

# ADVANCE CASH MULTI-BLEND FUND

As at 28 February 2018

FUND PERFORMANCE*	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)
<b>Growth return</b>	0.01	-0.01	-0.02	0.01	0.08	0.01
<b>Distribution return</b>	0.14	0.50	1.01	2.11	2.20	2.33
<b>Total return</b>	0.15	0.49	0.99	2.12	2.28	2.34
<b>Benchmark return<sup>1</sup></b>	0.13	0.43	0.86	1.75	1.87	1.99

Fund commenced June 2002.

<sup>1</sup> Benchmark: Bloomberg AusBond Bank Bill Index<sup>SM</sup>.

## FUND UPDATE

The Advance Cash Multi-Blend Fund outperformed its benchmark during the month of February. The Fund is conservatively positioned with weighted average life remaining low at 0.57 years. As at 28 February 2018, the yield of the Fund stands at 2.13% versus the benchmark at 1.70%.

At a manager level, both BTIM and IMS outperformed their respective benchmarks. Incremental value was added from credit margin contraction, duration and carry.

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	15.05
Bank Bills	0.00
Negotiable Certificates of Deposit	26.86
Promissory Notes	12.35
Floating Rate Notes	27.41
Other	6.21
Cash	12.11
<b>Total</b>	<b>100.00</b>

## CREDIT

Credit Quality	Fund (%)
AAA	9.00
AA	20.01
A	4.18
BBB	0.44
BB	0.00
B	0.00
CCC and Lower	0.00
Not Rated / Derivatives	0.00
A-1+	22.68
A-1	11.50
A-2	20.08
A-3	0.00
Cash & Currency	12.11
<b>Total</b>	<b>100.00</b>

## MARKET COMMENTARY

The Australian bond market improved over February on the back of a small decline in government bond yields, despite a rising trend for much of the month. This was led by the US, where the prospect of significant fiscal stimulus to an economy already growing at an above trend pace, raised fears of a cyclical lift in inflation and a more aggressive monetary tightening response by the US Federal Reserve. Over this period the Australian bond market comfortably outperformed, reflecting the differing economic landscape between the two countries.

At the shorter end of the yield curve, the three year Australian government bond yield peaked early in the month at 2.18%, before finishing the month 6bps lower at 2.09%. Australia's longer end outperformed the US, with the yield on a 10 year Australian government bond ending the month unchanged at 2.81%. In contrast, the yield on a US 10 year Treasury closed the month 16bps higher at 2.87%. The last time the spread between the two inverted was briefly in May 1998 and for a longer period in the early 1980s.

Economic data was mixed during the month. Retail sales fell 0.5% and consumer confidence eased back to 102.7. The monthly labour force report revealed 16K jobs were added, however this was significantly skewed to part-time roles and quarterly wage figures reported a 0.6% increase for the fourth quarter. Meanwhile business conditions and confidence numbers rose to a strong +19 and +10 respectively. The RBA continues to maintain its neutral stance, holding the official cash rate at the historic low of 1.5 per cent.

## 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 with 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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