

# ADVANCE DEFENSIVE YIELD MULTI-BLEND FUND

As at 31 August 2018

## FUND PERFORMANCE\*

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 year (% pa)	Since incept (% pa)
Growth return	(0.31)	(0.53)	(1.70)	(2.06)	(1.22)	0.04
Distribution return	0.00	0.69	1.46	2.74	3.12	2.60
Total return	(0.31)	0.16	(0.24)	0.67	1.89	2.63
Benchmark return	0.17	0.51	0.99	1.85	1.81	2.33

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

## FUND UPDATE

The Defensive Yield Multi-Blend Fund underperformed the Bloomberg AusBond Bank Bill Index over the month.

Kapstream and Pental both outperformed the benchmark. This was however offset by weak returns from Standish.

In Standish's case, FX Positioning and local market allocations were the greatest detractors for the month, with long positions in the Argentinian Peso and the Russian Ruble (which both depreciated against the dollar in August) leading to the fund's underperformance. Asset allocation was also a large detractor as selection in the European periphery, particularly Spain and Greece, detracted from performance.

Positively, Kapstream's focus on corporate bonds provided a positive offset as the portfolio's coupon remains a consistent contributor to income. Corporate bonds recovered somewhat over the month, adding also to overall returns.

Pental outperformed the benchmark by 11bps over the month. It's Macro strategy was the largest contributor. The FX, Duration and Yield Curve strategies detracted however while Relative Value and Cross-market strategies were largely flat.

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

Region	Fund (%)
North America	25.47
United Kingdom	1.98
Developed Europe ex UK	(4.85)
Developed Asia (ex Aus & Jap)	3.90
Japan	2.08
Australia	35.38
Middle East & Africa	2.30
Emerging Europe	1.59
Latin & South America	2.03
Emerging Asia	1.88
Cash, Currency & Other	28.23
<b>Total</b>	<b>100.00</b>

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

Sector*	Fund (%)
Corporate	43.72
Government Related	8.43
Securitized	15.32
Treasury	4.58
Cash & Currency	27.90
Other	0.05
<b>Total</b>	<b>100.00</b>

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

Years to Maturity	Fund (%)	Benchmark (%)
0-1 years	27.71	100.00
1-3 years	16.28	0.00
3-5 years	28.10	0.00
5-7 years	13.92	0.00
7-10yrs	7.60	0.00
10yrs+	6.40	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	0.07	0.13
1-3 years	0.18	0.00
3-5 years	0.60	0.00
5-7 years	0.58	0.00
7-10yrs	(0.82)	0.00
10yrs+	0.41	0.00
<b>Total</b>	<b>1.01</b>	<b>0.13</b>

<b>Credit Quality</b>	<b>Fund (%)</b>
AAA	13.70
AA	7.44
A	20.00
BBB	31.23
BB	3.58
B	2.55
CCC and Lower	0.18
Not Rated / Derivatives	(14.53)
A-1+	5.38
A-1	1.50
A-2	1.06
A-3	0.00
Cash & Currency	27.90
<b>Total</b>	<b>100.00</b>

## MARKET COMMENTARY

Mounting trade tensions and emerging markets turmoil dominated headlines in August. Trade disputes between the US and China intensified. The US levied sanctions against Iran and Turkey, while tensions with Mexico eased post the NAFTA deal. Turkey and Argentina were at the centre of the emerging markets currency crisis. In Europe, the markets focused on the Italian government budget concerns and the proposed post-Brexit partnership between the EU and the UK.

US economic data was largely positive. Second quarter GDP was revised higher and the unemployment rate declined further. Growing optimism over the economy, supported by gains in personal income and spending, lifted consumer confidence.

In the eurozone, second quarter GDP grew better than anticipated, and headline inflation eased, settling just above the ECB's target. Germany's economic and business sentiment improved, and second quarter GDP grew 0.5%, helped by robust spending and construction activity.

Fed Chair Powell reaffirmed the Federal Reserve's gradual rate hike trajectory in August and the Bank of England hiked rates by 25 bps to 0.75%. Most global sovereign yields fell as emerging markets contagion fears and trade tensions resulted in a flight to safety. Global corporate credit markets underperformed duration-equivalent government bonds amid emerging market contagion concerns and expectations for increased supply. Among the securitised sectors, excess return performance was mixed, with commercial mortgage-backed securities and asset-backed securities outperforming, and agency mortgage-backed securities underperforming duration-equivalent government bonds. Within emerging markets (EM), local markets debt (-6.09%) underperformed external debt (-1.73%), in USD terms.

## 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>	\$1,022.31
<b>Month end redemption unit price</b>	\$1.0021
<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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