

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 Mar 2018

FUND PERFORMANCE*

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 year (% pa)	Since incept (% pa)
Growth return	(0.77)	(0.28)	(1.18)	(1.66)	(0.92)	0.21
Distribution return	0.78	0.79	1.97	4.27	4.11	2.67
Total return	0.02	0.51	0.79	2.61	3.19	2.88
Benchmark return	0.14	0.43	0.85	1.73	1.83	2.35

Benchmark: Bloomberg AusBond Bank Bill IndexSM.

FUND UPDATE

The Advance Defensive Yield Multi-Blend Fund returned 0.02% over the quarter net of fees, underperforming the Bloomberg AusBond Bank Bill Index which returned 0.14%.

Pleasingly, all underlying managers in the portfolio outperformed the index. Kapstream was once again one of the more consistent managers within the portfolio, delivering +0.73% (or +0.30% in active returns). Interest income from the portfolio's corporate bond holdings mostly offset some of the losses stemming from credit spread widening. Kapstream continues to decrease risk by both increasing the interest rate duration, reaching approximately 0.7 years and increasing the liquidity bucket of cash and government-related securities, which reached 10%.

BTIM also delivered positive returns, returning +0.60% and outperforming the benchmark by 0.17%. The duration and Yield Curve strategies added to performance, while the FX, Macro and Relative Value strategies detracted. The Duration strategy was the largest contributor over the quarter. The largest gains were from long duration positions along the spectrum of the Euro curve, but gains in European nominal bonds were slightly offset by minor losses in the long end of the European real yield curve. The FX strategy was the largest detractor with most of the losses stemming from BT's long USD positions against both the developed and emerging market currencies.

ACTUAL ASSET
ALLOCATION BY
REGION[~]

Region	Fund (%)
North America	8.86
United Kingdom	1.45
Developed Europe ex UK	(1.28)
Developed Asia (ex Aus & Jap)	3.34
Japan	2.88
Australia	30.08
Middle East & Africa	2.95
Emerging Europe	3.24
Latin & South America	3.30
Emerging Asia	1.29
Cash, Currency & Other	43.90
Total	100.00

ACTUAL ASSET
ALLOCATION BY
SECTOR[~]

Sector*	Fund (%)
Corporate	45.36
Government Related	11.45
Securitized	16.24
Treasury	(17.04)
Cash & Currency	43.90
Other	0.08
Total	100.00

CREDIT,
DURATION AND
MATURITY^{~£}

Years to Maturity	Fund (%)	Benchmark (%)
0-1 years	45.75	100.00
1-3 years	11.68	0.00
3-5 years	10.79	0.00
5-7 years	13.75	0.00
7-10yrs	10.08	0.00
10yrs+	7.96	0.00
Total	100.00	100.00

Effective Duration	Portfolio (Yrs)	Benchmark (Yrs)
<0yrs	(0.13)	0.00
0-1 years	0.04	0.12
1-3 years	0.53	0.00
3-5 years	(0.48)	0.00
5-7 years	0.55	0.00
7-10yrs	(0.33)	0.00
10yrs+	0.92	0.00
Total	1.09	0.12

Credit Quality	Fund (%)
AAA	16.92
AA	6.83
A	17.43
BBB	30.70
BB	6.83
B	4.33
CCC and Lower	0.60
Not Rated / Derivatives	(37.43)
A-1+	6.72
A-1	1.86
A-2	1.31
A-3	0.00
Cash & Currency	43.90
Total	100.00

MARKET COMMENTARY

Most global fixed income sectors generated negative total returns during the first quarter. Sovereign yields generally moved higher, along with a pick-up in global inflation expectations. Easing political uncertainty in Europe and the anticipated inflationary impact of US trade tariffs contributed to the increase in the bond yields of many government issuers. Credit spreads widened on a pick-up in equity-market volatility, less demand for credit as US firms repatriated overseas funds held in high-quality corporate paper, and higher currency hedging costs. The US dollar came under pressure amid protectionist rhetoric from President Trump.

Global monetary policy continued along a less accommodative path during the period. The Federal Reserve hiked rates in March and projected two additional hikes in 2018. The European Central Bank adjusted its forward guidance to remove its official easing bias and is expected to cease asset purchases by September. Dissenting votes at the Bank of England's March meeting suggested a higher likelihood of a rate hike in May. The Bank of Japan was an outlier, pushing back against speculation it would unwind stimulus by pledging "unlimited" purchases of government bonds to maintain its zero interest rate policy.

Political risks were also apparent in Europe with the Italian election resulting in a hung parliament after no major party was able to win an outright majority. Also in the region, the European Central Bank kept policy unchanged and flagged it would be unlikely to purchase additional bonds.

On the credit front, spreads were broadly wider as geopolitical risk drove investor sentiment. Valuations are more attractive as a result but still remain expensive on longer measures.

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, 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
Date established	October 2012
Distribution frequency	Quarterly
Minimum investment¹	\$5,000 (\$1,500 for Regular Savings Plan)
Minimum withdrawal	\$1,500.00
Withdrawal period	5 business days
Entry fee²	Nil
Management costs^{2,3}	0.59% pa
Exit fee	Nil
Regular Savings Plan¹	Yes
Regular Withdrawal Plan¹	Yes
Distribution reinvestment	Yes
Total assets (AUD millions)	\$1,062.67
Month end redemption unit price	\$1.0196
Buy/sell spread (%)³	0.07/0.07

¹ Refer to the Product Disclosure Statement for further information

² 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%.

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.

~ 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.

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 Fund is issued by Advance Asset Management Limited (Advance) ABN 98 002 538 329 AFSL No. 240902. This fact sheet contains general information only and does not take into account individual financial circumstances. Investors should consider the PDS and whether the Fund is appropriate to their circumstances, and seek professional advice before investing in the Fund. A Product Disclosure Statement (PDS) for the Fund is available at www.advance.com.au or via 1800 819 935 or from your financial adviser. Financial advisers, please call 1300 361 864. Past performance is not a reliable indicator of future performance. Performance figures are calculated using withdrawal values and assume that income is reinvested. Annual management fees and expenses have been taken into account; however, no allowance has been made for entry fees, tax or any rebates that may be given. Advance is a member of the Westpac Group, which includes Westpac Banking Corporation ABN 33 007 457 141 ("Westpac"). An investment in the Fund does not represent an investment in, deposit with or other liability of Westpac or any other member of the Westpac Group. It is subject to investment risk, including possible delays in repayment and loss of income and principal invested. Neither Westpac nor any other member of the Westpac Group stands behind or otherwise guarantees the capital value of an investment in a Fund or the performance of a Fund. AD10038KK-0318sx