

ADVANCE INTERNATIONAL FIXED INTEREST MULTI-BLEND FUND

As at 30 September 2018

FUND PERFORMANCE*	3 months (%)	1 year (%)	2 years (%)	3 years (%)	5 years (%)
Growth return	(0.05)	(4.62)	(3.50)	(2.52)	(1.44)
Distribution return	(0.00)	5.26	4.57	5.21	5.37
Total return	(0.05)	0.64	1.07	2.70	3.93
Benchmark return	(0.07)	0.89	0.71	3.15	4.64

Inception date: 28 February 2001
Benchmark: Barclays Global Aggregate Bond Index (fully hedged) in Australian dollars

FUND UPDATE	
	The Fund marginally outperformed the benchmark during the September quarter net of fees.
	All the underlying managers in the portfolio outperformed their respective benchmarks for the quarter.
	The performance for the quarter came from a diverse source of active strategies. PIMCO's active duration and spread strategies outperformed strongly. Western Asset Management's (WAM) underweight core European and Japanese duration added value whilst Wellington's macro and credit strategies also contributed positively. Meanwhile, Standish benefited from strong rebounds from the European periphery positions (Greece and Spain) and also a broader recovery from EM currencies.

ACTUAL ASSET ALLOCATION BY REGION [~]	Region	Fund (%)	Benchmark (%)
	North America	55.96	42.91
	United Kingdom	9.22	5.51
	Developed Europe (ex UK)	20.63	26.42
	Developed Asia (ex Aus & Jap)	1.56	0.66
	Emerging Asia	1.76	3.15
	Japan	13.34	16.68
	Australia	4.33	1.62
	Middle East & Africa	2.60	0.61
	Emerging Europe	1.45	1.06
	Latin & South America	3.91	1.37
	Cash, Currency & Other	(14.75)	0.00
	Total	100.00	100.00

SUB SECTOR
ALLOCATIONS~

Sector	Fund (%)	Benchmark (%)
Corporate	29.72	18.96
Government Related	8.72	12.01
Securitized	25.07	15.21
Treasury	51.23	53.83
Cash & Currency	(14.76)	0.00
Other	0.02	0.00
Total	100.00	100.00

CREDIT AND
MATURITY~[†]

Credit Quality	Fund (%)	Benchmark (%)
AAA	36.57	38.89
AA	14.67	15.88
A	22.79	26.04
BBB	28.43	18.21
BB	4.84	0.99
B	1.65	0.00
CCC and Lower	0.05	0.00
Not Rated / Derivatives	5.75	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	(14.76)	0.00
Total	100.00	100.00

Years to Maturity	Fund (%)	Benchmark (%)
0-1 years	22.51	1.22
1-3 years	(10.06)	21.88
3-5 years	27.09	17.32
5-7 years	13.90	11.97
7-10yrs	10.47	13.61
10yrs+	36.08	33.99
Total	100.00	100.00

MARKET COMMENTARY

Global fixed income sectors generated mixed returns during the third quarter. Sovereign yields across most markets moved higher, driven by supportive global growth data and rising inflation expectations, despite lingering trade war concerns. Sharp currency declines in Turkey and Argentina sparked emerging markets (EM) contagion fears before policymakers intervened with various stabilisation measures.

Global monetary policies also turned more hawkish in aggregate during the period. The US Federal Reserve (Fed) raised its target rate by 25 basis points (bps), upgraded its growth projections, and forecasted four additional hikes through the end of next year. The Bank of England and Bank of Canada also each hiked rates by 25 bps. The Bank of Japan amended its yield curve targeting policy to allow longer-term bond yields to fluctuate more freely around its 0% target. The People's Bank of China (PBOC) announced a 20% reserve requirement on banks to help stabilise the yuan. Meanwhile, the European Central Bank (ECB) remained dovish, leaving rates unchanged and reiterating its pledge to keep them low at least through to mid-2019.

Across credit, high-yield corporate bonds and bank loans posted positive returns as demand remained strong and investment-grade corporate bonds outperformed government bonds. Corporate bonds rebounded amid continued favourable earnings trends, positive economic data, and light supply.

Most currencies declined versus the US dollar (USD). EM currencies bore the brunt of the decline, led by the Argentine peso and the Turkish lira as idiosyncratic issues and broader external debt sustainability concerns led to a loss of market confidence. US dollar strength also extended versus perceived safe-haven currencies like the Japanese yen, supported by widening US-Japan yield differentials. However, despite the US imposing additional tariffs on imports from China, emerging market (EM) bonds and currencies stabilized as several EM central banks raised rates, including a surprise 6.25% rate hike in Turkey, and the International Monetary Fund's (IMF) announcement of a new financing program for Argentina.

The global bond market as measured by the Bloomberg Barclays Global Aggregate Bond Index returned -0.07% over the quarter.

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 (AUD millions)	\$1,872.72	
Date established	February 2001	July 2009
Distribution frequency	Quarterly	Quarterly
Minimum investment ¹	\$5,000 (\$1,500 for Regular Savings Plan)	\$1,500 (\$1,000 for Regular Savings Plan)
Minimum withdrawal	\$1,500	\$500
Withdrawal period	5 business days	5 business days
Entry fee ²	Nil	4.10% maximum
Management costs ^{2,3}	0.65% pa	1.85% pa
Regular Savings Plan ¹	Yes	Yes
Regular Withdrawal Plan ¹	Yes	Yes
Distribution reinvestment	Yes	Yes
Buy/sell spread (%) ³	0.10/0.10	Nil
Exit fee	Nil	Nil

¹ Refer to the Product Disclosure Statement for further information.

² Includes the effect of GST (net of RITC).

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 and relates to the wholesale class of investment only. If you are an investor in the retail class of investment, you can obtain up to date returns at advance.com.au

~ 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.

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ADVANCE
ASSET MANAGEMENT

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