

ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 May 2018

FUND PERFORMANCE*

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 year (% pa)	Since incept (% pa)
Growth return	(0.38)	(1.18)	(1.78)	(2.93)	(1.65)	0.13
Distribution return	0.00	0.78	1.96	4.22	4.08	2.59
Total return	(0.38)	(0.40)	0.17	1.29	2.43	2.72
Benchmark return	0.17	0.48	0.91	1.78	1.81	2.35

Benchmark: Bloomberg AusBond Bank Bill IndexSM.

FUND UPDATE

The Advance Defensive Yield Multi-Blend Fund underperformed the benchmark in May.

Standish was the biggest detractor. FX allocation to the Argentinian Peso was the primary detractor, with steep depreciation on the back of a combination of the change in external environment, large external financing needs, and domestic mistakes all of which led to a decision by the authorities to seek help from the IMF which in turn triggered expectations of a large depreciation to generate the necessary fiscal and current account adjustment to reduce the external vulnerabilities enough to make the situation self-sustainable. Selection among Euro denominated sovereigns, particularly Italy, Greece and Spain also detracted from performance due to fears of political and fiscal instability.

Conversely, Pental delivered strong outperformance relative to the Bloomberg Bank Bill index. Over the month, the manager's Duration, Cross Market, FX, Macro and Relative Value strategies added significantly to performance.

Alongside the above two manager, Kapstream once again delivered consistent positive returns. The portfolio's interest income from its corporate bond holdings was the main contributor to Fund returns. The portfolio's 3+ years of credit spread duration exposure detracted from returns as corporate bond spreads moved slightly wider over the month. A small interest-rate duration position of 0.58 years also slightly detracted from returns over the month.

ACTUAL ASSET
ALLOCATION BY
REGION[~]

Region	Fund (%)
North America	11.99
United Kingdom	1.39
Developed Europe ex UK	(6.60)
Developed Asia (ex Aus & Jap)	3.52
Japan	2.93
Australia	33.18
Middle East & Africa	3.52
Emerging Europe	2.98
Latin & South America	3.11
Emerging Asia	1.58
Cash, Currency & Other	42.40
Total	100.00

ACTUAL ASSET
ALLOCATION BY
SECTOR[~]

Sector	Fund (%)
Corporate	43.19
Government Related	12.67
Securitized	15.75
Treasury	(14.06)
Cash & Currency	42.40
Other	0.05
Total	100.00

CREDIT,
DURATION AND
MATURITY^{~£}

Years to Maturity	Fund (%)	Benchmark (%)
0-1 years	38.21	100.00
1-3 years	10.50	0.00
3-5 years	20.61	0.00
5-7 years	16.08	0.00
7-10yrs	6.38	0.00
10yrs+	8.21	0.00
Total	100.00	100.00

Effective Duration	Portfolio (Yrs)	Benchmark (Yrs)
<0yrs	(0.01)	0.00
0-1 years	0.05	0.13
1-3 years	0.20	0.00
3-5 years	0.13	0.00
5-7 years	0.70	0.00
7-10yrs	(0.45)	0.00
10yrs+	0.49	0.00
Total	1.11	0.13

Credit Quality	Fund (%)
AAA	14.88
AA	8.37
A	17.49
BBB	32.98
BB	5.62
B	4.37
CCC and Lower	0.20
Not Rated / Derivatives	(36.84)
A-1+	7.01
A-1	1.94
A-2	1.57
A-3	0.00
Cash & Currency	42.40
Total	100.00

MARKET COMMENTARY

The global economic data showed continued strength amid politically charged events, including intensifying uncertainty in Europe on the future Italian and Spanish governments, and President Trump's announcements to exit the Iran nuclear deal and cancel the US-North Korea summit.

US economic data was largely positive. Headline and core CPI rose just shy of expectations. The Eurozone's flash composite PMI results disappointed, particularly manufacturing, as business activity slowed and cost pressures increased. China's manufacturing and services sectors advanced despite weaker export demand, while retail sales moderated and lower food prices put a lid on the year-over-year inflation. Japan's industrial production waned following a decline in new orders and a drop in the production of electronic components and devices. All the major central banks left their policy rates unchanged, but signalled their forthcoming intentions. The FOMC and the Bank of Canada pointed to future rate hikes, while the Bank of England and the Reserve Bank of New Zealand conveyed dovish expectations.

Most global sovereign yields fell amid heightened volatility in the global financial markets. The political turmoil in Italy triggered a rally in most sovereign yields following safe-haven flows; UK 10-year gilt yields reached the lowest level in nine months and the US 10-year Treasury yield retracted from the seven-year peak it reached intra-month. Peripheral European sovereign spreads widened, led by Italy. Global corporate credit markets underperformed duration-equivalent government bonds as spreads widened, but generated modest positive total returns following a decline in government bond yields. Australian government bond yields moved in sympathy with US yields, which initially rose as markets factored in further US Federal Reserve (Fed) tightening and the inflationary impact of higher oil prices.

Emerging markets declined broadly during the month, pressured by a stronger U.S. dollar. Argentina also indicated it was prepared increase rates to combat a muted appetite for emerging market debt in the wake of the strengthening dollar.

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)	\$1,023.42
Month end redemption unit price	\$1.0074
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.

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ADVANCE
ASSET MANAGEMENT

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