

ADVANCE MULTI-BLEND FUNDS

AUGUST 2015

MARKET UPDATE

AUSTRALIA

The RBA kept rates on hold during August. While there was little additional commentary from the RBA that was 'new', it continues to note that the growth outlook remains below trend with excess capacity still prevalent across the economy. We continue to see further downside in regard to consumer and business confidence on the back of the weaker outlook for commodity prices coupled with the ongoing economic slowdown in China. The sharp fall in the equity market over the month highlights the increased level of market volatility.

US

All eyes remain firmly on the US Federal Reserve (Fed). And while there was little news coming from the Fed's two day meeting at Jackson Hole during the month, it is clear that a decision on increasing cash rates remains a matter of 'when' and not 'if'. Unfortunately, the potential negative impact of tightening cash rates on other economies and currencies, particularly emerging markets, resulted in the Fed holding tight. However, in our view the upward trajectory of the US economy remains in place, highlighted by a strong labour market, improving consumer and business confidence and an improving housing market.

JAPAN

The turnaround in Japan continues to move in fits and starts. While the PMI surveys reflect ongoing expansion, industrial production along with business conditions paint a more sombre outlook near term. Additionally, the Bank of Japan's goal of seeing inflation move up towards its target of 2.0% seems further away than ever with the consumer price index coming in at 0.1%. And despite the fall in the yen, export led growth continues to remain relatively modest.

EUROZONE

The outlook for the Eurozone continues to slowly improve, with PMI surveys stabilising above 50, highlighting continued expansion across the manufacturing and service sectors of the economy. Greece remained challenging for Europe during the month as Prime Minister Tsipras called a mid-September election (he has since been re-elected as Prime Minister). So while an in-principle agreement was reached with its creditors during July, the ability for Greece to once again be front page news will ensure that financial market volatility remains elevated.

UK

The UK economy continues to show solid growth. Along with the US, we see the UK economy as being one of the strongest developed market economies. To this end, we envisage that the Bank of England will look to move on cash rates through the first quarter of 2016 with multiple indicators (employment, housing consumer and business confidence etc) all pointing to further economic growth through the second half of 2015.

CHINA

Chinese economic data continues to highlight a further slowdown in the economy. The decision by the People's Bank of China (PBOC) to devalue the renminbi over the month caught many in financial markets by surprise and resulted in increased currency volatility across other emerging market regions. With China now effectively moving away from its peg with the US dollar, the potential for a further devaluation of the renminbi as a means to protect its growth outlook cannot be discounted. While the government and PBOC have a number of tools to tackle slowing economic growth, the flow on impact to other regions (via a further devaluation of the renminbi) will be closely watched should the Fed move on rates in the near term.

FUNDS UPDATE

Advance Diversified Multi-Blend Funds

The Funds offered mixed performance in August as China devalued its currency against the US dollar. Equity markets fell over the month; however, the Funds benefited from an underweight position in international shares. Bond yields rose in international fixed income markets and the Funds' overweight position to Australian fixed interest benefited from this in a relative sense. 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 long positions in volatility adding to performance.

Australian Shares Multi-Blend Fund

The Fund outperformed the benchmark for the month. Australian shares fell due to the close relationship to the Chinese market having a negative impact for Australian investors. Utilities, Consumer Discretionary and Industrials were the strongest sectors for the month, while Energy and IT were the weakest.

Advance International Shares Multi-Blend Fund

The Fund slightly outperformed the benchmark in August. The underweight allocations to the European and US share markets benefited the Fund as they fell over the period with varying sensitivity. European markets reflected both geopolitical events and the moves in Asia, while US markets were bolstered towards the end of the month by improving economic data. 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 August. REITs benefited over the period from falling domestic bond yields and the bottom-up specific stock picking of Phoenix and AMP. The overweight in Sydney Airport and underweight in the Goodman Group and Stockland were the biggest contributors to the Fund.

Australian Fixed Interest Multi-Blend Fund

The Fund performed in line with the benchmark. Australian bond yields fell in August as the moves in China and a lower Australian dollar acted as an incentive to foreign investors.

International Fixed Interest Multi-Blend Fund

The Fund underperformed the benchmark in August. Macro strategies detracted from performance as moves in the bond market did not reflect the increased volatility of the equity market. The Fund's allocation to emerging markets underperformed, having a negative correlation with a stronger US dollar.

Advance Commodities Fund

The commodities allocation detracted from performance as agriculture commodities fell 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 Multi-Blend Fund

Alternative Strategies underperformed its cash plus benchmark in August. Managers took advantage of the China decline which benefited the Fund with macro managers outperforming, while more equity-focused managers detracted from performance. The biggest detractor however was the sharp rally in oil prices in the three days at the end of the period.

Defensive Yield Multi-Blend Fund

The Fund underperformed its cash plus benchmark in August with the strong performance of the allocation to BTIM offset by underperformance in the allocation to Standish.

PERFORMANCE TO 31/08/15 (AFTER FEES)	1 MONTH (%)	3 MONTH (%)	6 MONTHS (%)	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)	INCEPT (% PA)
DIVERSIFIED FUNDS							
Defensive Multi-Blend	-1.20	-1.40	-1.48	2.57	5.10	5.64	5.93
Moderate Multi-Blend	-2.20	-2.03	-2.01	3.77	7.37	7.02	6.52
Balanced Multi-Blend	-3.12	-2.73	-2.45	5.01	9.66	8.20	6.00
Growth Multi-Blend	-3.74	-3.28	-2.95	5.39	10.93	8.74	6.38
High Growth Multi-Blend	-4.41	-3.77	-3.07	7.19	13.10	9.77	6.68
SECTOR FUNDS							
Australian Shares Multi-Blend	-7.53	-8.56	-9.25	-2.90	10.95	7.52	7.84
Benchmark	-7.70	-8.83	-10.00	-3.23	10.95	7.91	8.33
Australian Smaller Companies Multi-Blend	-2.02	-5.06	-3.33	-6.45	2.57	3.40	3.78
Benchmark	-4.87	-10.89	-9.08	-9.62	0.38	-0.72	2.27
International Shares Multi-Blend	-3.12	0.41	4.39	27.45	25.19	15.49	2.53
Benchmark	-3.14	0.51	4.06	27.49	26.28	16.50	4.54
Australian Fixed Interest Multi-Blend	0.65	0.96	0.69	5.54	5.19	6.01	5.89
Benchmark	0.64	1.00	0.68	6.29	5.15	6.39	6.48
Intl Fixed Interest Multi-Blend	-0.93	-1.25	-1.43	3.06	5.28	6.49	7.72
Benchmark	-0.10	0.03	0.20	4.80	5.61	6.82	7.69
Property Securities Multi-Blend	-5.12	-4.89	-5.65	8.16	13.92	13.23	5.93
Benchmark	-5.41	-5.05	-6.42	6.67	13.95	13.81	6.47
Alternative Strategies Multi-Blend	-0.41	-2.05	-1.37	0.35	3.23	n/a	2.58
Benchmark	0.18	0.54	1.13	2.51	2.78	n/a	3.30
Asian Shares Multi-Blend Fund	-6.06	-9.69	-4.03	16.12	17.34	5.31	5.74
Benchmark	-6.59	-12.20	-5.85	10.75	16.63	7.74	9.03
Defensive Yield Multi-Blend Fund	-0.03	-0.30	0.07	2.39	n/a	n/a	3.45
Benchmark	0.18	0.54	1.13	2.51	n/a	n/a	2.73
Cash Multi-Blend Fund	0.22	0.61	1.28	2.77	3.19	3.81	n/a
Benchmark	0.18	0.54	1.13	2.51	2.78	3.55	n/a

Information correct as at 31 August 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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