

Multi-Blend Funds

March 2014

1. Market Update

Australia

The Reserve Bank of Australia (RBA) is likely to keep interest rates on hold at 2.5% for the remainder of 2014, unless there are dramatic changes in the economic trajectory. The economy is still vulnerable to negative shocks due to slowing growth trends in China and largely subdued business conditions, although continued solid growth in consumer spending and signs of increased strength in the business sector may buffer the economy.

Global

United States

The outlook for US Federal Reserve (Fed) policy remains unchanged, but will now be based on more qualitative forward guidance. If the US economic recovery continues as expected after weather-induced setbacks in early 2014, the Fed will continue its measured pace of tapering quantitative easing, with a view to ending it around October.

Japan

Activity was robust leading up to the April consumption tax hike from 5% to 8%, but a sharp decline in activity in Q2 is expected. Authorities remain confident this will prove to be a short-term phenomenon, due to the positive offsetting influence of the government's fiscal stimulus plan, a view backed by the Bank of Japan.

Eurozone

Inflation fell to 0.5% (a 4½ year low) but did not spur the European Central Bank (ECB) to inject further stimulus into the Eurozone. Pressure to act to counter the deflationary threat is mounting, with consistent evidence that low inflation is persisting and the nascent economic recovery is faltering.

United Kingdom

The UK continues its solid recovery, although activity has moderated slightly – welcome news for the Bank of England, concerned about the strong momentum in housing. Consumer activity is stable and although business is strengthening, more investment is needed to foster a sustainable recovery.

China

Recent data suggests that China's economic slowdown has deepened since the start of the year; however, this may be overstated due to the Lunar New Year. The government is fast tracking investment and construction to ensure domestic demand expands at a stable pace to support the economy. Additional mini-fiscal stimulus includes spending on railways and tax relief.

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	0.19	1.23	2.67	4.20	5.56	8.23	6.14
Moderate Multi-Blend	-0.06	1.15	3.51	7.09	6.58	9.88	6.76
Balanced Multi-Blend	-0.40	0.81	4.29	10.40	7.33	11.26	6.01
Growth Multi-Blend	-0.55	0.62	4.73	12.42	7.59	11.92	6.42
High Growth Multi-Blend	-0.87	0.32	5.45	15.65	8.16	12.53	6.56
Sector Funds							
Alternative Strategies Multi-Blend	-0.14	1.14	3.33	5.36			3.35
Benchmark	0.22	0.64	1.29	2.77			3.67
Asian Shares Multi-Blend	-2.92	-3.46	4.05	15.04	0.97	4.35	4.25
Benchmark	-2.48	-4.18	3.56	15.62	4.52	9.69	8.09
Australian Fixed Interest Multi-Blend	0.04	1.47	2.03	3.81	6.11	6.58	5.75
Benchmark	0.02	1.45	1.83	3.30	6.74	5.95	6.30
Australian Shares Multi-Blend	0.23	1.30	4.86	14.15	7.78	12.86	8.50
Benchmark	0.21	1.99	5.42	12.97	8.05	13.16	8.94
Australian Sm Companies Multi-Blend	0.13	1.19	0.94	3.52	-0.79	11.82	4.88
Benchmark	-1.16	0.89	0.73	-1.46	-5.33	8.76	3.19
Cash Multi-Blend	0.25	0.75	1.49	3.15	4.08		
Benchmark	0.22	0.64	1.29	2.77	3.74		
Defensive Yield Multi-Blend	0.63	1.43	2.70	3.91			3.95
Benchmark	0.22	0.64	1.29	2.77			2.89
International Fixed Interest Multi-Blend	0.64	2.34	4.19	2.99	7.86	9.53	8.01
Benchmark	0.31	2.67	4.26	3.68	8.02	8.34	7.80
International Shares Multi-Blend	-3.51	-2.46	9.18	32.82	13.29	13.02	0.95
Benchmark	-3.43	-2.40	10.48	34.73	14.54	13.38	3.05
Property Securities Multi-Blend	0.16	3.83	5.03	6.45	12.08	19.95	4.86
Benchmark	-0.28	3.70	4.26	5.25	12.17	20.81	5.47

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 the Advance Diversified Multi-Blend Funds, except the Defensive Multi-Blend Fund, performed marginally below their respective benchmarks (after fees). Manager selection added value, although asset returns remained volatile, with the sharp recovery in the Australian dollar delivering a poor result for unhedged global equity returns.
- Active asset allocation also limited the relative performance of the Diversified Multi-Blend Funds, given the market volatility and a relative underweight position in emerging markets, which outperformed developed market equities.
- The Australian Shares Multi-Blend Fund performed in line with its benchmark, returning 0.23% against the benchmark 0.21%. The Fund's exposure to the Advance Australian Smaller Companies Multi-Blend Fund detracted from overall relative performance due to the general underperformance of Australian Small Caps.
- The International Shares Multi-Blend Fund performed in line with its benchmark, although it was a negative month with the Fund falling -3.51% as unhedged equities significantly underperformed the hedged benchmark. At a manager level, Lansdowne, MFS and Ramius all underperformed, weighing on performance for the month.
- The Property Securities Multi-Blend Fund outperformed its benchmark, returning 0.16% against the benchmark -0.28%. All managers outperformed, although the Fund's allocation to the underperforming Australian REITs sector weighed on overall performance.
- The Australian Fixed Interest Multi-Blend Fund marginally outperformed, returning 0.04% against the flat benchmark return, thanks to outperformance from managers Perennial and Aberdeen.
- The International Fixed Interest Multi-Blend Fund outperformed, returning 0.64% against the benchmark 0.31%. Wellington outperformed its respective benchmark.
- The commodities benchmark returned 0.34% in March, with the underlying manager outperforming at 0.55%.
- The Alternative Strategies Multi-Blend Fund underperformed its cash benchmark, returning -0.14% against 0.22% as momentum and growth strategies struggled against a sharp reversal in technology and healthcare sectors globally.

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



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