

ADVANCE CASH MULTI-BLEND FUND

As at 31 March 2018

FUND PERFORMANCE*

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)
Growth return	(0.01)	(0.02)	(0.04)	0.01	0.09	0.01
Distribution return	0.16	0.49	1.00	2.06	2.17	2.30
Total return	0.15	0.47	0.97	2.07	2.26	2.31
Benchmark return¹	0.14	0.43	0.85	1.73	1.83	1.97

Fund commenced June 2002. Performance commenced 1 February 2010.

¹ Benchmark: Bloomberg AusBond Bank Bill IndexSM.

FUND UPDATE

The Cash Multi-Blend outperformed its benchmark during the March quarter. The Fund is conservatively positioned with weighted average life remaining low at 0.53 years. As at 30 March 2018, the yield of the Fund stands at 2.07% versus the benchmark at 1.73%.

At a manager level, both BTIM and IMS outperformed their respective benchmarks. Incremental value was added from credit margin contraction, duration and carry. Performance benefitted also from a higher running yield than the benchmark and the steepness of the yield curve.

Portfolio positioning and investment themes remain consistent with prior months. Both the underlying managers continue to remain conservatively positioned in very high quality liquid short term securities.

Given the shape of the yield curve in the short end, the underlying strategies are positioned further out the curve (around the 6 month tenor). As the curve is positively sloped and with no change to monetary policy expected from the RBA in the near term, there is little performance risk in being positioned further out the curve. The margin offered by A-1 and A-2 rated issuers offers additional return and these issuers are also highly liquid. This should allow the Cash Multi-Blend Fund to deliver consistent returns over the medium to longer term.

SUB SECTOR ALLOCATIONS~

Sector	Fund (%)
Bank Term Deposits	14.98
Bank Bills	0.00
Negotiable Certificates of Deposit	31.27
Promissory Notes	13.73
Floating Rate Notes	26.72
Other	5.87
Cash	7.43
Total	100.00

CREDIT

Credit Quality	Fund (%)
AAA	9.03
AA	19.90
A	3.22
BBB	0.45
BB	0.00
B	0.00
CCC and Lower	0.00
Not Rated / Derivatives	0.00
A-1+	23.56
A-1	16.24
A-2	20.17
A-3	0.00
Cash & Currency	7.43
Total	100.00

MARKET COMMENTARY

The Australian bond market realised another positive return during the first quarter of 2018. After a notable curve steepening in January and February the curve flattened in March as long-end yields followed offshore peers lower. Meanwhile, short-end money market yields increased substantially on the back of the BBSW-OIS spread widening. This was led largely by US money markets developments, rather than changes in the Reserve Bank of Australia (RBA) expectations. These US changes were driven by the impact of the Trump tax reforms. Increased supply of US T-Bills as the deficit picks up, combined with outflows from offshore US dollar money market funds due to tax driven repatriation reducing demand, saw funding markets hit hard. This flowed on to Australia as our banks rely on offshore money markets for around 8% of their funding.

The RBA left rates on hold throughout the quarter and market-implied probabilities of a hike in 2018 faded considerably. Its communication was relatively upbeat, including commentary on labour market developments, but it was also noted that improvements will be gradual. The Board's overall message suggested a bias to remain firmly on hold for the near-term.

In credit markets, spreads saw a small widening over the quarter, which reflected weaker risk appetite driven primarily by geopolitical concerns. The sharp increase in the OIS-BBSW spread also likely played a part. However, the Australian market proved more resilient than its offshore credit counterparts. The Australian iTraxx Index (Series 28 contract) traded in a wide 11 basis points range finishing the month 2 basis points wider to +61 basis points.

INVESTMENT OBJECTIVE

To provide investors with a total investment return (before fees and taxes) that outperforms the benchmark over one year, maintaining liquidity, avoiding unnecessary risk and therefore seeking to maintain capital value.

BENEFITS OF INVESTING IN THE FUND

The Advance Cash Multi-Blend Fund is ideal for investors seeking manager and cash strategy diversification through a combination of two cash investment managers.

* The Fund performance is net of management costs.

~ Allocations may not equal 100% due to rounding.

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ADVANCE
ASSET MANAGEMENT

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