Advance Multi-Blend Funds

January 2014

1. Market Update

Australia

Interest rates remained unchanged due to higher than expected inflation, a lower Australian dollar and improvement in non-mining sectors. The economy is expected to continue at its current pace before strengthening later in 2014 aided by the weakening Australian dollar.

Global

United States

The first assessment of US fourth quarter GDP revealed an annualised expansion rate of 3.2% – impressive given October's partial government shutdown and wrangling over the debt limit. Consumer spending continued to grow at its strongest rate in three years accounting for two-thirds of GDP and business investment was boosted with increases in equipment spending.

Japan

Despite an unexpectedly weak third quarter GDP, Japan's recovery looks to be back on track with both business and consumer activity strengthening. Challenges remain as the Government continues to push to 'reflate' the economy with a period of soft activity likely to follow after the consumption tax hike on 1 April takes effect.

Eurozone

Industrial production rose 1.8% in November, which was the highest monthly reading since May 2010, with the annualised increase the highest for more than two years. Retail sales also recorded a 1.4% monthly increase suggesting tentative signs of a Eurozone recovery.

United Kingdom

Evidence continues to support a reasonably solid recovery in the UK. Economic growth surprised on the upside in the final months of 2013 and unemployment looks likely to reach the 7% threshold, which would trigger much earlier discussions about higher interest rates by the Bank of England.

China

Annual consumer inflation slowed considerably more than anticipated, which will be welcome news for China's central bank. However, price pressures will increase this year as Beijing adopts more market-oriented reforms to liberalise energy and utility prices.

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2. Funds Update

Performance to 31/1/14 (after fees)*	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% pa)	5 years (% pa)	Inception (% pa)
Diversified Funds							
Defensive Multi-Blend	0.04	0.65	2.15	4.00	5.74	7.72	6.12
Moderate Multi-Blend	-0.37	0.76	3.10	6.94	6.72	9.25	6.72
Balanced Multi-Blend	-0.87	0.92	3.99	10.40	7.43	10.42	5.97
Growth Multi-Blend	-1.25	0.90	4.47	12.43	7.61	10.98	6.32
High Growth Multi-Blend	-1.65	1.15	5.38	15.74	8.12	11.51	6.46
Sector Funds							
Australian Shares Multi-Blend	-3.51	-3.57	5.62	12.74	7.19	12.25	8.26
Benchmark	-3.00	-3.52	5.01	10.58	7.32	12.71	8.69
Australian Sm Cos Multi-Blend	-3.17	-6.23	6.03	-2.31	-1.08	11.04	4.47
Benchmark	-2.76	-5.49	1.58	-7.39	-6.17	8.57	2.84
Intl Shares Multi-Blend	-1.13	8.24	9.65	36.40	13.49	11.53	1.05
Benchmark	-1.20	9.05	10.09	39.83	14.48	11.54	3.16
Australian Fxd Int Multi-Blend	1.05	1.63	1.95	3.82	6.43	5.97	5.80
Benchmark	1.09	1.52	1.64	3.33	7.01	5.64	6.38
Intl Fxd Int Multi-Blend	1.00	1.45	3.19	2.89	7.90	9.33	8.01
Benchmark	1.67	1.36	3.32	4.30	7.98	8.40	7.82
Property Securities Multi-Blend	-0.09	-1.84	1.56	5.25	11.09	15.85	4.53
Benchmark	0.21	-2.07	1.36	5.38	11.47	16.66	5.20
Alternative Strategies Multi-Blend	0.54	2.02	3.18	5.41			3.33
Benchmark	0.22	0.65	1.32	2.82			3.74
Asian Shares Multi-Blend Fund	-1.63	2.74	5.77	15.48	0.80	4.27	4.53
Benchmark	-2.59	2.15	4.91	15.41	4.56	9.47	8.43
Cash Multi-Blend Fund	0.25	0.74	1.52	3.27	4.18		
Benchmark	0.22	0.65	1.32	2.82	3.87		
Defensive Yield Multi-Blend	0.50	1.42	2.22	3.55			
Benchmark	0.22	0.65	1.32	2.82			

The Fund performance shown above is wholesale performance, calculated using withdrawal values and assumes income is reinvested. Annual management fees and expenses have been taken into account, however, no allowance has been made for entry fees, tax or any rebates that may be given. Past performance is not a reliable indicator of future performance. For retail performance and details of the Funds' benchmarks, please visit advance.com.au.

• All five of the Advance Diversified Multi-Blend Funds performed in line with their respective benchmarks over the month.

• Both manager selection and active asset allocation positively contributed slightly to performance over the month. Active asset allocation was the major contributing factor to performance at the same time that Australian Shares and Commodities outperformed their respective benchmarks.

• The Australian Shares Multi-Blend Fund outperformed its benchmark having returned 5.46% against a 5.29% return for the benchmark. The Fund's exposure to the Advance Australian Smaller Companies Multi-Blend Fund detracted from the overall performance having returned 1.64% although it managed to outperform its benchmark return of 0.87%.

• The International Shares Multi-Blend Fund underperformed its benchmark having returned 1.36% against 1.90% for the benchmark. Managers AQR and MFS outperformed their benchmarks while Tradewinds, Trilogy and Schroders underperformed their respective benchmark.

• The Property Securities Multi-Blend Fund underperformed its benchmark having returned 1.79% against a 2.28% return for the benchmark.

• The Australian Fixed Interest Multi-Blend Fund outperformed, returning 0.64% against 0.59% for the benchmark. Managers Perennial, Aberdeen and AMP all outperformed the benchmark return.

• The International Fixed Interest Multi-Blend Fund slightly underperformed, returning 0.78% against a benchmark return of 0.83%. Managers Wellington and Franklin Templeton Multi-Strategy outperformed their respective benchmarks whereas Standish slightly underperformed.

• The commodities benchmark returned -4.25% in February, with the underlying manager outperforming having returned -4.08%.

• The Alternative Strategies Multi-Blend Fund slightly underperformed its cash benchmark having returned 0.18% against 0.22% for the benchmark.

Money Magazine Best of the Best Award 2013 & 2014 - Best Multi Sector Fund

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