

# ADVANCE MULTI-BLEND FUNDS

July 2014

## MARKET UPDATE

### AUSTRALIA

Interest rates are anticipated to remain on hold due to June's underlying inflation lift, soft economic activity and the persistent strength of the Australian dollar. While uncertainty around the transition of economic growth from mining towards non-mining sectors continues, a cut to interest rates is unlikely. However, sharp deterioration in the global environment and/or a further appreciation in the Australian dollar could change this outlook.

### US

We expect the first increase in the Federal funds rate to be around mid-2015. However, the US economy has shown a positive lift from weakness witnessed earlier in the year, with the June employment and GDP data providing policy makers with some level of comfort that they are closer to meeting their dual mandate of optimal labour participation and price stability.

### JAPAN

Disappointing data suggests the Japanese economy is struggling to regain momentum following the slowdown induced by the consumption tax hike. Despite this, the Bank of Japan remains optimistic that it is on track to meet its 2015 and 2016 inflation targets and has not indicated a need for further stimulus.

### EUROZONE

The European Central Bank's decision to lower rates to record low levels was justified and timely given the prospect of deflation in the region. July inflation surprised with year-on-year gain of just 0.4% with even weaker readings expected in August and September before price pressures gradually pick up.

### UK

The UK continued its stellar recovery overtaking its pre-recession peak in June. However, more timely data has shown mixed results, heightening uncertainty for the economic and interest rate outlooks. While the Bank of England kept policy on hold, we expect interest rate rises are unlikely to be moved higher until there is evidence of an absence of economic slack particularly in the form of stronger wages growth.

### CHINA

Stimulus measures introduced to address weak GDP growth appear to be starting to work. July's official Purchasing Managers' Index recorded its most robust monthly performance since April 2012, and the Q2 year-on-year GDP increased to 7.5% (coincidentally this is the nation's annual growth target).

## FUND UPDATE

- > All five of the Advance Diversified Multi-Blend Funds achieved positive returns for July aided by strong gains in domestic equities yet were marginally weaker than their respective benchmarks. Global equities and commodities markets declined on the month falling -0.72% and -5.10% respectively. These declines were offset by Asian equities and domestic REITs which were supported by stronger sentiment towards the region and relatively attractive valuations.
- > The Australian Shares Multi-Blend Fund performed marginally under its benchmark for the month. Resources and smaller companies outperformed while defensive based strategies underperformed. The Fund's allocation to small caps added value over the month.
- > The Advance International Shares Multi-Blend Fund returned +0.19% in a declining market. Weak developed market equity strategies were offset by allocations to higher beta markets across Asia and select allocations to the US.
- > The Advance Property Securities Multi-Blend Fund continued to perform strongly (+1.97%) and only marginally underperformed the benchmark by -0.18% in July. The Fund's domestic allocation drove absolute returns (+4.96%) and outperformed global REITs (+1.26%).
- > The Australian Fixed Interest Multi-Blend Fund performed in line with the market of 0.29%. Weakness from duration strategies was offset by credit investments with little overall direction witnessed in the market for the month.
- > The International Fixed Interest Multi-Blend Fund's performance was also in line with the market for July (+0.46%). Foreign exchange positioning weighed on overall performance as emerging market currencies across Asia and Europe remained volatile. Duration and credit strategies added to performance.
- > The commodities allocation underperformed other markets in July (-5.13% in absolute terms) as sharp reversals in Oil amidst the ongoing gyrations of geopolitics led commodity markets lower.
- > The Alternative Strategies Multi-Blend Fund returned -0.37% for the month.
- > The Defensive Yield Multi-Blend Fund returned +0.33%, partly helped by credit strategies.

PERFORMANCE TO 31/07/14 (AFTER FEES)	1 MONTH (%)	3 MONTH (%)	6 MONTH (%)	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	INCEPTION (%)
<b>DIVERSIFIED FUNDS</b>							
Defensive Multi-Blend	0.53	1.64	3.49	5.72	6.19	7.00	6.15
Moderate Multi-Blend	0.90	1.90	4.12	7.35	7.88	8.16	6.80
Balanced Multi-Blend	1.18	2.06	4.43	8.60	9.35	8.97	6.06
Growth Multi-Blend	1.32	2.11	4.66	9.34	10.13	9.30	6.48
High Growth Multi-Blend	1.56	2.29	4.88	10.52	11.34	9.64	6.63
<b>SECTOR FUNDS</b>							
Australian Shares Multi-Blend	4.09	2.47	8.62	14.72	12.21	9.69	8.55
Benchmark	4.41	3.57	10.72	16.27	13.00	10.35	9.09
Australian Smaller Companies Multi-Blend	4.22	1.87	4.77	11.09	1.55	7.51	4.74
Benchmark	4.91	3.83	6.39	8.07	-1.83	2.64	3.35
International Shares Multi-Blend	0.19	1.96	0.76	10.49	16.36	10.68	1.07
Benchmark	-0.25	1.73	1.54	11.78	18.45	10.93	3.16
Australian Fixed Interest Multi-Blend	0.29	2.32	3.68	5.70	6.11	6.81	5.89
Benchmark	0.29	2.49	3.79	5.49	6.53	6.88	6.44
Intl Fixed Interest Multi-Blend	0.44	2.18	4.39	7.72	7.52	8.61	8.04
Benchmark	0.46	2.19	4.13	7.58	7.57	8.21	7.84
Property Securities Multi-Blend	1.97	6.33	13.56	15.33	15.31	16.18	5.61
Benchmark	2.15	6.48	14.17	15.72	15.70	16.95	6.31
Alternative Strategies Multi-Blend	-0.37	1.11	1.29	4.52	3.55	-	3.22
Benchmark	0.23	0.68	1.32	2.66	3.49		3.57
Asian Shares Multi-Blend Fund	4.43	7.40	5.58	11.67	5.93	1.88	4.86
Benchmark	5.34	10.09	9.11	14.47	9.97	6.69	8.93
Defensive Yield Multi-Blend Fund	0.33	1.07	2.53	4.81	-	-	4.12
Benchmark	0.23	0.68	1.32	2.66			2.86
Cash Multi-Blend Fund	0.26	0.78	1.53	3.07	3.92	-	N/A
Benchmark	0.23	0.68	1.32	2.66	3.49		N/A

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](http://advance.com.au).

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**ADVANCE**  
ASSET MANAGEMENT

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