

# ADVANCE MULTI-BLEND FUNDS

JUNE 2015

## MARKET UPDATE

### AUSTRALIA

The Australian economy continues below trend growth amidst subdued confidence and activity with some expectations that the Reserve Bank of Australia (RBA) will need to cut interest rates again to help support stronger growth. Recent noise points to an easing bias but raises the question as to how much more traction can actually be gained from rates diving beyond their current historical lows.

### US

All eyes were on the Fed for insights as to its likelihood of raising US interest rates - in fact it slightly lowered key economic projections with the anticipated path of the funds rate following suit. Despite key labour and inflation data coming in below expectations, other indicators point to renewed momentum.

### JAPAN

Disappointing industrial production data reveals the struggle Japan faces in order to gain stronger economic momentum. It has given rise to expectations that the Bank of Japan (BOJ) may soon expand its monetary stimulus program to help support stronger growth despite indications showing it is comfortable with current policy.

### EUROZONE

Just when we thought a sustained recovery appeared to finally be unfolding in the Eurozone, the Greek debt crisis threatens to derail it. Q2 data suggested stronger momentum but the resonating 'No' vote of the Greek people at the July referendum heightened uncertainty around the country's 'home' in the Eurozone.

### UK

The UK economy continues to grow at a moderate pace supported by consumer spending and a strong services sector. Manufacturing continues to soften however as the strength in sterling and the Greece issues hamper export demand. As expected the brief bout of deflation in April was short-lived, but the Bank of England (BOE) is likely to maintain unchanged policy for the remainder of the year.

### CHINA

A slumping equity market combined with continued weakness in China prompted the People's Bank of China (PBOC) to cut the cash rate to a record low and the fourth cut since November. It also slashed the deposit rate and reserve requirement ratio to give commercial banks and those servicing rural areas more capacity to lend to try to stabilise growth and enhance monetary policy efficiencies.

### Advance Diversified Multi-Blend Funds

The Funds declined in June affected by the Greek debt crisis and sharp rises in bond yields. The Funds benefited from underweight positions in Australian shares and overweight positions in international shares given the Australian market underperformed over the month. Allocations to commodities and tactical positions in oil and emerging markets added to performance while alternative strategies detracted from performance.

### Australian Shares Multi-Blend Fund

The Fund returned -5.50% for the month, slightly underperforming the benchmark return. June was a particularly challenging month for Australian shares with materials and energy sectors challenged by weakness in China. A number of companies also announced earnings downgrades in June. Schroders and BTIM assisted performance with Schroders benefiting from underweight positions in banks and BTIM aided by an overweight position in Qantas.

### Advance International Shares Multi-Blend Fund

The Fund performed broadly in line with the benchmark for June with international markets impacted by the Greek debt crisis and large sell-offs in the Chinese share market. Lansdowne offered the strongest contribution to performance due to its stock selection in financials, consumer discretionary and telecommunications sectors, with Tradewinds also offering strong performance.

### Advance Property Securities Multi-Blend Fund

The Fund underperformed its benchmark in June. REITs underperformed generally over the month with US and European stocks impacted by concerns over prospective rate rises in the US and rising European inflation expectations. A challenging quarter for Australian residential stocks and overweights in Lend

Lease and Charter Hall Group detracted from the performance of the Fund.

### Australian Fixed Interest Multi-Blend Fund

The Fund performed in line with the benchmark. Australian bond yields rose in June off the back of higher global bond yields and foreign investors reducing their Australian bond portfolio weightings on expectations of a lower Australian dollar. The end of June was more volatile for bond and credit markets as a result of the deteriorating negotiations between Greece and the European Central Bank.

### International Fixed Interest Multi-Blend Fund

The Fund underperformed the benchmark in June with macro strategies detracting from performance as volatility increased due to concerns about Greece leaving the Eurozone. Global bond yields rose in June meaning that yield curve strategies and duration positions in Australia and UK also detracted from performance.

### Commodities

The commodities allocation added value to the portfolios over June, offering returns of 5.37% over the quarter and outperforming other growth assets. In particular, it was a strong month in agriculture, which benefited from changed El Nino conditions.

### Alternative Strategies

Alternative strategies faced a challenging environment in June with performance impacted by a temporary drop in value for the US dollar and rising bond yields. Modest overweights to European equity markets in the replication portfolios also impacted performance due to uncertainty over Greece in the Eurozone.

### Defensive Yield Multi-Blend Fund

The Fund underperformed its cash plus benchmark in June due to rising global bond yields and increased volatility in the market from uncertainty in the Eurozone due to Greece.

PERFORMANCE TO 30/06/15 (AFTER FEES)	1 MONTH (%)	3 MONTH (%)	6 MONTHS (%)	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)	INCEPT (% PA)
<b>DIVERSIFIED FUNDS</b>							
Defensive Multi-Blend	-1.95	-2.46	0.50	2.94	5.78	6.04	5.96
Moderate Multi-Blend	-2.42	-3.01	1.22	4.74	8.32	7.49	6.58
Balanced Multi-Blend	-2.98	-3.40	2.10	6.50	10.85	8.67	6.04
Growth Multi-Blend	-3.39	-3.76	2.48	7.19	12.31	9.21	6.47
High Growth Multi-Blend	-3.81	-3.91	3.52	9.42	14.64	10.15	6.78
<b>SECTOR FUNDS</b>							
Australian Shares Multi-Blend	-5.50	-6.67	2.99	4.93	14.16	8.76	8.12
<b>Benchmark</b>	-5.32	-6.48	3.17	5.61	14.71	9.45	8.66
Australian Smaller Companies Multi-Blend	-5.79	-4.16	3.04	-1.52	3.31	4.50	3.77
<b>Benchmark</b>	-7.77	-4.04	2.97	0.44	2.46	1.35	2.63
International Shares Multi-Blend	-2.68	0.10	9.53	25.45	25.15	14.56	2.37
<b>Benchmark</b>	-2.66	-0.11	9.46	25.18	26.12	15.43	4.39
Australian Fixed Interest Multi-Blend	-1.00	-1.97	0.33	4.66	4.99	6.01	5.79
<b>Benchmark</b>	-0.93	-1.99	0.63	5.63	4.82	6.44	6.39
Intl Fixed Interest Multi-Blend	-1.21	-1.96	0.90	4.63	6.25	7.27	7.82
<b>Benchmark</b>	-1.07	-1.67	0.84	5.61	5.98	7.27	7.70
Property Securities Multi-Blend	-4.52	-5.79	1.39	12.34	15.79	14.89	6.06
<b>Benchmark</b>	-4.26	-5.78	1.40	11.97	15.84	15.53	6.65
Alternative Strategies Multi-Blend	-2.38	-2.70	0.01	0.08	3.53	n/a	2.60
<b>Benchmark</b>	0.18	0.56	1.23	2.60	2.85	n/a	3.35
Asian Shares Multi-Blend Fund	-3.56	-0.87	12.66	28.90	19.38	6.81	6.46
<b>Benchmark</b>	-4.11	-0.05	12.29	27.52	20.61	9.49	10.04
Defensive Yield Multi-Blend Fund	-0.54	-0.51	1.17	2.64	n/a	n/a	3.58
<b>Benchmark</b>	0.18	0.56	1.23	2.60	n/a	n/a	2.77
Cash Multi-Blend Fund	0.20	0.64	1.36	2.88	3.29	3.89	n/a
<b>Benchmark</b>	0.18	0.56	1.23	2.60	2.85	3.65	n/a

Information correct as at 30 June 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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