ADVANCE BALANCED MULTI-BLEND FUND

As at 30 September 2018

FUND RETURNS*

	1 month (%)	3 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)	5 years (% pa)
Growth return	(0.69)	1.79	3.73	(3.08)	(4.18)	(1.90)
Distribution return	0.10	0.10	6.72	12.76	12.65	9.27
Total return	(0.59)	1.90	10.45	9.68	8.47	7.36

* The Fund performance is net of investment fees and relates to wholesale investors only. If you are a retail investor, you can obtain up to date returns at advance.com.au
Inception date: 31 May 1998

FUND UPDATE

The Advance Balanced Multi-Blend Fund produced a negative absolute return over the month of September, 12 month performance remains positive. Australian equity markets performed poorly over the month with the benchmark ASX 300 Total Return Index down 1.2%. Negative domestic market equity returns were only partially offset by positive global equity markets (+0.6%). Performance remains strong over the 12 month period, supported by strong equity returns over the longer time period. Active management detracted over the month. The Australian Dollar saw minor gains versus the US Dollar, climbing 0.5% over the month, partly explaining the divergence in equity returns.

MARKET COMMENTARY

Data released in September showed Australia's economy grew at a strong annual rate of 3.4% to the end of June. As expected, the Reserve Bank of Australia (RBA) left the official cash rate unchanged at 1.50%, with dialogue from the meeting expressing the RBA's current view that 'progress on unemployment and inflation was likely to be gradual' and 'there was no strong case for a near-term adjustment in monetary policy'.

Local employment data revealed a 44,000 job rise over the month of August, driven by increases in full-time jobs (+33,700) and supported by growing part-time jobs (+10,300). Despite the rise in jobs, the unemployment rate held steady at 5.3% due to a lift in the participation rate from 65.6% to 65.7%.

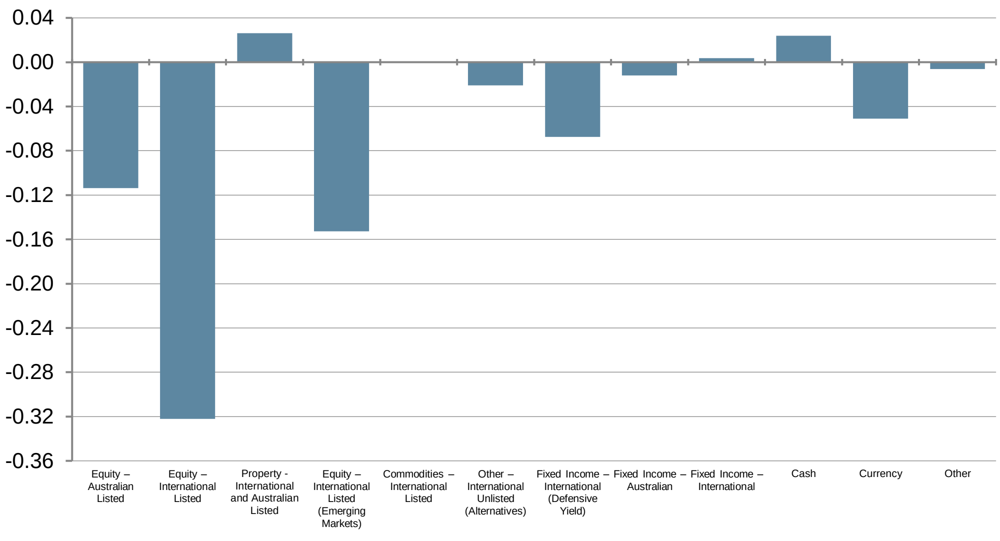
After a string of positive months, the Australian share market was broadly down in September with the S&P/ASX200 Accumulation Index losing 1.3% over the month. Other major indices were mostly down, with the S&P/ASX 200 Accumulation Industrials Index (-2.8%), the S&P/ASX 200 AREIT Accumulation Index (-1.8%). Following the announcement of a Royal Commission into the Aged Care sector, the share price of major aged-care service providers including Estia Health (-22.3%), Regis Healthcare (-17.4%) and Japara Healthcare (-22.0%) fell sharply during September.

In a move widely expected by the market, the US Federal Reserve decided to increase US interest rates by 25 basis points in their September meeting. The move takes their target range to 2.00% - 2.25%, with the Fed stating that since meeting in August their 'labour market has continued to strengthen and economic activity has been rising at a strong rate'. The rate hike is the Fed's third in 2018 as attention now turns to the outcome of their December meeting. The trade war between the US and China continued to deepen in September, with fresh talks between the two countries proving to be unsuccessful as President Trump implemented US tariffs of 10% on US$200 billion worth of Chinese goods. In turn, China retaliated commenting they had no choice but to respond with tariffs of their own, announcing tariffs of 5-10% on US$60 billion worth of US goods. The S&P 500 Index and Dow Jones Index both continued their strong runs, rising 0.6% and 2.0% on a total return basis respectively.

The Euro area annual inflation rose to 2.1% in September, up from 2.0% in August. However, the increase was mostly attributable to higher energy prices, with the core measure of inflation which excludes energy, food, alcohol and tobacco. The European Central Bank (ECB) left monetary policy unchanged in September, reconfirming that it expects interest rates in the Eurozone to stay at their present levels ‘at least through the summer of 2019’. President Draghi confirmed that the ECB would be reducing its monthly bond purchases from €30 billion to €15 billion from October until the end of the year as the Council slows its quantitative easing program. The Bank of England left interest rates unchanged at 0.75%. With uncertainty still surrounding the UK’s withdrawal from the European Union, the market widely expects that another rate increase is unlikely to occur before the planned date for Brexit in March 2019. Concerns mounted over the budget deficit being run by the Italian government as they laid down their 2019 budget. The government set next year’s budget deficit target at 2.4% of GDP, which despite remaining inside the 3.0% ceiling prescribed by EU rules, prompted concerns after Italy was previously expected to cut the deficit decisively to curb its rising debt. European markets experienced mixed results in September with the STOXX Europe 600 Index gaining a modest 0.3% on a total return basis. This was led by the French CAC 40 Index (+1.6%) and UK FTSE 100 Index (+1.1%), while the German DAX (-1.0%) weighed.

The Bank of Japan (BOJ) held monetary policy steady in its September meeting. The decision was made by a 7-2 board vote, with the BOJ maintaining its short term interest rate target at -0.1% and its 10-year government bond yield target at around 0.0%. The BOJ stated that ‘Japan’s economy is expanding moderately’ but Governor Mr. Kuroda again stated that it would keep interest rates extremely low for an extended period due to Japan’s stubbornly low inflation and sluggish wage growth. Inflation figures released in September showing the Consumer Price Index (CPI) rising 0.9% in the year to August. Despite being up from a 0.8% rise in July, inflation still remains distant from the BOJ target rate of 2.0%. In China, the official manufacturing Purchasing Manager’s Index (PMI) dipped below market expectations, falling from 51.3 in August to 50.8 in September. Data released also showed inflation in China climbing, with annual CPI rising to 2.3% to the end of August. The result was up from the 2.1% July figure, with experts seeing further room for inflation due the fallout from the US-China trade war. Japan’s Nikkei 225 Index (+6.2% on a total return basis) and the Shanghai Composite (+3.5%) both had a strong months, while the Hang Seng fell 0.4% on a total return basis.

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

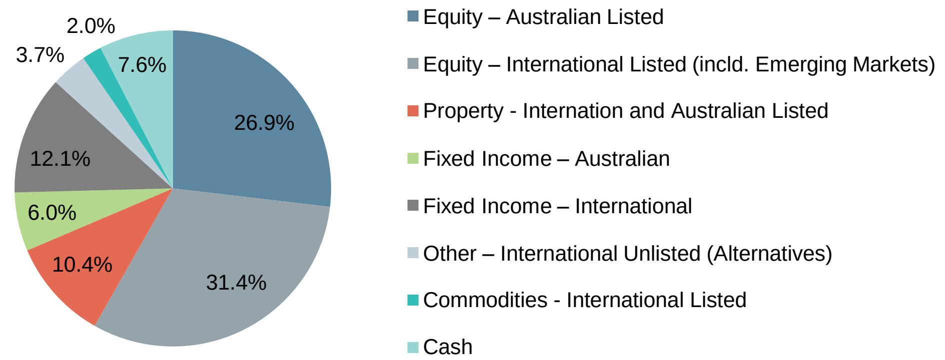
To provide moderate to high total returns (before fees and taxes) over the medium term from a combination of capital growth and income through a diversified mix of growth and defensive assets.

KEY FEATURES

	Wholesale	Retail
Total assets (AUD millions)	$3,455.19	
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 fees[2]	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 This includes effect of GST (net of RITC). Refer to the Product Disclosure Statement and online disclosures for information on Performance Fees and Indirect Costs.

ACTUAL ASSET ALLOCATION~



ASSET ALLOCATION RANGES

Asset class	Investment managers	SAA ranges (%)
Equity – Australian Listed	Bennelong, Pendal, Celeste, OC Funds, Realindex, Schroders, Sigma, Solaris, Tribeca, Vinva, FIL Limited	6-46
Equity – International Listed	AQR, Ardevora, Citi Transition Management, 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, GAM, 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