

# ADVANCE MULTI-BLEND FUNDS

April 2015

## MARKET UPDATE

### AUSTRALIA

In what is likely the last such move for some time, the Reserve Bank of Australia cut official interest rates by a further 25 basis points in May. The cash rate is again at a new historical low of 2% with the RBA saying it will "...continue to assess the outlook and adjust policy as needed to foster sustainable growth in demand..."

### US

We saw official confirmation that the US economy barely grew in the first quarter of 2015, influenced by bad weather, the ports strike and the lack of strength in the US dollar. That stagnant growth, coupled with a stalling labour market, increased the expectation that the US Federal Reserve will delay any rate hike until Q3, however these factors are described as "transitory".

### JAPAN

Amid growing signs of recovery in Japan and despite the likelihood of further delays in achieving its 2% inflation target, the Bank of Japan voted to maintain its massive quantitative easing (QE) program, cut forecasts for growth and inflation and subsequently dampened expectations of further stimulus.

### EUROZONE

Continued signs of improvement in the Eurozone were driven by the European Central Bank's extraordinary QE program, low oil prices and the declining exchange rate. Whilst there are suggestions they may taper or exit asset purchasing earlier than planned in September 2016, it seems unlikely given the program only began in March. The economy did receive a boost from QE, but the Greek debt situation keeps it vulnerable to potential negative shocks.

### UK

Activity in the UK appears to have regained some positive momentum following slower first quarter growth, with the potential to strengthen now the general election is over. The Conservative Party's return to power should boost business confidence with the Bank of England continuing to provide positive support with unchanged policy for the near term.

### CHINA

Economic growth slowed further in the first quarter with GDP growth easing to 7%, and its weakest pace since 2009. There is now increased pressure on the authorities to deploy further stimulus with mounting speculation that the People's Bank of China may be considering implementing its own QE program.

## Advance Diversified Multi-Blend Funds

The Funds underperformed for the month of April with global market sentiment whipsawing (*a condition where a security's price heads in one direction, but then is followed quickly by a movement in the opposite direction*) from complacency to a sharp sell-off in global bonds that drove much of the month's return. The Funds' hedging detracted from performance as the Australian dollar rallied sharply 3.66% into month end on little change in outlook and was likely driven by more technical positioning by investors resulting from a weak US dollar. Tactical positions declined on the month as a result of sharp moves in oil and emerging markets, where the Funds were tactically short.

## Australian Shares Multi-Blend Fund

The Fund returned 1.83% for the month, behind the benchmark at -1.65%. Domestic equities were generally out of favour driven by declines in the major banks. Schroders and Alleron outperformed on a relative basis, but were unable to offset declines from Bennelong and Alphinity. The allocation to small caps was marginal, with the small cap market falling -1.66% for the month.

## Advance International Shares Multi-Blend Fund

The Fund performed behind the broader market benchmark by 0.4% for April (absolute return was -1.24% versus benchmark of -0.84%). Overweights in emerging markets by Schroders and Tradewinds aided strong outperformance, but other managers detracted from the overall Fund value.

## Advance Property Securities Multi-Blend Fund

The Fund performed in line with its benchmark falling -1.95%. A-REITs performed ahead of global REITs (hedged) by 1.4%, although both allocations were negative for the month. Domestic manager Phoenix again performed strongly in a negative market.

## Australian Fixed Interest Multi-Blend Fund

The Fund performed marginally ahead of the market with a return of -1.06% versus the benchmark return of -1.11%. With the Australian 10 year bonds finishing the month 34 basis points higher to 2.64%, Perennial outperformed despite its shorter duration position.

## International Fixed Interest Multi-Blend Fund

The Fund returned -0.5% against the benchmark return of -0.35%. Despite some defensive positioning, the sharp market retracement to higher sovereign bond yields led by Europe saw most managers perform in line or slightly behind for the month. The rally in emerging markets and commodity currencies drove strong outperformance by the Fund's allocation to Franklin Templeton 1.6% relative.

## Commodities

The commodities allocation added value for the Fund as oil and the broader commodities complex gained 5.35%. Oil was up in excess of 25% for the month.

## Alternative Strategies

The Fund delivered a negative return -0.88% as global macro strategies significantly underperformed on the sell-off in bonds and weak US dollar.

## Defensive Yield

Also a negative return -0.26%, the Fund suffered from underperforming cash, with BTIM a significant detractor for the month falling by -1.19%.

PERFORMANCE TO 30/04/15 (AFTER FEES)	1 MONTH (%)	3 MONTH (%)	6 MONTH (%)	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	INCEPTION (%)
<b>DIVERSIFIED FUNDS</b>							
Defensive Multi-Blend	-0.98%	0.56%	3.25%	5.67%	6.08%	5.99%	6.12%
Moderate Multi-Blend	-1.27%	1.22%	4.80%	7.67%	8.33%	7.09%	6.85%
Balanced Multi-Blend	-1.48%	1.94%	6.45%	9.56%	10.49%	7.95%	6.23%
Growth Multi-Blend	-1.61%	2.44%	7.28%	10.44%	11.69%	8.25%	6.78%
High Growth Multi-Blend	-1.67%	3.29%	9.04%	12.78%	13.64%	9.00%	7.11%
<b>SECTOR FUNDS</b>							
Australian Shares Multi-Blend	-1.83%	5.23%	7.19%	8.66%	13.15%	7.48%	8.53%
Benchmark	-1.65%	5.11%	7.12%	10.16%	14.18%	8.26%	9.07%
Australian Smaller Companies Multi-Blend	0.42%	7.38%	3.01%	0.86%	0.29%	2.66%	4.29%
Benchmark	1.66%	8.10%	5.41%	5.31%	-0.87%	0.03%	3.24%
International Shares Multi-Blend	-1.24%	4.95%	17.80%	25.95%	23.15%	13.70%	2.31%
Benchmark	-0.84%	5.31%	17.46%	26.73%	24.81%	14.44%	4.38%
Australian Fixed Interest Multi-Blend	-1.06%	0.01%	3.87%	7.77%	6.06%	6.70%	5.97%
Benchmark	-1.11%	-0.08%	4.55%	8.91%	6.15%	7.27%	6.58%
Intl Fixed Interest Multi-Blend	-0.50%	0.30%	3.74%	8.02%	7.25%	7.79%	8.03%
Benchmark	-0.35%	0.02%	4.17%	8.88%	7.02%	8.08%	7.89%
Property Securities Multi-Blend	-1.95%	-0.21%	9.74%	21.92%	17.88%	14.21%	6.54%
Benchmark	-2.04%	-1.28%	9.54%	21.35%	17.87%	14.57%	7.14%
Alternative Strategies Multi-Blend	-0.88%	1.28%	3.24%	3.47%	4.06%		3.20%
Benchmark	0.18%	0.60%	1.31%	2.67%	2.95%		3.39%
Asian Shares Multi-Blend Fund	1.27%	6.14%	23.56%	35.44%	17.52%	7.43%	6.77%
Benchmark	3.86%	8.33%	23.09%	38.49%	19.93%	10.92%	10.60%
Defensive Yield Multi-Blend Fund	-0.26%	0.68%	2.15%	3.67%			3.92%
Benchmark	0.18%	0.60%	1.31%	2.67%			2.80%
Cash Multi-Blend Fund	0.22%	0.66%	1.43%	2.97%	3.40%	3.94%	
Benchmark	0.18%	0.60%	1.31%	2.67%	2.95%	3.73%	

Information correct as at 30 April 2015. 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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