

# ADVANCE MULTI-BLEND FUNDS

September 2014

## MARKET UPDATE

### AUSTRALIA

The Reserve Bank of Australia (RBA) continues to maintain interest rates at their current low levels. It has taken comfort from the sharp depreciation of the Australian dollar while also being acutely conscious of risks to the Australian residential property sector that could pose a serious threat to future domestic economic prosperity.

### US

The US Federal Reserve (Fed) renewed its pledge to keep interest rates near zero for a “considerable time” following the end of quantitative easing (QE).

However, projections suggest a slightly faster pace of rate normalisation than previously thought on the back of better economic data releases.

### Japan

There is heightened uncertainty over the strength of any economic rebound in Japanese economic activity since the initial decline following the 1 April consumption tax hike. The Japanese government continues to monitor activity and will soon have to determine whether to inject further stimulus as well as whether to continue with the planned second consumption tax hike due to take effect in October 2015.

### Eurozone

There has been cautious optimism for improving financial conditions as a result of currency depreciation, falling bond yields and recent stimulus measures though overall data releases point to a weak economic outlook and a serious threat of deflation. There is a consensus that the European Central Bank (ECB) must undertake a full-scale QE program but there is growing opposition within the ECB for such measures from Germany, the Netherlands and Finland.

### UK

The Bank of England (BOE) left policy unchanged at its September meeting after evidence suggesting that growth has slowed from the more robust pace in

Q2. At this stage, the first hike in official interest rates remains slated for the first quarter of next year.

### China

Weakness in industrial output, falling housing prices/sales and the anti-corruption drive are behind the accelerated pace in the Chinese economic slowdown. This prompted the authorities to implement further stimulus measures to limit the downturn with the risk that the economy will be unable to grow at the 7.5% pace targeted by the government.

## FUND UPDATE

- > All five of the Advance Diversified Multi-Blend Funds outperformed their respective benchmarks in September. The defensive positioning in the Funds added value as a result of an underweight in Australian equities and emerging market equities. An increase in foreign currency exposure also added value given the sharp declines in the Australian dollar.
- > The Australian Shares Multi-Blend Fund outperformed by 0.29% with the broader market benchmark declining 5.37% for the month. The Fund's allocation to smaller companies also added value and outperformed the broader market portfolio exposures. There was broad based weakness across asset classes although the market ex resources (-5.1%) fared better than resources (-6.6%). Banks underperformed for the third consecutive month and both resources and banks lagged the market for the second consecutive month.
- > The Advance International Shares Multi-Blend Fund returned 3.87% following strong gains in local currencies versus the Australian dollar, which offset softer global equity markets for the month. Currency was the key focus for equity market investors this month with the Australian dollar / US dollar seeing its sharpest one month fall in almost 2 ½ years. All active strategies had positive returns over the month, although managers with a greater focus on emerging markets lagged the benchmark.

- > The Advance Property Securities Multi-Blend Fund continued to outperform relative to a declining market. The Fund returned -3.90% versus the benchmark of -4.68%. Both global and domestic REITs declined in September with domestic underperforming against global.
- > The Australian Fixed Interest Multi-Blend Fund performed slightly ahead of the market with a return of -0.25% versus the benchmark return of -0.33%. The sharp sell-off witnessed in Commonwealth Government Bonds was partly retraced into the month's end. The sell-off in yields remained broad-based despite manager duration positioning being a positive.
- > The International Fixed Interest Multi-Blend Fund outperformed the global benchmark and managed a flat return in a month where asset prices generally declined. The benchmark US 10yr Treasury yield finished the month slightly higher at 2.49%, seeing yields now flat over the last quarter. High yield credit in the US underperformed, falling -2.2%, while European non-investment grade (CCC) declined -8.1%. As a result, CDS markets widened in spread terms as outflows from credit and an increase in issuance over the month continued to pressure yields higher.
- > The commodities allocation underperformed all other asset markets resulting from sharp declines in energy, metals and soft commodities. Global commodity markets were also pressured by a sharp rise in the US dollar. The portfolio allocation declined 7.10%.
- > The Alternative Strategies Multi-Blend Fund returned +0.22% for the month and importantly, given its low correlation to equity markets, outperformed global and domestic equities.
- > The Defensive Yield Multi-Blend Fund returned +0.20%, partly helped by credit strategies.

PERFORMANCE TO 31/09/14 (AFTER FEES)	1 MONTH (%)	3 MONTH (%)	6 MONTH (%)	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	INCEPTION (%)
<b>DIVERSIFIED FUNDS</b>							
Defensive Multi-Blend	-0.62%	0.31%	2.05%	4.77%	6.98%	6.07%	6.07%
Moderate Multi-Blend	-0.81%	0.52%	2.16%	5.75%	9.25%	6.83%	6.65%
Balanced Multi-Blend	-1.01%	0.65%	2.15%	6.53%	11.33%	7.31%	5.96%
Growth Multi-Blend	-1.16%	0.64%	2.03%	6.85%	12.63%	7.39%	6.30%
High Growth Multi-Blend	-1.07%	1.03%	2.28%	7.86%	14.17%	7.68%	6.47%
<b>SECTOR FUNDS</b>							
Australian Shares Multi-Blend	-5.08%	-0.74%	-1.33%	3.46%	13.80%	5.93%	8.14%
Benchmark	-5.37%	-0.56%	0.30%	5.73%	14.37%	6.60%	8.67%
Australian Smaller Companies Multi-Blend	-4.43%	1.38%	-2.48%	-1.56%	5.64%	3.91%	4.36%
Benchmark	-5.47%	1.49%	-0.80%	-0.07%	1.71%	-0.28%	2.94%
International Shares Multi-Blend	3.87%	5.48%	7.53%	17.40%	20.08%	10.91%	1.38%
Benchmark	4.30%	5.74%	8.95%	20.37%	22.37%	11.47%	3.50%
Australian Fixed Interest Multi-Blend	-0.25%	0.88%	3.85%	5.96%	5.70%	6.52%	5.85%
Benchmark	-0.33%	0.97%	4.12%	6.02%	5.75%	6.72%	6.41%
Intl Fixed Interest Multi-Blend	0.00%	1.47%	4.08%	8.43%	7.87%	8.28%	8.02%
Benchmark	-0.11%	1.78%	4.46%	8.11%	7.07%	7.99%	7.85%
Property Securities Multi-Blend	-3.90%	-0.56%	6.55%	11.91%	19.64%	11.58%	5.26%
Benchmark	-4.68%	-0.77%	7.18%	11.74%	19.67%	12.17%	5.91%
Alternative Strategies Multi-Blend	0.22%	0.29%	1.36%	4.74%	4.79%		3.26%
Benchmark	0.21%	0.67%	1.34%	2.65%	3.36%		3.52%
Asian Shares Multi-Blend Fund	1.69%	5.70%	8.90%	13.31%	11.75%	2.50%	4.90%
Benchmark	0.62%	6.07%	11.69%	15.67%	14.84%	7.02%	8.85%
Defensive Yield Multi-Blend Fund	0.20%	0.69%	1.96%	4.71%			3.95%
Benchmark	0.21%	0.67%	1.34%	2.65%			2.84%
Cash Multi-Blend Fund	0.24%	0.75%	1.53%	3.04%	3.80%		
Benchmark	0.21%	0.67%	1.34%	2.65%	3.36%		

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).

Advance Asset Management, GPO Box B87, Perth WA 6838

Customer Relations 1800 819 935 Adviser Services 1300 361 864 Fax (02) 9274 5211

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

**ADVANCE**  
ASSET MANAGEMENT

This information is of a general nature only and has been prepared without taking into account the objectives, financial situation, tax position or needs of any particular person. It is not intended to constitute investment, legal or taxation advice and should not be considered or relied upon as a comprehensive statement on any such matter. You should consider whether the information should be discussed with your accountant or tax adviser and consult with your financial adviser before making an investment decision. The Advance managed funds (Funds) are issued by Advance Asset Management Limited ABN 98 002 538 329 AFSL No. 240902. Before deciding whether to acquire or to continue to hold an investment in a Fund, investors should obtain and consider the Product Disclosure Statement for the Fund, available from Advance at [advance.com.au](http://advance.com.au) or by calling 1800 819 935. Awards are opinions only and not a recommendation to invest in the Funds.