

ADVANCE MULTI-BLEND FUNDS

JULY 2015

MARKET UPDATE

AUSTRALIA

The Australian economy performed broadly as anticipated in July with moderate but positive growth and contained inflation. However, the equity market suffered losses due to growing concerns about the Chinese outlook and falls in commodity prices. The Reserve Bank of Australia (RBA) left interest rates unchanged but made clear in its August Statement on Monetary Policy that it would reduce rates further if needed.

US

Expectations that the US Federal Reserve (Fed) would begin raising interest rates in mid-September increased as a result of the semi-annual testimony by Fed Chair Janet Yellen to Congress, the Federal Open Market Committee July post policy statement, second quarter GDP results and July payroll data. The Fed will start raising rates if incoming data (particularly labour market and inflation) suggests further upside momentum, although the recent concerns about Chinese growth may cause a delay.

JAPAN

The Bank of Japan (BOJ) kept policy unchanged and is continuing its quantitative easing program across the country. The good news was that business surveys are positive and pointing to an improvement in investment, but the ongoing concern for the BOJ is that inflation remains very close to zero and any further weakness in Chinese growth could push Japan back into outright deflation.

EUROZONE

Despite the recent and heightened uncertainties surrounding Greece, Eurozone data released in July suggests the region's recovery is continuing to unfold and indeed strengthen. While the partial resolution of the Greek situation in July meant a more promising outlook for the Eurozone, the European Central Bank (ECB) has stated it is ready to add to its existing quantitative easing program if economic and financial conditions deteriorate. The ECB will factor any impact from the ongoing Chinese slowdown along with any change in the Greek situation while monitoring the region.

UK

The second quarter saw a bounce back in growth for the UK and expectations that inflation will gradually pick up over the coming year. This suggested an increased likelihood that the Bank of England (BOE) will start to raise interest rates sooner rather than later, dependent on ongoing recovery and the impact of market activity from China or Greece. Any rise in official interest rates is likely to be slow and data dependent.

CHINA

While second quarter data had indicated that growth was higher than the expected 7%, there has been evidence to suggest momentum has eased. The Chinese government has continued to seek to manage its slowdown and has also been impacted by dramatic declines in its share markets. Expectations of further policy stimulus remain, especially given continued volatility in the share market and the decision to depreciate the yuan.

Advance Diversified Multi-Blend Funds

The Funds offered positive performance in July as a partial resolution over the Greek debt crisis relieved uncertainty. Bond yields fell across fixed income markets and the Funds' overweight position to Australian fixed interest benefited from this in a relative sense. The Funds also benefited from an overweight position in international shares with European markets rallying in July and the US market showing strength as it moved into company reporting season. Allocations to commodities detracted from performance while currency positions favouring foreign exposures contributed strongly for the month. Tactical positions also added with key short positions in crude oil and emerging markets adding to performance.

Australian Shares Multi-Blend Fund

The Fund returned 4.65% for the month, outperforming the benchmark return. Australian shares benefited from a market rally in July due to a fall in bond yields and a low Australian dollar. Healthcare, Consumer Staples, Industrials and Utilities were the strongest sectors for the month while Materials was the weakest.

Advance International Shares Multi-Blend Fund

The Fund slightly underperformed the benchmark in July. European share markets rallied over the month post the partial resolution of the Greek debt crisis and US markets were also strong leading into company reporting season. Asian markets detracted from performance with large sell offs continuing in the Chinese share market.

Advance Property Securities Multi-Blend Fund

The Fund outperformed its benchmark in July. REITs benefited over July from falling bond yields post the resolution of the Greek debt crisis and US REITs saw concerns over prospective rate rises relax with industrial sectors particularly strong performers.

Australian Fixed Interest Multi-Blend Fund

The Fund performed in line with the benchmark. Australian bond yields fell in July in line with falls in global bond yields post resolution of the Greek debt crisis and a lower Australian dollar acted as incentive to foreign investors.

International Fixed Interest Multi-Blend Fund

The Fund underperformed the benchmark in July with macro strategies detracting from performance as volatility subsided somewhat on diminishing concerns about Greece leaving the Eurozone. The Fund's allocation to emerging markets underperformed, having a negative correlation with a stronger US dollar.

Commodities

The commodities allocation detracted from performance as energy prices fell sharply over the month as did base metals. Demand concerns continued to be headwinds for broad commodity performance with emerging markets and Chinese growth continuing to slow.

Alternative Strategies

Alternative strategies outperformed its cash plus benchmark though trailed global equities in July. Momentum strategies performed strongly though were followed closely by low volatility and quality factors. Equity/Event driven strategies underperformed their Macro/CTA counterparts.

Defensive Yield Multi-Blend Fund

The Fund narrowly outperformed its cash plus benchmark in July where long duration strategies performed strongly though partly offset by the portfolio's large allocation to Standish which underperformed.

PERFORMANCE TO 31/07/15 (AFTER FEES)	1 MONTH (%)	3 MONTH (%)	6 MONTHS (%)	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)	INCEPT (% PA)
DIVERSIFIED FUNDS							
Defensive Multi-Blend	1.78	0.26	0.82	4.23	5.88	6.00	6.04
Moderate Multi-Blend	2.66	0.86	2.08	6.57	8.68	7.51	6.78
Balanced Multi-Blend	3.48	1.46	3.43	8.92	11.51	8.76	6.22
Growth Multi-Blend	4.01	1.73	4.21	10.03	13.14	9.35	6.79
High Growth Multi-Blend	4.66	2.27	5.64	12.76	15.78	10.43	7.16
SECTOR FUNDS							
Australian Shares Multi-Blend	4.65	-0.52	4.68	5.50	14.80	8.80	8.37
Benchmark	4.31	-0.81	4.26	5.51	14.75	9.42	8.88
Australian Smaller Companies Multi-Blend	2.85	-1.85	5.39	-2.82	4.37	3.94	4.01
Benchmark	1.56	-4.13	3.63	-2.77	3.05	0.63	2.76
International Shares Multi-Blend	6.49	7.94	13.28	33.33	28.33	15.88	2.74
Benchmark	6.60	7.39	13.08	33.77	29.52	16.75	4.76
Australian Fixed Interest Multi-Blend	1.32	0.38	0.39	5.72	5.25	6.19	5.87
Benchmark	1.30	0.40	0.32	6.69	5.14	6.66	6.47
Intl Fixed Interest Multi-Blend	0.89	-0.59	-0.29	5.10	5.82	7.13	7.84
Benchmark	1.21	-0.13	-0.11	6.40	5.84	7.28	7.74
Property Securities Multi-Blend	5.00	0.88	0.67	15.68	16.16	14.65	6.47
Benchmark	4.85	0.84	-0.45	14.93	16.17	15.32	7.05
Alternative Strategies Multi-Blend	0.76	-1.10	0.17	1.21	3.58	n/a	2.73
Benchmark	0.18	0.56	1.16	2.55	2.82	n/a	3.33
Asian Shares Multi-Blend Fund	-0.33	-2.44	3.55	23.04	19.78	6.76	6.38
Benchmark	-1.98	-5.67	2.18	18.66	19.83	9.34	9.77
Defensive Yield Multi-Blend Fund	0.27	0.01	0.69	2.58	n/a	n/a	3.57
Benchmark	0.18	0.56	1.16	2.55	n/a	n/a	2.75
Cash Multi-Blend Fund	0.20	0.62	1.28	2.82	3.23	3.84	n/a
Benchmark	0.18	0.56	1.16	2.55	2.82	3.60	n/a

Information correct as at 31 July 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 and inception dates, please visit advance.com.au.

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ADVANCE
ASSET MANAGEMENT

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