

# ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 30 June 2017

## FUND PERFORMANCE\*

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 year (% pa)	Since incept (% pa)
<b>Growth return</b>	(2.10)	(1.23)	(0.60)	(0.08)	(1.26)	0.34
<b>Distribution return</b>	2.16	2.18	2.70	3.52	3.46	2.66
<b>Total return</b>	0.06	0.95	2.10	3.44	2.20	2.99
<b>Benchmark return<sup>1</sup></b>	0.14	0.44	0.89	1.82	2.03	2.46

\* The Fund performance is net of investment fees and relates to wholesale investors only.

Inception date: 5 October 2012. The Fund distributes on a quarterly basis in the months of March, June, September and December.

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

## FUND UPDATE

The Advance Defensive Yield Multi-Blend Fund returned 0.95% over the quarter to June, outperforming the benchmark return of 0.44%. Over the past one year the Fund returned 4.10% gross of fees well exceeding its benchmark return of 1.82%.

All managers outperformed their respective benchmarks for the quarter. As was the case in the March quarter, Standish was the standout contributor to excess returns followed by Kapstream whilst BTIM was marginally ahead of its benchmark. For Standish, outperformance was generated from a diverse source of active strategies including positioning in FX, asset allocation and interest rates. Within interest rates, yield curve positioning added to performance, due to overweight duration positions in the U.S., Mexico, Poland, Australia/New Zealand, and Brazil. Asset allocation also added to performance as credit sectors across both investment grade and high yield continuing to do well. All credit sectors were positive for the quarter, while inflation linked bonds were a modest detractor driven largely by the underperformance of U.S. TIPS and Japanese inflation linked bonds. FX positioning positively contributed to performance, mainly attributed to Emerging Market currencies. For Kapstream, as expected the coupon income from its high quality physical portfolio accounted for a majority of outperformance for the month. BTIM's duration, yield curve and macro strategies were the main contributors to outperformance, while the cross-market and FX strategies detracted.

## ACTUAL ASSET ALLOCATION BY REGION

Region*	Fund (%)
North America	26.77
United Kingdom	(1.00)
Developed Europe ex UK	(3.21)
Developed Asia (ex Aus & Jap)	4.19
Japan	2.74
Australia	41.04
Middle East & Africa	1.73
Emerging Europe	1.23
Latin & South America	2.15
Emerging Asia	3.07
Cash, Currency & Other	21.29
<b>Total</b>	<b>100.00</b>

\* Where a negative number is shown, this may indicate the use of derivatives and physical securities to create short positions in the portfolio.

## ACTUAL ASSET ALLOCATION BY SECTOR

Sector*	Fund (%)
Corporate	60.59
Government Related	10.79
Securitized	14.99
Treasury	(7.69)
Cash & Currency	21.29
Other	0.02
<b>Total</b>	<b>100.00</b>

\* Where a negative number is shown, this may indicate the use of derivatives and physical securities to create short positions in the portfolio.

## CREDIT, DURATION AND MATURITY

Years to Maturity*	Fund (%)	Benchmark (%)
0-1 years	45.71	100.00
1-3 years	1.40	0.00
3-5 years	25.04	0.00
5-7 years	16.74	0.00
7-10yrs	10.75	0.00
10yrs+	0.37	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>
Effective Duration*	Portfolio (Yrs)	Benchmark (Yrs)
<0yrs	(0.21)	0.00
0-1 years	0.17	0.13
1-3 years	(0.02)	0.00
3-5 years	1.11	0.00
5-7 years	0.66	0.00
7-10yrs	(0.09)	0.00
10yrs+	(0.50)	0.00
<b>Total</b>	<b>1.13</b>	<b>0.13</b>

<b>Credit Quality*</b>	<b>Fund (%)</b>
AAA	20.46
AA	8.02
A	18.37
BBB	27.88
BB	5.45
B	2.25
CCC and Lower	1.29
Not Rated / Derivatives	(16.06)
A-1+	7.21
A-1	2.52
A-2	1.30
A-3	0.00
Cash & Currency	21.29
<b>Total</b>	<b>100.00</b>

\* 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.

## MARKET COMMENTARY

Global fixed income markets generated strong gains in the June quarter as bouts of elevated political uncertainty kept a lid on government bond yields. Despite concerns about prospects for retailers, particularly in the US, generally solid corporate earnings and continued demand for yield-producing assets supported credit markets and spreads tightened further. In the US, political controversies, in particular, the ongoing investigation into alleged involvement by Russia in the 2016 presidential election, led to a short-lived dip in risk assets.

Elections in France and the UK presented potential sources of volatility, but proved benign in the aftermath. Most currencies strengthened versus the US dollar as market participants seemed doubtful that the Federal Reserve would deliver on its projected tightening path.

Monetary policy developments among developed markets turned marginally more hawkish during the period. The Fed hiked rates in June, projected an additional hike later in 2017, and laid out a plan for tapering its asset purchases. Comments from Bank of England Governor Carney indicated rate hikes may be looming in the UK. However, even as it noted improved eurozone growth, the European Central Bank lowered its inflation forecasts, triggering speculation that it might postpone the tapering of asset purchases that had been expected later this year.

## 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
Date established	October 12
Distribution frequency	Quarterly
Minimum investment	\$5,000 (\$1,500 for Regular Savings Plan <sup>1</sup> )
Minimum withdrawal	\$1,290.43
Withdrawal period	5 business days
Entry fee	Nil
Ongoing fee	0.55% pa + estimated performance fee of 0.04% of your balance per year <sup>1,2,3</sup>
Exit fee	Nil
Regular Savings Plan <sup>1</sup>	Yes
Regular Withdrawal Plan <sup>1</sup>	Yes
Distribution reinvestment	Yes
Total assets (millions)	\$1,297.93
Month end redemption unit price	\$1.0385
Buy/sell spread (%)	0.07/0.07

<sup>1</sup> Please refer to the Product Disclosure Statement and Application Form.

<sup>2</sup> Includes effect of GST (net of RITC).

<sup>3</sup> This is an estimate only based on the performance paid over the 12 months to 31 March 2017. This performance fee estimate is not a representation of likely future performance.

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**ADVANCE**  
ASSET MANAGEMENT

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