

Multi-Blend Funds

February 2014

1. Market Update

Australia

GDP for the 12-months ended 31 December 2013 increased by 2.8%, slightly higher than anticipated. The result has led to cautious optimism that Australia's economy is finally starting to rebalance away from the mining sector towards non-mining, dominated by household consumption and housing investment. The Reserve Bank of Australia (RBA) kept monetary policy unchanged for the sixth consecutive month and is expected to maintain a hold on interest rates, at least for the short term.

Global

United States

While the impact of severe weather conditions across December and January has generated mixed messages about the underlying activity in the US, the data typically indicates softer activity compared to the end of 2013. February data has been more encouraging and suggests the economy is resuming its growth momentum. As a result, the US Federal Reserve (Fed) is likely to continue the tapering of quantitative easing, subject to ongoing economic performance.

Japan

GDP for the 12-months ended 31 December 2013 declined 0.4%. This result was weaker than expected but initial data for 2014 indicates Japanese activity is gaining momentum ahead of the 1 April sales tax increase. The Bank of Japan (BOJ) expects a surge in activity prior to the tax increase and a decrease following, with growth to resume late in the year. In light of this, the BOJ continues to maintain its approach to quantitative easing, but has extended its special loans programs for banks which was due to expire.

Eurozone

Better than expected activity data and February inflation numbers have relieved pressure on the European Central Bank (ECB) to support recovery through a form of quantitative easing. As such, the ECB recently voted to continue with its existing policy.

United Kingdom

The Bank of England (BOE) provided updated UK growth and inflation forecasts, and further clarity on its policy stance and forward guidance. Although offering a more positive outlook, the BOE still maintains interest rates will remain on hold at least until the middle of 2015. For now, data continues to indicate the recovery is gathering momentum.

China

GDP for the 12-months ended 31 December 2013 increased 7.7%. The annual meeting of the National People's Congress saw China's leadership set the 2014 GDP growth target at 7.5% – unchanged from the 2013 target. The government also reaffirmed its commitment to rebalancing growth away from an over-reliance on investment towards consumption but more recent growth indicators suggest growth in the first quarter may be lower than this estimate.

2. Funds Update

Performance to 28/02/14 (after fees)*	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)	Inception %
Diversified Funds							
Defensive Multi-Blend	0.99	1.64	3.18	4.08	5.69	8.50	6.16
Moderate Multi-Blend	1.59	2.18	4.53	7.10	6.79	10.47	6.83
Balanced Multi-Blend	2.11	2.52	5.90	10.65	7.59	8.43	6.07
Growth Multi-Blend	2.46	2.71	6.64	12.75	7.83	12.95	6.53
High Growth Multi-Blend	2.90	3.02	7.92	16.24	8.44	13.77	6.71
Sector Funds							
Alternative Strategies Multi-Blend	0.74	1.96	3.98	6.00			3.60
Benchmark	0.20	0.64	1.29	2.79			3.70
Asian Shares Multi-Blend	1.08	0.34	7.54	14.22	3.10	5.49	4.60
Benchmark	0.87	-0.73	6.64	14.12	7.01	11.25	8.45
Australian Fixed Interest Multi-Blend	0.38	2.11	2.57	3.54	6.35	6.33	5.79
Benchmark	0.34	1.97	2.32	3.07	6.98	5.97	6.36
Australian Shares Multi-Blend	4.74	2.23	7.54	11.97	8.02	14.56	8.53
Benchmark	4.92	2.61	7.48	10.19	8.22	14.86	8.97
Australian Sm Companies Multi-Blend	4.36	2.08	4.72	0.31	-0.58	13.12	4.91
Benchmark	4.97	4.68	3.64	-3.62	-5.04	11.16	3.35
Cash Multi-Blend	0.23	0.74	1.49	3.21	4.13		
Benchmark	0.20	0.64	1.29	2.79	3.81		
Defensive Yield Multi-Blend	0.30	1.29	2.25	3.53			3.73
Benchmark	0.20	0.64	1.29	2.79			2.91
International Fixed Interest Multi-Blend	0.68	2.14	4.32	2.79	7.84	9.65	8.01
Benchmark	0.67	1.99	4.18	4.14	8.03	8.50	7.82
International Shares Multi-Blend	2.23	5.01	13.12	37.58	13.94	14.13	1.19
Benchmark	2.30	5.56	14.34	40.38	14.86	14.45	3.30
Property Securities Multi-Blend	3.76	4.19	8.68	7.29	11.59	20.15	4.88
Benchmark	3.77	4.25	8.47	6.91	11.82	21.53	5.55

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 marginally underperformed their respective benchmarks over the month as the more defensive positioning through Asset Allocation weighed on returns after the sharp rebound in equity markets mid-month.
- Manager selection positively contributed to performance over the month. Australian equities and International fixed interest were the only portfolios not to achieve above benchmark returns in February, however domestic equities strongly outperformed other sectors with the benchmark up 5.0%.
- The Australian Shares Multi-Blend Fund marginally underperformed its benchmark having returned 4.7% against a 4.9% return for the benchmark. The Fund's exposure to the Advance Australian Smaller Companies Multi-Blend Fund detracted from the overall performance having returned 4.4, underperforming the broader cap index.
- The International Shares Multi-Blend Fund performed relatively in line with its benchmark having returned 2.2% against 2.3% 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 performed in line with its benchmark returning 3.8%.
- The Australian Fixed Interest Multi-Blend Fund performed relatively in line with its benchmark, returning 0.4% against 0.3% for the benchmark. All managers Perennial, Aberdeen and AMP marginally outperformed the benchmark on the month.
- The International Fixed Interest Multi-Blend Fund also performed in line with its benchmark, returning 0.7%. Managers Wellington and Franklin Templeton outperformed their respective benchmarks whereas Standish underperformed.
- The commodities underlying manager performed in line with the benchmark returning 4.6%.
- The Alternative Strategies Multi-Blend Fund outperformed its cash benchmark returning 0.7% against 0.2% for the benchmark.

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



Contact Centre: 1800 819 935

Adviser Services: 1300 361 864

advance.com.au

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