# ADVANCE BALANCED MULTI-BLEND FUND

As at 31 August 2018

## FUND RETURNS*

| | 1 month (%) | 3 months (%) | 1 year (%) | 2 years (% pa) | 3 years (% pa) | 5 years (% pa) |
|---|---|---|---|---|---|---|
| **Growth return** | 1.39 | (1.30) | 5.22 | (3.03) | (4.40) | (1.55) |
| **Distribution return** | 0.00 | 5.07 | 7.02 | 12.88 | 12.68 | 9.28 |
| **Total return** | 1.39 | 3.78 | 12.25 | 9.84 | 8.28 | 7.73 |

## FUND UPDATE

The Advance Balanced Multi-Blend Fund produced a positive absolute return over the month of August, with 12 month performance remaining positive. Despite positive global economic growth and US equities advancing, markets were hit with mixed results against a backdrop of geopolitics and trade tensions. The S&P/ASX300 Accumulation Index rose 1.4% over August, resulting in a 15.4% return over 12 months, International share markets delivered stronger performance returning 4.1% for the month and 24.3% for the year, supported by a 3.1% decline in the Australian Dollar versus the US Dollar. Investment manager performance across most assets outperformed their respective markets over the 12 month period reflecting a moderate outperformance of the fund relative to its asset market benchmark as the Funds Asset Allocation positioning remained aligned to its strategic targets.

## MARKET COMMENTARY

Despite positive global economic growth and US equities advancing, global markets were hit with mixed results against a backdrop of geopolitics and trade tensions.

Australian politics took centre stage in August with a party room ballot and subsequent change in Prime Ministerial leadership. Scott Morrison was sworn in as Australia's 30th Prime Minister.

The RBA stated that they expect GDP growth 'to be a little above 3% in both 2018 and 2019', supported by 'accommodative domestic monetary policy and a positive international outlook'. Inflation was expected to remain relatively muted in the near-term, with forecasts that inflation will pick up to be around 2.25% in both 2019 and 2020.

Local employment data fell short of market expectations with a fall of 3,900 jobs recorded over July. Full-time jobs gained strongly, however, this was offset by weakness in part-time jobs. Despite the overall fall in jobs, the unemployment rate fell to its lowest rate (5.3%) in almost six years on the back of a drop in the participation rate.

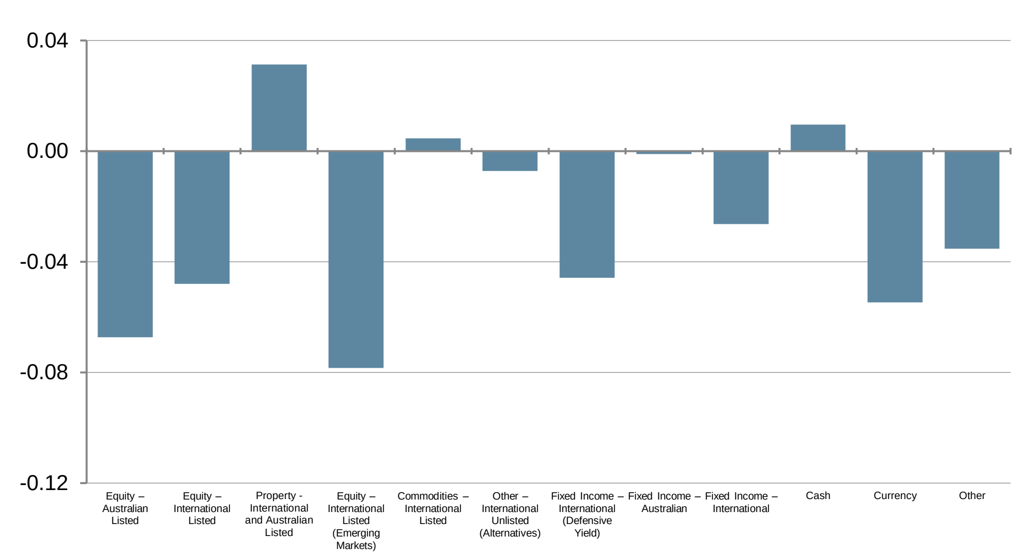
August was another broadly positive month for the Australian share market. The S&P/ASX200 Accumulation Index rose 1.4% over the month supported by solid reporting season results. Major indices recorded strong monthly gains, including the S&P/ASX200 Accumulation Industrials Index (+2.9%), the S&P/ASX200 AREIT Accumulation Index (+2.7). Despite this, the resources sector had a poor month with the S&P/ASX200 Accumulation Resources Index falling -4.4%.

Trade wars were once again at the forefront of the news, headlined by the US President announcing a doubling of tariffs on steel and aluminium exports from Turkey. US and Chinese officials also met during the month to find a way out of their deepening trade conflict. However, there was no evidence of progress and both countries effected tariffs covering approximately $16 billion worth of goods imported from one another. The Federal Reserve opted to leave US interest rates unchanged in August. The minutes from the Fed's policy meeting prefaced expected interest rate increases over the coming months, with the market already pricing in a September rate hike. US economic growth for the second quarter was revised upward from an annualised GDP growth rate of 4.1% to 4.2%, while US consumer confidence hit an 18 year high with its confidence index climbing to 133.4 in August from 127.9 in July. The S&P 500 Index and Dow Jones Index delivered strong gains, rising 3.3% and 2.6% on a total return basis respectively. This was aided by healthy company earnings reports early in the month and as widely reported, Apple officially became the first US publically traded company to reach a market capitalisation of USD$1 trillion.

GDP data out of the Eurozone revealed faster paced growth than previously expected. GDP growth for the second quarter was revised higher from 0.3% to 0.4%, driven by Germany and the Netherlands who achieved growth of 0.5% and 0.7% respectively. In the UK, the Bank of England raised UK interest rates by 25 basis points as expected. The Bank's nine-member monetary policy committee unanimously voted to increase the rate from 0.50% to 0.75%, in only the second time rates have been increased in the last decade. The UK's economy grew at a faster pace in the 3 months to June with data revealing second quarter GDP growth of 0.4%, up from 0.2% in the previous quarter. Despite this, the UK's manufacturing sector has been losing momentum as uncertainty persists around the UK's exit from the EU. The sector recorded a second quarter decline of 0.9% and is now in a 'technical' recession after two quarters of negative growth. European share markets experienced broad declines with the STOXX Europe 600 Index falling -2.1% during August on a total return basis. Further Brexit uncertainty and currency strength weighed on the UK FTSE 100 Index (-4.1%), while the German DAX (-3.5%) and French CAC 40 (-1.9%) also fell. Throughout August, European markets were affected by rising concerns over Turkey, especially given Eurozone bank exposures to Turkish debt.

Japan's economy returned to growth in the second quarter, having contracted by -0.2% in the first quarter of 2018. Preliminary numbers released in August revealed Japanese second quarter GDP growth of 0.5%, thus avoiding a technical recession. On an annualised basis the economy grew at 1.9%, outpacing the median GDP forecast of 1.4%. The turnaround in growth was driven by household consumption which rose by 2.8% on an annualised basis. The BOJ reiterated they expect to maintain low rates for an extended period, however, they provided more flexibility to their 0% target yield on 10-year Japanese bonds. In China, the official manufacturing Purchasing Manager's Index (PMI) unexpectedly rose to 51.3 in August from 51.2 in July. The PMI, which is a measure of manufacturing activity, had been forecast to dip to 51.0, however the rise suggests economic activity in China is still fairly resilient. Elsewhere, the South Korean government proposed the largest budget increase in a decade, calling for a 9.7% increase in total government spending for 2019. The Shanghai Composite (-5.3%) and Hang Seng (-2.4%) fell considerably, while Japan's Nikkei 225 Index gained a modest 1.4% on a total return basis.

## SECTOR CONTRIBUTION TO EXCESS GROSS RETURN – 1 MONTH (%)




## 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

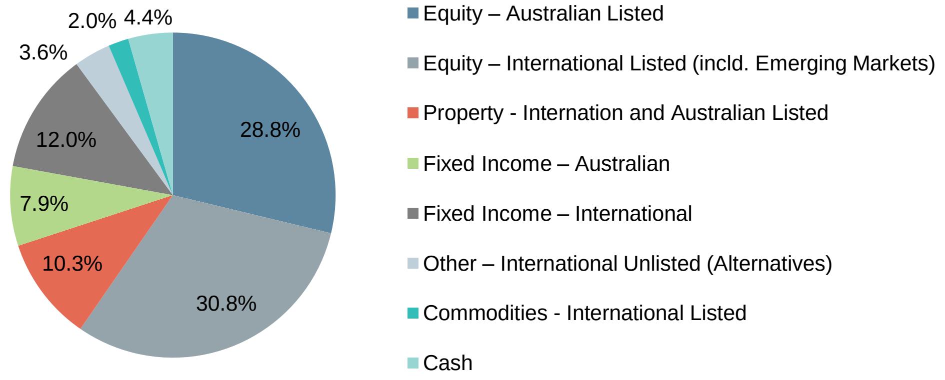
To provide moderate to high total returns (before fees and taxes) over the medium term from a combination of capital growth and income through a diversified mix of growth and defensive assets.

## KEY FEATURES

| | Wholesale | Retail |
|---|---|---|
| **Total assets (AUD millions)** | $3,511.46 | |
| **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] | 0.79% 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 | 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