

# ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 30 September 2017

FUND PERFORMANCE*	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 year (% pa)	Since incept (% pa)
<b>Growth return</b>	0.05	0.76	(0.49)	(0.23)	(0.76)	0.47
<b>Distribution return</b>	0.10	0.10	2.30	3.41	3.52	2.55
<b>Total return</b>	0.15	0.86	1.81	3.18	2.76	3.02
<b>Benchmark return</b>	0.14	0.43	0.87	1.76	1.97	2.42

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

## FUND UPDATE

The Advance Defensive Yield Multi-Blend Fund outperformed its benchmark in the September quarter.

Standish and Kapstream outperformed their respective benchmarks for the quarter whilst BTIM underperformed its benchmark. Standish's outperformance came from a diverse source of active strategies including security selection, asset allocation and FX allocation.

Kapstream's allocation to high quality corporate credits was the key contributors to relative returns. The portfolio's coupon income and credit spread contraction over the quarter drove outperformance. Security selection and asset allocation were the primary contributors to Standish's relative returns. Yield curve strategies were a marginal detractor. Within security selection select exposures to peripheral Europe, specifically Portugal and US corporate credit were the key contributors. Within asset allocation, exposure to Japanese TIPs was a positive contributor as ten year breakeven rates moved higher over the quarter.

BTIM was the key detractor to performance over the quarter. Losses were made in FX and macro strategies. Within FX strategy, underweight USD versus select emerging market Asia currency positions added value early in the quarter, but gains unwound later in the period as the USD recovered. Within the macro strategy relative value credit index strategies were the primary detractor to performance.

ACTUAL ASSET  
ALLOCATION BY  
REGION<sup>~</sup>

Region	Fund (%)
North America	19.50
United Kingdom	(1.01)
Developed Europe ex UK	3.09
Developed Asia (ex Aus & Jap)	3.20
Japan	0.73
Australia	30.18
Middle East & Africa	2.26
Emerging Europe	1.55
Latin & South America	2.49
Emerging Asia	1.60
Cash, Currency & Other	36.41
<b>Total</b>	<b>100.00</b>

ACTUAL ASSET  
ALLOCATION BY  
SECTOR<sup>~</sup>

Sector	Fund (%)
Corporate	61.17
Government Related	10.72
Securitized	15.09
Treasury	(23.44)
Cash & Currency	36.41
Other	0.05
<b>Total</b>	<b>100.00</b>

CREDIT,  
DURATION AND  
MATURITY<sup>~£</sup>

Years to Maturity	Fund (%)	Benchmark (%)
0-1 years	58.10	100.00
1-3 years	(4.03)	0.00
3-5 years	14.21	0.00
5-7 years	18.01	0.00
7-10yrs	13.89	0.00
10yrs+	(0.19)	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>
Effective Duration	Portfolio (Yrs)	Benchmark (Yrs)
<0yrs	(0.20)	0.00
0-1 years	0.03	0.12
1-3 years	0.05	0.00
3-5 years	0.60	0.00
5-7 years	0.72	0.00
7-10yrs	0.12	0.00
10yrs+	(0.59)	0.00
<b>Total</b>	<b>0.73</b>	<b>0.12</b>

<b>Credit Quality</b>	<b>Fund (%)</b>
AAA	21.98
AA	6.29
A	19.89
BBB	29.25
BB	6.21
B	2.80
CCC and Lower	0.74
Not Rated / Derivatives	(33.73)
A-1+	6.59
A-1	2.02
A-2	1.56
A-3	0.00
Cash & Currency	36.41
<b>Total</b>	<b>100.00</b>

## MARKET COMMENTARY

Global fixed income markets generated positive returns in the third quarter. Escalating geopolitical tensions between the US and North Korea and serial disappointments in inflation data helped to contain the increase in sovereign yields prompted by central bank policy normalisation. Generally strong economic data, a rally in commodities prices, and continued demand for yield producing assets supported credit markets and spreads tightened further. Most developed market currencies strengthened versus the US dollar as political uncertainty and continued scepticism about the Federal Reserve's (Fed's) projected rate-hiking path weighed on the greenback.

Sovereign yields increased across most developed markets amid shifts to more normalised monetary policy, with the biggest moves in Canada, Australia, and the UK. US Treasury yields also increased, but the yield curve flattened as longer-term yields increased only marginally due to stubbornly low inflation. Japanese government bond yields, anchored by the BOJ's yield-targeting policy, were little changed. Globally, most spread sectors posted positive excess returns as spreads compressed, led by lower-rated sectors.

## INVESTMENT OBJECTIVE

To provide returns of 2% pa after fees above the benchmark over the short to medium term.

## BENEFITS OF INVESTING IN THE FUND

- > Potential for an enhanced absolute return offering across a range of market conditions.
- > The Fund aims to deliver quarterly distributions to investors.
- > A team of experienced and dedicated professionals actively looking after your investment.
- > Advance has access to the best fund managers from around the world and for this Fund, we have appointed investment managers who have a shared commitment to provide the best outcome for investors. You also have access to their investment expertise, research and process through your investment in the Fund.
- > The Fund has the ability to invest in a broad range of suitable investments and has the ability to take advantage of opportunities across the globe.
- > A high level of transparency through informative and regular reporting.
- > Access to information about your investments 24/7 on our secure client website Investor Online at [advance.com.au](http://advance.com.au), enabling you to keep track of your investments.

## FUND STRATEGY

The Fund invests in a diversified mix of fixed interest, cash and cash equivalent securities and instruments in both Australian and international markets, with an emphasis on liquidity and capital stability regardless of the overall direction of fixed interest and cash markets. The ability of the Fund's investment strategy to produce investment returns will be dependent on a number of factors including the asset allocation and investment selection skills of the investment managers, market conditions and specific risk factors. The Fund does not have specific diversification guidelines or limits. Although there are no geographical restrictions on where assets may be located, they will typically be located in Australia, Europe and the United States. The base currency of the Fund is Australian dollars however the assets of the Fund may be denominated in a variety of currencies.

There have been no material changes in the Fund's strategy this month.

## FUND RISK PROFILE

### 3 Low – Medium

Low to medium risk of short-term loss. Likely to produce low to medium returns over the minimum suggested timeframe.

There have been no material changes in the Fund's risk profile this month.

## KEY SERVICE PROVIDERS

The responsible entity of the Fund is Advance Asset Management Limited.

JP Morgan Chase Bank N.A. is the custodian and administrator of the Fund.

PwC is the external auditor of the financial statements of the Fund. In addition, an individual partner of PwC acts as the auditor of the Fund's Compliance Plan.

The underlying investment managers for the Fund are:

- > Standish Mellon Asset Management Company LLC
- > Kapstream Capital Pty Ltd
- > BT Investment Management (Institutional) Limited

There have been no material changes in the Fund's key service providers this month.

## KEY FEATURES

	Wholesale
<b>Date established</b>	October 2012
<b>Distribution frequency</b>	Quarterly
<b>Minimum investment<sup>1</sup></b>	\$5,000 (\$1,500 for Regular Savings Plan)
<b>Minimum withdrawal</b>	\$1,500.00
<b>Withdrawal period</b>	5 business days
<b>Entry fee<sup>2</sup></b>	Nil
<b>Management costs<sup>2,3</sup></b>	0.59% pa
<b>Exit fee</b>	Nil
<b>Regular Savings Plan<sup>1</sup></b>	Yes
<b>Regular Withdrawal Plan<sup>1</sup></b>	Yes
<b>Distribution reinvestment</b>	Yes
<b>Total assets (AUD millions)</b>	\$1,086.24
<b>Month end redemption unit price</b>	\$1.0247
<b>Buy/sell spread (%)<sup>3</sup></b>	0.07/0.07

<sup>1</sup> Refer to the Product Disclosure Statement for further information

<sup>2</sup> Includes the effect of GST (net of RITC) and an estimate of performance fees paid for the 12 months ended 31 March 2017 of 0.04%.

<sup>3</sup> 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.

~ 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. 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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**ADVANCE**  
ASSET MANAGEMENT

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