

# ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 December 2018

FUND PERFORMANCE*	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 year (% pa)	Since incept (% pa)
Growth return	0.06	(0.46)	(0.15)	(1.60)	(1.18)	(0.03)
Distribution return	(0.00)	0.00	0.11	1.57	2.78	2.47
Total return	0.06	(0.46)	(0.04)	(0.03)	1.60	2.45
Benchmark return	0.15	0.48	0.99	1.92	1.84	2.31

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

FUND UPDATE	
	<p>The Advance Defensive Yield Multi-Blend Fund underperformed the benchmark during the December quarter, both Pental and Standish also underperformed their respective benchmarks.</p> <p>Standish was the worst performer, with the portfolio being impacted from a number of currency and EM positions. Pental also detracted relative to the benchmark. A number of duration, FX and cross market strategies did not work in the manager's favour. Kapstream outperform the benchmark by a slight margin. However, in the environment where credit spreads were widening, this is a good outcome for the strategy.</p>

ACTUAL ASSET ALLOCATION BY REGION <sup>-</sup>	Region	Fund (%)
	North America	14.25
	United Kingdom	1.99
	Developed Europe ex UK	(7.98)
	Developed Asia (ex Aus & Jap)	3.99
	Japan	2.35
	Australia	43.88
	Middle East & Africa	2.66
	Emerging Europe	0.83
	Latin & South America	2.10
	Emerging Asia	2.39
	Cash, Currency & Other	33.54
	<b>Total</b>	<b>100.00</b>

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

Sector	Fund (%)
Corporate	50.84
Government Related	10.30
Securitized	15.85
Treasury	(10.56)
Cash & Currency	33.54
Other	0.03
<b>Total</b>	<b>100.00</b>

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

Years to Maturity	Fund (%)	Benchmark (%)
0-1 years	37.79	100.00
1-3 years	22.96	0.00
3-5 years	16.45	0.00
5-7 years	9.41	0.00
7-10yrs	7.37	0.00
10yrs+	6.03	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Effective Duration	Portfolio (Yrs)	Benchmark (Yrs)
<0yrs	(0.01)	0.00
0-1 years	0.05	0.12
1-3 years	(0.05)	0.00
3-5 years	0.55	0.00
5-7 years	0.20	0.00
7-10yrs	(0.60)	0.00
10yrs+	(0.00)	0.00
<b>Total</b>	<b>0.14</b>	<b>0.12</b>

Credit Quality	Fund (%)
AAA	4.56
AA	7.31
A	19.23
BBB	32.72
BB	2.00
B	1.93
CCC and Lower	0.04
Not Rated / Derivatives	-12.13
A-1+	7.49
A-1	1.95
A-2	1.37
A-3	0.00
Cash & Currency	33.54
<b>Total</b>	<b>100.00</b>

## MARKET COMMENTARY

Global fixed income sectors generated mixed returns during the fourth quarter. Sovereign yields declined across most markets amid a spike in equity market volatility and increasing concerns about slowing global growth. Geopolitical uncertainty remained elevated despite some seemingly positive developments, including a US and China trade truce, survived confidence vote by UK Prime Minister May, and a compromised budget plan between Italy and the European Union (EU).

Global monetary policies continued along an incrementally hawkish path in aggregate during the period. The US Federal Reserve (Fed) raised its target rate by 25 basis points (bps), but set expectations that the pace of tightening may slow. The Bank of Canada (BOC) and Bank of Korea also each hiked rates by 25 bps. The European Central Bank concluded its asset purchase program but announced it would continue reinvestments for an extended period after the first rate hike, slated for the second half of this year. The Bank of England kept rates on hold as the UK continued to negotiate terms of its exit from the EU.

In credit markets, spreads for major global credit default swaps (CDS) indices widened with the broader sell-off in risk-assets. This was tied to the aforementioned drivers including trade war developments, the rate hike from the Fed, weaker Chinese data as well as another sizeable leg lower for crude oil prices. US corporates also fell out-of-favour as General Electric (GE) revealed a raft of issues, General Motors (GM) announced mass closures and Johnson & Johnson was accused of tainted baby powder. As a result, corporate bonds underperformed by a wide margin.

The Japanese yen (JPY) and the US dollar (USD) gained versus most developed market currencies. Falling oil prices dragged oil-linked currencies (CAD, Norwegian krone) lower. The Mexican peso declined amid growing concerns about new President Andrés Manuel López Obrador's economic policies. The New Zealand dollar rallied, outperforming other commodity-linked currencies, supported by stronger-than-expected labour market data. Emerging market currencies ended mixed, with oil-importing currencies benefiting from crude price declines while commodity-linked currencies generally declined.

## 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>	\$1,021.25
<b>Month end redemption unit price</b>	\$0.9982
<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.

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](http://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-1218sx