

ADVANCE MULTI-BLEND FUNDS

August 2014

MARKET UPDATE

AUSTRALIA

The Reserve Bank of Australia (RBA) indicated that official interest rates would remain on hold for the foreseeable future with the high Australian dollar, rising unemployment and/or a sharp deterioration in global tensions unlikely to prompt a cut. The focus has shifted to the potential negative consequences of extremely low interest rates.

US

The US Federal Reserve (Fed) has still not provided clarity on the timing of the first funds rate hike since 2006. It has highlighted continued uncertainty surrounding the degree of slack in the economy with August labour market indicators softer than expected but heading in the right direction.

JAPAN

Japan's economy contracted sharply in Q2 with latest data suggesting that an expected Q3 rebound will not be strong enough to support the Bank of Japan's (BOJ) goal for 2% inflation by FY2016. Both the government and BOJ officials reiterated their commitment to continue with highly accommodative monetary policy.

EUROZONE

The European Central Bank (ECB) surprised markets by announcing a further cut in interest rates and plans to start buying asset-backed securities and covered bonds from Eurozone banks. This move was prompted by signs that the region's economic momentum has weakened and mounting disinflationary pressures.

UK

The release of the Bank of England's (BOE) Quarterly Inflation Report did not provide insight into when the first official interest rates hike will be implemented but implied that it would be "gradual and limited". Conflicting signals mean the BOE is content to leave policy unchanged with market expectations of a hike most likely in Q1 2015.

CHINA

China announced new measures to support the economy on the back of April's fiscal and monetary stimulus plans. These measures may help to stabilise short-term growth but over the longer term, structural reform remains crucial to sustainable growth. Declining property market prices and stresses in the shadow banking sector are headwinds faced by the Chinese economy.

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 31/08/14 (AFTER FEES) | 1 MONTH (%) | 3 MONTH (%) | 6 MONTH (%) | 1 YEAR (%) | 3 YEARS (%) | 5 YEARS (%) | INCEPTION (%) |
|--|----------------|----------------|----------------|---------------|----------------|----------------|------------------|
| DIVERSIFIED FUNDS | | | | | | | |
| Defensive Multi-Blend | 0.40 | 1.22 | 2.88 | 6.16 | 6.56 | 6.61 | 6.15 |
| Moderate Multi-Blend | 0.44 | 1.38 | 2.94 | 7.60 | 8.56 | 7.57 | 6.79 |
| Balanced Multi-Blend | 0.49 | 1.50 | 2.78 | 8.85 | 10.41 | 8.21 | 6.06 |
| Growth Multi-Blend | 0.49 | 1.53 | 2.66 | 9.47 | 11.48 | 8.41 | 6.48 |
| High Growth Multi-Blend | 0.55 | 1.66 | 2.48 | 10.60 | 12.90 | 8.73 | 6.63 |
| SECTOR FUNDS | | | | | | | |
| Australian Shares Multi-Blend | 0.47 | 2.40 | 4.19 | 12.04 | 13.37 | 8.33 | 8.53 |
| Benchmark | 0.64 | 3.56 | 6.21 | 14.15 | 14.00 | 9.09 | 9.09 |
| Australian Smaller Companies Multi-Blend | 1.78 | 4.53 | 2.19 | 7.01 | 3.50 | 6.45 | 4.89 |
| Benchmark | 2.34 | 6.17 | 3.72 | 7.49 | -0.17 | 1.85 | 3.56 |
| International Shares Multi-Blend | 1.35 | 1.59 | -0.10 | 13.01 | 18.80 | 10.38 | 1.15 |
| Benchmark | 1.63 | 1.82 | 0.87 | 15.34 | 21.05 | 10.63 | 3.25 |
| Australian Fixed Interest Multi-Blend | 0.83 | 1.89 | 4.15 | 6.82 | 6.02 | 6.76 | 5.92 |
| Benchmark | 1.01 | 2.12 | 4.48 | 6.90 | 6.19 | 6.95 | 6.49 |
| Intl Fixed Interest Multi-Blend | 1.03 | 1.99 | 4.75 | 9.27 | 7.59 | 8.60 | 8.07 |
| Benchmark | 1.43 | 2.45 | 4.91 | 9.29 | 7.48 | 8.24 | 7.91 |
| Property Securities Multi-Blend | 1.47 | 5.06 | 11.06 | 20.70 | 17.55 | 13.97 | 5.71 |
| Benchmark | 1.91 | 5.79 | 12.13 | 21.63 | 17.84 | 14.83 | 6.45 |
| Alternative Strategies Multi-Blend | 0.44 | 0.66 | 0.99 | 5.02 | 4.34 | - | 3.27 |
| Benchmark | 0.23 | 0.68 | 1.35 | 2.65 | 3.42 | - | 3.55 |
| Asian Shares Multi-Blend Fund | -0.46 | 4.11 | 3.97 | 11.81 | 9.63 | 2.76 | 4.77 |
| Benchmark | 0.08 | 6.37 | 8.25 | 15.43 | 12.92 | 7.72 | 8.86 |
| Defensive Yield Multi-Blend Fund | 0.16 | 0.70 | 2.39 | 4.69 | - | - | 4.02 |
| Benchmark | 0.23 | 0.68 | 1.35 | 2.65 | - | - | 2.86 |
| Cash Multi-Blend Fund | 0.26 | 0.77 | 1.55 | 3.06 | 3.87 | - | N/A |
| Benchmark | 0.23 | 0.68 | 1.35 | 2.65 | 3.42 | - | 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.

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ADVANCE
ASSET MANAGEMENT

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