

# ADVANCE MULTI-BLEND FUNDS

MAY 2015

## MARKET UPDATE

### AUSTRALIA

First quarter GDP growth exceeded expectations, but the underlying detail highlights the continual challenge facing Australia's economy. We are cautiously optimistic on the transition to non-mining sector led growth, which will soon gather pace. The Reserve Bank of Australia (RBA) does have a mild easing bias, which could be acted upon if the economy fails to show a meaningful broad based recovery. As such we expect official interest rates to be reduced further during the latter half of 2015.

### US

Some data has been weak, which implies the quarter may not prove to be as strong as anticipated with some analysts pushing out interest rate expectations to 2016. Nevertheless, market consensus is that the US Federal Reserve will begin to normalise the Fed funds rate from September of this year. The pace of this normalisation will be slower than in the past.

### JAPAN

Japan's economy grew at its fastest pace in a year in the first quarter but underlying momentum remains subdued with the majority of expansion from inventory build-up. The Bank of Japan (BOJ) is encouraged regardless, ruling out any plans for further stimulus in the near term. The key to stronger growth is consumption and investment recovery.

### EUROZONE

The European Central Bank (ECB) appears comfortable with progress on the region's recovery and remains committed to fully implement its monetary policies. Latest data continues to be encouraging and reflects the positive impact of the central bank's policies. The outlook is good, but the Greek situation and signs of softness in global growth loom as potential threats.

### UK

Bank of England (BOE) Governor Mark Carney has announced that the bank expects GDP growth for 2015 and 2016 to come in lower than anticipated due to current headwinds facing the UK economy. This implies only a gradual upward cycle in official interest rates when they start to rise in 2016.

### CHINA

The story out of China again reveals a weak economy struggling to gain momentum, even after a significant easing of monetary policy over the past six months. The authorities remain under pressure to do more to try to shore up growth.

## Advance Diversified Multi-Blend Funds

The Funds outperformed for the month of May, with global financial markets remaining volatile for the period focused on concerns of Greece exiting the Eurozone and further underperformance from global bond markets.

The Funds' hedging recovered some of April's detraction as the Australian dollar declined over the month despite continued swings in price early on. Tactical positions added to performance with an overweight in international equities, outperforming other assets over the month.

## Australian Shares Multi-Blend Fund

The Fund returned 0.60% for the month, slightly ahead of the benchmark at 0.43%. Domestic equities were again under pressure compared with global markets as large cap yield stocks weighed on performance. Schroders and Alleron outperformed on a relative basis, whilst Alphinity and BTIM were also ahead of benchmark. The allocation to small caps was positive, with the small cap market rallying 2.35% for the month.

## Advance International Shares Multi-Blend Fund

The Fund performed ahead of the broader market benchmark by 0.66% for May, absolute return was 4.15% versus benchmark of 3.49%. Momentum driven managers AQR and Lansdowne drove portfolio returns as global markets recovered lost ground from a month earlier. The fall in the Australian dollar resulted in international equities on an unhedged basis outperforming by 2.04%.

## Advance Property Securities Multi-Blend Fund

The Fund outperformed its benchmark rallying 0.63% versus 0.46%. A-REITs performed ahead of global REITS (hedged) by 3.04%. Domestic manager Phoenix was in line with the market while global managers AMP, Heitman and Principal outperformed.

## Australian Fixed Interest Multi-Blend Fund

The Fund performed marginally ahead of the market with a return of 0.08% versus the benchmark return of 0.04%. The Australian 10 year bond was slightly higher for the month at 2.73% though credit allocations helped achieve a positive return. All managers marginally outperformed for the month.

## International Fixed Interest Multi-Blend Fund

The Fund returned -0.26% and in line with the benchmark for the period. Despite some defensive positioning, the continued move higher in sovereign bond yields led by Europe saw most managers perform in line for the month. The rally in emerging markets and commodity currencies drove strong outperformance by the Fund's allocation to Franklin Templeton 0.42% relative.

## Commodities

The commodities allocation detracted from value with the broader commodities complex declining 2.21%. Despite a strong gain in iron ore prices of 10.1%, energy prices were lower and reflected poor sentiment towards agriculture and metals Aluminium -11.0%.

## Alternative Strategies

The Fund delivered a positive return of 0.55% as global macro strategies recovered driven by momentum based strategies.

## Defensive Yield

Also a positive 0.28% return, slightly ahead of its cash plus benchmark, BTIM and Kapstream both outperforming for the month.

PERFORMANCE TO 31/05/15 (AFTER FEES)	1 MONTH (%)	3 MONTH (%)	6 MONTH (%)	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	INCEPTION (%)
<b>DIVERSIFIED FUNDS</b>							
Defensive Multi-Blend	0.46%	-0.09%	3.19%	5.29%	6.68%	6.42%	6.11%
Moderate Multi-Blend	0.68%	0.02%	4.84%	7.38%	9.43%	7.82%	6.87%
Balanced Multi-Blend	1.06%	0.28%	6.71%	9.58%	12.21%	8.97%	6.26%
Growth Multi-Blend	1.25%	0.35%	7.72%	10.64%	13.84%	9.49%	6.85%
High Growth Multi-Blend	1.59%	0.72%	9.59%	13.24%	16.28%	10.43%	7.21%
<b>SECTOR FUNDS</b>							
Australian Shares Multi-Blend	0.60%	-0.75	11.10%	8.74%	16.36%	9.28%	8.53%
Benchmark	0.43%	-1.28%	11.18%	9.93%	17.03%	10.06%	9.05%
Australian Smaller Companies Multi-Blend	1.30%	1.82%	8.32%	3.00%	4.30%	5.11%	4.39%
Benchmark	2.35%	2.03%	12.16%	7.69%	3.55%	2.22%	3.44%
International Shares Multi-Blend	4.15%	3.96%	15.98%	28.95%	25.90%	14.44%	2.55%
Benchmark	3.49%	3.53%	15.41%	29.16%	27.00%	15.07%	4.58%
Australian Fixed Interest Multi-Blend	0.08%	-0.27%	2.90%	6.51%	5.35%	6.45%	5.93%
Benchmark	0.04%	-0.32%	3.28%	7.47%	5.09%	6.93%	6.53%
Intl Fixed Interest Multi-Blend	-0.26%	-0.18%	2.46%	6.44%	7.02%	7.77%	7.96%
Benchmark	-0.26%	0.17%	2.70%	7.33%	6.41%	7.77%	7.83%
Property Securities Multi-Blend	0.63%	-0.80%	8.52%	19.47%	19.65%	15.63%	6.55%
Benchmark	0.46%	-1.44%	8.25%	18.86%	19.59%	16.13%	7.13%
Alternative Strategies Multi-Blend	0.55%	0.69%	2.46%	3.13%	4.22%		3.27%
Benchmark	0.20%	0.59%	1.28%	2.65%	2.89%		3.37%
Asian Shares Multi-Blend Fund	1.49%	6.27%	19.51%	33.87%	19.64%	7.60%	6.86%
Benchmark	0.35%	7.24%	19.56%	34.18%	21.27%	10.63%	10.55%
Defensive Yield Multi-Blend Fund	0.28%	0.37%	1.99%	3.42%			3.91%
Benchmark	0.20%	0.59%	1.28%	2.65%			2.79%
Cash Multi-Blend Fund	0.23%	0.67%	1.41%	2.93%	3.34%	3.92%	
Benchmark	0.20%	0.59%	1.28%	2.65%	2.89%	3.69%	

Information correct as at 31 May 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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ASSET MANAGEMENT

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