

ADVANCE CASH MULTI-BLEND FUND

As at 31 May 2018

FUND PERFORMANCE*	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)
Growth return	0.01	(0.03)	(0.04)	(0.02)	0.03	0.01
Distribution return	0.18	0.52	1.02	2.05	2.15	2.27
Total return	0.19	0.49	0.99	2.03	2.19	2.28
Benchmark return¹	0.17	0.48	0.91	1.78	1.81	1.96

Fund commenced June 2002. Performance commenced 1 February 2010.

¹ Benchmark: Bloomberg AusBond Bank Bill IndexSM.

FUND UPDATE

The Advance Cash Multi-Blend Fund outperformed its benchmark during the month of May. The Fund is conservatively positioned with weighted average life remaining low at 0.4 years. As at 31 May 2018, the yield of the Fund stands at 2.19% versus the benchmark at 1.85%.

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

At a portfolio level, both the underlying managers continue to remain conservatively positioned in very high quality liquid short term securities. Recent credit wobbles due to Italian political risks and increasing emerging market concerns are further reason to remain more defensively positioned at the moment.

At present, the manager's view is that it is prudent to reduce the spread duration of the portfolio with capital preservation and liquidity remaining front of mind.

SUB SECTOR ALLOCATIONS~

Sector	Fund (%)
Bank Term Deposits	11.75
Bank Bills	0.00
Negotiable Certificates of Deposit	33.53
Promissory Notes	15.00
Floating Rate Notes	23.13
Other	5.36
Cash	11.23
Total	100.00

CREDIT

Credit Quality	Fund (%)
AAA	8.17
AA	17.00
A	2.99
BBB	0.33
BB	0.00
B	0.00
CCC and Lower	0.00
Not Rated / Derivatives	0.00
A-1+	22.34
A-1	17.22
A-2	20.72
A-3	0.00
Cash & Currency	11.23
Total	100.00

MARKET COMMENTARY

Australian bond yields retraced an earlier advance to finish the month lower as geopolitical uncertainties sapped risk sentiment. This included Italian political turmoil and growing concerns over pockets of emerging markets like Turkey. Meanwhile, developments on the Australian monetary policy front were relatively uneventful as the Reserve Bank of Australia (RBA) left the cash rate on hold for the 19th consecutive month. The Board noted some progress on unemployment but reiterated further improvements were expected to be gradual. This was reflected in forecasts released by the central bank during the month as part of its quarterly Statement on Monetary policy.

Other communication through the month did little to change the view that rates would remain on hold over the near term. In turn, markets pushed back the pricing for the first potential rate hike from August 2019 to November 2019. Economic data painted a mixed picture over the period. Wage growth was weak with a 0.5% increase for the first quarter, the second lowest print since the series began in 1997. Consumer confidence, retail sales and building approvals were also soft. The monthly labour market report revealed 23K jobs were added during the month, however an increase in the participation rate drove the unemployment rate higher to 5.6%. In contrast, business conditions strengthened testing previous highs.

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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