

ADVANCE MULTI-BLEND FUNDS

December 2014

MARKET UPDATE

AUSTRALIA

Economic momentum has eased, falling business and consumer confidence are weighing on spending and investment, housing has cooled off and will likely soften further, while the Government unsurprisingly revealed a budget deficit blowout. Against all this, the Reserve Bank of Australia (RBA) continues to weigh all the information when looking at potential rate cuts; preferring to talk down the Australian dollar to boost the economy and soften increasing headwinds.

US

The US ended 2014 on a reasonably solid footing with both household and business sectors remaining relatively robust despite a slight easing. Solid job gains offset by subdued wages imply the US Federal Reserve (Fed) can continue to push out potential rate hikes until it becomes clearer that its twin goals of employment and inflation are moving toward target levels.

JAPAN

Following his sweeping victory in the snap elections in December, Japanese Prime Minister Shinzo Abe has not wasted any time in attempting to prop up his recession-hit economy, approving an emergency stimulus package and vowing to push ahead with structural reform, the 'third arrow' of his 'Abenomics' program, to reflate the economy.

EUROZONE

Inflation fell in the Eurozone for the first time in five years adding pressure on the European Central Bank (ECB) to up the ante in its fight against deflation. Recent comments indicate policymakers are ready to undertake a more substantive quantitative easing program in an effort to break the deflationary spiral and spur economic activity.

UK

As we move into 2015, expectations that the Bank of England (BOE) is close to raising interest rates for the first time since July 2007 have been pared right back. This is largely due to growth in the UK being softer than originally thought, inflation being quite weak, and the uncertainty created by the upcoming general elections.

CHINA

Weakening growth in China will continue to pressure prices and add to the disinflation environment. There are widespread opinions about whether or not the authorities will step up stimulus measures to offset this risk but it is anticipated the People's Bank of China (PBOC) will be inclined to cut interest rates again, especially if 2014's final quarter GDP is weaker than target.

FUND UPDATE

- > All five of the Advance Diversified Multi-Blend Funds returned positive absolute returns in December. The Funds benefited from allocations to international equities (particularly in light of the ongoing strength in US markets), global REITs and from underweight positions to energy and resources, along with Australian equities.
- > The Australian Shares Multi-Blend Fund returned 2.02% for the month slightly underperforming the benchmark at 2.04%. A weaker growth outlook and falling commodity prices weighed on investor sentiment and put pressure on the resource heavy domestic market for the month. Most managers outperformed their benchmarks with Alleron, BTIM and OC offering the strongest performance for the month.
- > The Advance International Shares Multi-Blend Fund outperformed the broader market benchmark by 0.52% for December. US-focused strategies tended to offer the strongest positive contribution towards the performance of the Fund, particularly Lansdowne. The Fund also benefited from its unhedged allocations, which were aided by further softening of the Australian dollar.
- > The Advance Property Securities Multi-Blend Fund performed slightly ahead of its benchmark. The Fund returned +2.26% versus the benchmark of +2.21%. Domestic REITs offered stronger returns over the month; however, the Fund benefited strongly from its allocation to global REITs via Heitman.
- > The Australian Fixed Interest Multi-Blend Fund performed slightly behind the market with a return of +1.59% versus the benchmark return of +1.69%. Australian 10yr bonds finished the month lower off the back of a rally in the long end of sovereign yield curves.
- > The International Fixed Interest Multi-Blend Fund returned 0.38% against the benchmark return of 0.75%. Global fixed interest markets performed marginally ahead of domestic markets. US high yield sector names experienced weakness over the month, while sterling and euro high yield indices posted solid gains.
- > The Alternative Strategies Multi-Blend Fund returned 0.10%, with positive contribution from rules based alternative beta strategies and structural beta hedging in futures offsetting weaker performance from other strategies.
- > The Defensive Yield Multi-Blend Fund returned 0.35% outperforming the market, with BTIM the strongest contributor to performance over the month.
- > The commodities allocation detracted slightly from total performance over the month due to continuing falls in prices with oil, gas and iron ore prices at multi-year lows.

PERFORMANCE TO 31/12/14 (AFTER FEES)	1 MONTH (%)	3 MONTH (%)	6 MONTH (%)	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	INCEPTION (%)
DIVERSIFIED FUNDS							
Defensive Multi-Blend	0.68%	2.11%	2.43%	5.49%	7.03%	6.09%	6.11%
Moderate Multi-Blend	1.07%	2.94%	3.48%	6.38%	9.49%	6.93%	6.78%
Balanced Multi-Blend	1.40%	3.63%	4.31%	6.72%	11.74%	7.47%	6.10%
Growth Multi-Blend	1.55%	3.94%	4.60%	6.70%	13.04%	7.59%	6.54%
High Growth Multi-Blend	1.84%	4.63%	5.70%	7.36%	14.86%	7.95%	6.76%
SECTOR FUNDS							
Australian Shares Multi-Blend	1.94%	2.65%	1.89%	2.60%	14.12%	5.69%	8.19%
Benchmark	2.04%	2.94%	2.37%	5.30%	14.70%	6.50%	8.72%
Australian Smaller Companies Multi-Blend	-0.96%	-5.72%	-4.43%	-6.97%	3.06%	1.64%	3.65%
Benchmark	0.47%	-3.89%	-2.45%	-3.81%	0.58%	-2.01%	2.47%
International Shares Multi-Blend	3.06%	8.58%	14.53%	13.88%	22.86%	11.88%	1.87%
Benchmark	2.63%	8.16%	14.36%	15.01%	24.79%	12.50%	3.95%
Australian Fixed Interest Multi-Blend	1.54%	3.41%	4.32%	8.97%	6.66%	6.91%	6.04%
Benchmark	1.69%	3.96%	4.97%	9.81%	6.45%	7.33%	6.64%
Intl Fixed Interest Multi-Blend	0.32%	2.19%	3.69%	8.84%	7.97%	8.27%	8.04%
Benchmark	0.75%	2.90%	4.73%	10.37%	7.37%	8.37%	7.92%
Property Securities Multi-Blend	2.19%	11.43%	10.80%	23.28%	21.71%	13.96%	6.21%
Benchmark	2.21%	11.29%	10.43%	23.69%	21.46%	14.54%	6.84%
Alternative Strategies Multi-Blend	0.01%	-0.22%	0.07%	2.29%	4.26%		2.96%
Benchmark	0.23%	0.69%	1.36%	2.69%	3.17%		3.47%
Asian Shares Multi-Blend Fund	2.32%	8.25%	14.42%	13.80%	16.46%	4.10%	5.58%
Benchmark	2.11%	7.06%	13.56%	14.58%	18.31%	7.52%	9.34%
Defensive Yield Multi-Blend Fund	0.26%	0.76%	1.45%	4.20%			3.85%
Benchmark	0.23%	0.69%	1.36%	2.69%			2.83%
Cash Multi-Blend Fund	0.25%	0.74%	1.49%	3.04%	3.63%		
Benchmark	0.23%	0.69%	1.36%	2.69%	3.17%		

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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