

# ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 30 June 2017

FUND PERFORMANCE*	3 months (%)	1 year (%)	2 years (%)	3 years (%)	5 years (%)
<b>Growth return</b>	(2.48)	(2.66)	(1.76)	(0.01)	0.32
<b>Distribution return</b>	3.73	4.01	5.16	3.81	4.78
<b>Total return</b>	1.25	1.35	3.40	3.81	5.10
<b>Benchmark return<sup>1</sup></b>	1.17	0.47	4.81	5.08	5.51

\* The Fund performance is net of investment fees and relates to wholesale investors only. If you are a retail investor, you can obtain up to date returns at [advance.com.au](http://advance.com.au).  
Inception date: 28 February 2001  
<sup>1</sup> Benchmark: Barclays Global Aggregate Bond Index (Fully Hedged) in Australian dollars.

## FUND UPDATE

The Advance International Fixed Interest Multi-Blend Fund returned 1.25% over the quarter, outperforming its benchmark the Bloomberg Barclays Global Aggregate Index hedged to AUD which returned 1.17%.

Pleasingly both Standish and Wellington outperformed their respective benchmarks for the quarter. The standout performance for the quarter came from Standish with outperformance stemming from a diverse source of active strategies, including FX positioning, country selection, yield curve positioning, and security selection. Key detractor for the quarter came from the portfolio's asset allocation positioning. Specifically, the portfolio's yield curve positioning expressed through an overweight in local bonds in Mexico and Poland as well as a tactical overweight to US bonds added to excess performance. FX positioning was also additive, with overweights to emerging market (EM) currencies particularly in Latin America and Eastern Europe performing well through the quarter. Underweight the USD which weakened throughout the June quarter also contributed to returns. Asset allocation modestly detracted from performance mainly as a result of the portfolio's positioning in inflation linked bonds to Japan and the US. Wellington marginally outperformed its benchmark over the quarter with relative underperformance from its Macro and Quant strategies offset by Credit strategies.

## ACTUAL ASSET ALLOCATION BY REGION

Region	Fund (%)	Benchmark (%)
North America	42.92	42.66
United Kingdom	5.22	5.75
Developed Europe (ex UK)	8.54	26.23
Developed Asia (ex Aus & Jap)	1.34	0.61
Emerging Asia	1.62	2.77
Japan	18.83	17.10
Australia	3.47	1.66
Middle East & Africa	1.59	0.77
Emerging Europe	1.58	1.02
Latin & South America	2.05	1.41
Cash, Currency & Other	12.83	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## SUB SECTOR ALLOCATIONS

Sector	Fund (%)	Benchmark (%)
Corporate	30.52	18.61
Government Related	6.26	12.28
Securitized	12.61	15.29
Treasury	37.76	53.81
Cash & Currency	12.83	0.00
Other	0.01	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## CREDIT AND MATURITY

Credit Quality*	Fund (%)	Benchmark (%)
AAA	21.99	39.01
AA	10.41	15.82
A	27.63	26.54
BBB	26.99	17.72
BB	4.57	0.91
B	1.92	0.00
CCC and Lower	0.36	0.00
Not Rated / Derivatives	(6.70)	0.00
A-1+	0.00	0.00
A-1	0.00	0.00
A-2	0.00	0.00
A-3	0.00	0.00
Cash & Currency	12.83	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

  

Years to Maturity*	Fund (%)	Benchmark (%)
0-1 years	20.66	1.13
1-3 years	6.49	20.92
3-5 years	16.98	18.22
5-7 years	11.40	11.85
7-10yrs	24.40	14.03
10yrs+	20.06	33.86
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

\* Where a negative number is shown, this indicates the underlying investment managers have used derivatives to create the strategy rather than physical bonds.

## 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 a source of income from international fixed interest exposure with a total investment return (before fees and taxes) that outperforms the benchmark over periods of three years or longer.

## BENEFITS OF INVESTING IN THE FUND

The International Fixed Interest Multi-Blend Fund provides a source of income from international fixed interest exposure and enhanced performance through active management. This asset sector is not usually as volatile as sharemarkets, and is generally used by the more conservative investor or those with shorter investment timeframes. Managers are selected for their own investment style and process. The Multi-Blend approach is based on the belief that the different styles of each manager when combined, can produce a more consistent outcome for investors by minimising style and portfolio risk.

## KEY FEATURES

	Wholesale	Retail
Total assets (millions)	\$2,866.22	
Date established	February 2001	July 2009
Distribution frequency	Quarterly	Quarterly
Minimum investment	\$5,000 (\$1,500 for Regular Savings Plan <sup>1</sup> )	\$1,500 (\$1,000 for Regular Savings Plan <sup>1</sup> )
Minimum withdrawal	\$1,500	\$500
Withdrawal period	5 business days	5 business days
Entry fee	Nil	4.10% maximum <sup>2</sup>
Ongoing fee	0.65% pa <sup>2</sup>	1.85% pa <sup>2</sup>
Regular Savings Plan <sup>1</sup>	Yes	Yes
Regular Withdrawal Plan <sup>1</sup>	Yes	Yes
Distribution reinvestment	Yes	Yes
Buy/sell spread (%)	0.10/0.10	0.10/0.10
Exit fee	Nil	Nil

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

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

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**ADVANCE**  
ASSET MANAGEMENT

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