

# ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 28 February 2018

FUND PERFORMANCE*	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 year (% pa)	Since incept (% pa)
<b>Growth return</b>	-0.23	-0.61	-0.37	-0.88	-0.82	0.36
<b>Distribution return</b>	0.00	1.18	1.28	4.01	4.05	2.57
<b>Total return</b>	-0.23	0.57	0.91	3.12	3.23	2.93
<b>Benchmark return</b>	0.13	0.43	0.86	1.75	1.87	2.37

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

## FUND UPDATE

The Advance Defensive Yield Multi-Blend Fund delivered negative returns on an absolute basis and also underperformed the benchmark.

Standish was the biggest detractor with the majority of losses attributable to FX positioning, asset allocation and yield curve trades. Short positioning in developed currencies such as the USD and EUR were the main drivers of negative performance. Also hurting currency returns were Standish's short position across a number of Asian currencies

BTIM also underperformed the benchmark as its duration strategy detracted over the month. The majority of losses were from long duration positions opened in the US front-end as BTIM had believed that the front end had become too stretched. Losses also came from short duration positions in JGBs opened early in the month.

Kapstream however did contribute positively with a relative performance of +0.18% vs the benchmark. The Fund continues to generate strong income with an average current running yield of around 2-3%.

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

Region	Fund (%)
North America	7.17
United Kingdom	2.79
Developed Europe ex UK	-0.45
Developed Asia (ex Aus & Jap)	3.16
Japan	2.86
Australia	28.13
Middle East & Africa	2.65
Emerging Europe	3.39
Latin & South America	3.86
Emerging Asia	1.34
Cash, Currency & Other	45.09
<b>Total</b>	<b>100.00</b>

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

Sector	Fund (%)
Corporate	49.19
Government Related	11.03
Securitized	16.65
Treasury	-22.04
Cash & Currency	45.09
Other	0.08
<b>Total</b>	<b>100.00</b>

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

Years to Maturity	Fund (%)	Benchmark (%)
0-1 years	48.53	100.00
1-3 years	7.08	0.00
3-5 years	7.99	0.00
5-7 years	14.10	0.00
7-10yrs	11.97	0.00
10yrs+	10.33	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

  

Effective Duration	Portfolio (Yrs)	Benchmark (Yrs)
<0yrs	-0.13	0.00
0-1 years	0.03	0.13
1-3 years	0.70	0.00
3-5 years	-0.42	0.00
5-7 years	0.35	0.00
7-10yrs	0.04	0.00
10yrs+	0.78	0.00
<b>Total</b>	<b>1.35</b>	<b>0.13</b>

<b>Credit Quality</b>	<b>Fund (%)</b>
AAA	19.47
AA	8.88
A	18.66
BBB	30.78
BB	6.91
B	3.63
CCC and Lower	0.63
Not Rated / Derivatives	-43.62
A-1+	6.36
A-1	1.87
A-2	1.31
A-3	0.00
Cash & Currency	45.09
<b>Total</b>	<b>100.00</b>

## MARKET COMMENTARY

The Australian bond market improved over February on the back of a small decline in government bond yields, despite a rising trend for much of the month. This was led by the US, where the prospect of significant fiscal stimulus to an economy already growing at an above trend pace, raised fears of a cyclical lift in inflation and a more aggressive monetary tightening response by the US Federal Reserve. Over this period the Australian bond market comfortably outperformed, reflecting the differing economic landscape between the two countries.

In contrast, most global sovereign yields fell amid the extended global equity sell-off. The notable exception was the US yield curve, which as noted above, shifted higher on anticipated interest rate hikes. The front-end of the UK yield curve also moved higher following the Bank of England's upbeat growth forecast.

Global corporate credit markets underperformed duration-equivalent government bonds amid market turbulence in the early part of the month, and generated negative total returns as government bond yields rose. At the broad sector level, utilities outperformed financials and industrials. The securitised sectors (agency mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities) also posted negative total returns and lagged duration-equivalent government bonds. Within emerging markets (EM), external debt returned -1.99% as spread widening and higher US Treasury rates weighed on returns.

## 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>	\$1,063.01
<b>Month end redemption unit price</b>	\$1.0281
<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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