 935 Adviser Services 1300 361 864 Fax (02) 9274 5211

advance.com.au

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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