ADVANCE BALANCED MULTI-BLEND FUND

As at 31 December2018

FUND RETURNS*

	1 month (%)	3 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)	5 years (% pa)
Growth return	(2.68)	(7.49)	(8.06)	(7.63)	(7.24)	(4.06)
Distribution return	0.54	0.51	5.95	12.17	12.28	9.16
Total return	(2.15)	(6.98)	(2.11)	4.54	5.05	5.10

FUND UPDATE

The Advance Balanced Multi-Blend Fund returned a negative absolute return over the December quarter, and also negative on an absolute basis for the calendar year. Total returns from fixed income markets helped drive portfolio values higher over the past 12 month period, with domestic fixed income gaining just over +4.4% for the year and +2.0% for the quarter. International fixed income returns were also positive, returning just over +1.1% for the year and +0.8% for the quarter. This was more than offset by negative returns across most risk assets, particularly within equity markets given the increased volatility during the last quarter of 2018. Both domestic equities (-3.6% over 1 year and -9.7% for the quarter) and property (-1.0% over 1 year and -4.7% for the quarter) markets were down. International equities, which returned -11.6% over the quarter, still managed to end the year positive, up 0.3% for the 2018 calendar year. Relative Investment manager performance across most asset classes were poor compared to their respective markets, with property, commodities and cash being the only asset classes where active management added value over the year. The Funds Asset Allocation positioning remained aligned to its strategic targets.

MARKET COMMENTARY

Australian markets were negative in December, this was predominantly due to a decrease in business confidence and condition surveys as a result of smaller than expected GDP growth within Q3. Australia's housing prices continued to fall throughout December. Nationally, dwelling prices fell 0.7%. The downward pressure on housing prices was most significantly seen in Sydney and Melbourne. Together, the two cities account for roughly 50-55% of the entire value of Australia's property market.

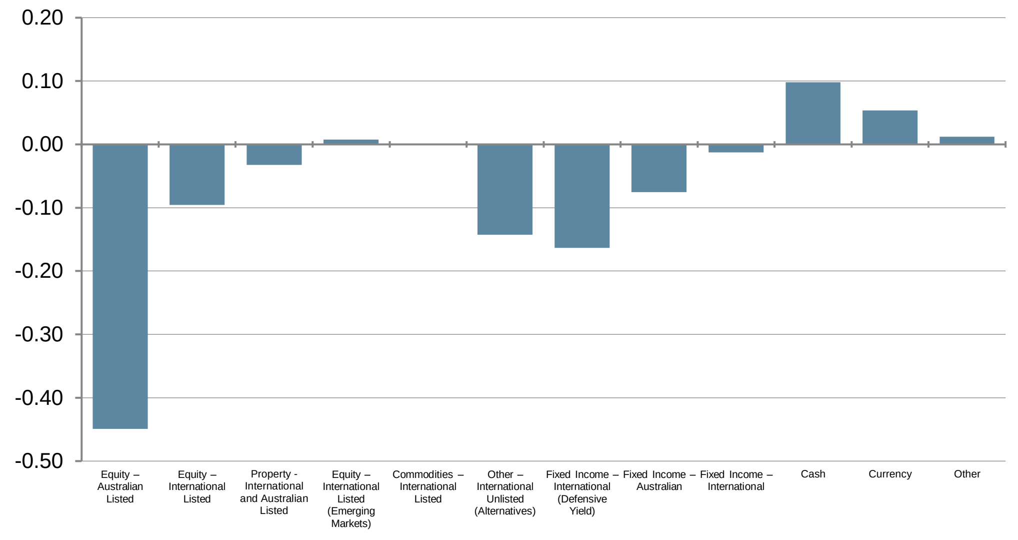
December saw equities continuing to slip with the S&P/ASX200 Accumulation Index losing 0.12% over the month. The S&P/ASX Small Ords Accumulation Index was hit the hardest, losing -4.18%. On the contrary, the S&P/ASX 200 Resources Accumulation Index rebounded with a 5.07% increase after falling -6.5% due to a drop in oil prices over the previous month.

The threat of a trade war between the US and China continues to affect markets, despite the diplomatic agreement of a 90 day 'truce' which resulted during a meeting between US president Trump and China's president Xi Jinping at the G20 summit held in Argentina. During this time, no new tariffs will be introduced as talks between the two countries are held. Ultimately, there are still large disparities between the positions of both parties - particularly in relation to intellectual property theft and certain elements of the current trade structure. In addition, US President Trump has created further tension for markets with his threats of a long government shutdown in the event funding is not received for his controversially proposed Mexican border wall. US market returns continued to fall throughout the month of December. The MSCI USA and NASDAQ Index fell -9.1% and -9.5% respectively. The US job report was also released during December, providing a shimmer of light within an otherwise bleak economic outlook. Unexpectedly, 312,000 jobs were added – wage gains also accelerated while the unemployment rate increased to 3.9%. US equity markets were hit particularly hard with the NASDAQ (-9.1%) and Dow Jones (-8.59%) both down on a total return basis. The MSCI World ex Australia (Unhedged) also fell -4.27% on the back of generally slowing global economic growth and political instability – particularly between USA and China.

December has proved to be a difficult month for markets within Europe. Investors are largely unwilling to take significant risk due to the current market uncertainties. On a brighter note, tensions surrounding Italy's coalition have lessened after agreeing to a 2019 budget that will not trigger the Excessive Debt Procedure (EDP). Europe's Central Bank (ECB) has also halted quantitative easing (QE) after almost four years and has therefore stopped purchasing new bonds. This signifies a positive step forward, with the Eurozone in a much better position economically in comparison to before the commencement of QE. European markets have endured another month of negative returns. The STOXX Europe 600 Index ended the month -5.44% on a total return basis. Further falls in the CAC 40 (-5.46%), the FTSE 100 (-3.61%) and the DAX (-6.2%) attributed to the negative outlook for European markets within December.

Markets within Asia experienced smaller losses over the month compared to other developed markets. Chinese property stocks have surged in Q4 resulting from both a selection of domestic cities loosening their laws on property presales and banks offering cheaper mortgages to create demand. Beijing is working exceptionally hard to steady the property sector in order to drive an increase in domestic consumption. Asian equity markets deteriorated relative to November with the Hang Seng Index down -2.49%, Korea KOSPI down -2.66% and Shanghai Composite down -3.64%. Most notably, Japanese equity markets entered into bear market territory, with the Nikkei 225 finishing the month -10.45%.

SECTOR CONTRIBUTION TO EXCESS GROSS RETURN – 3 MONTHS (%)



BENEFITS OF INVESTING IN THE FUND

The Fund invests in a diverse mix of assets with both income-producing assets (around 30%) of cash and fixed interest, and growth assets (around 70%) including shares and property and has a moderate to high level of risk. The Multi-Blend approach is based on the belief that the different styles of each manager when combined, can produce a more consistent outcome for investors by minimising style and portfolio risk with a potential for long-term capital growth and enhanced performance through active management.

INVESTMENT OBJECTIVE

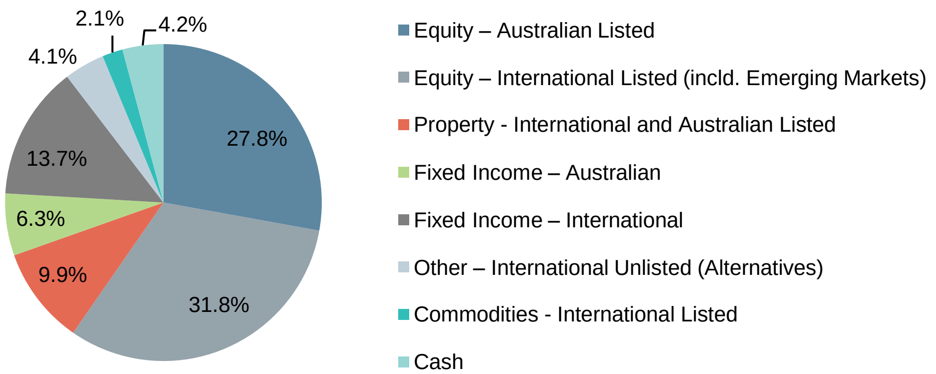
To provide moderate to high total returns (before fees and taxes) over the medium term from a combination of capital growth and income through a diversified mix of growth and defensive assets.

KEY FEATURES

	Wholesale	Retail
Total assets (AUD millions)	$3,115.94	
APIR code	ADV0050AU	ADV0023AU
Date established	May 1998	April 1992
Distribution frequency	Quarterly	Quarterly
Minimum investment[1]	$5,000 ($1,500 for Regular Savings Plan)	$1,500 ($1,000 for Regular Savings Plan)
Minimum withdrawal	$1,500.00	$500.00
Entry fee[2]	Nil	4.10% maximum
Management costs[2,3]	0.78% pa	1.94% pa
Buy/sell spread (%)[3]	00.20/0.20	Nil

1 Refer to the Product Disclosure Statement for further information.
2 Includes the effect of GST (net of RITC) and an estimate of performance fees paid for the 12 months ended 31 March 2017 of 0.01%.
3 The Management Costs and buy-sell spread included in this fact sheet do not include the impact of RG 97 enhanced fees and costs disclosures and you should refer to the Product Disclosure Statement for further information.

ACTUAL ASSET ALLOCATION~



ASSET ALLOCATION RANGES

Asset class	Investment managers	SAA ranges (%)
Equity – Australian Listed	Nikko, Platypus, Pendal, Celeste, OC Funds, Realindex, Sigma, Solaris, Tribeca, Vinva, FIL Limited	6-46
Equity – International Listed	AQR, Ardevora, MFS, River & Mercantile, T.Rowe Price, TT International, Wellington, BlackRock	12-52
Property – Australian and International Listed	BlackRock, Heitman, Phoenix , Principal	0-22
Fixed Income – Australian	AMP, Pendal, Henderson	0-26
Fixed Income – International	Pendal, Kapstream, Standish, Wellington, PIMCO, Western Asset	0-32
Other – Defensive Alternatives	RV Capital, BlackRock, PIMCO	0-22
Commodities – International Listed	Henderson	0-7
Cash	Pendal, IMS	0-25

* The Fund performance is net of management costs and relates to the wholesale class of investment only. If you are an investor in the retail class of investment, you can obtain up to date returns at advance.com.au

~ The market exposure (asset allocation) and holdings of the fund may change significantly each day. Allocations may not equal 100% due to rounding.

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ADVANCE ASSET MANAGEMENT