ADVANCE ASSET MANAGEMENT

ADVANCE BALANCED MULTI-BLEND FUND

As at 28 February 2018

FUND PERFORMANCE*

	1 month (%)	3 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)	5 years (% pa)
Growth return	-0.58	0.15	-8.13	-5.03	-6.71	-0.93
Distribution return	0.00	0.56	18.64	15.94	12.11	8.40
Total return	-0.58	0.71	10.51	10.91	5.40	7.47

FUND UPDATE

The Advance Balanced Multi-Blend Fund returned a negative absolute return in February, a month where volatility veraciously returned to risk assets as US markets negatively reacted to what is now understood to have been a build-up of excessive positioning in short volatility exposures following a remarkably smooth year in 2017. Equities underperformed and defensive assets like bonds provided some diversification. Despite the sharp sell-off in equities at the start of the month, much of the underperformance was recovered over the course of the period however the Funds higher weight to equities drove much of the underperformance in absolute terms. Despite the months increased volatility the Funds manager investments outperformed their respective markets, continuing a consistent pattern of outperformance for over 12 months now.

MARKET COMMENTARY

Stock markets hit the skids in February, unnerved by a sharp rise in bond yields and volatility that resulted from what looked like good news for the US economy. Sparking the falls was news that average hourly earnings in the US rose by 2.9% for the 12 months to January, much higher than expected (and the fastest rate since 2009), which stoked fears of rising inflation. European and Asian markets followed their US counterparts lower in the first half of February. From mid-month, the markets rebounded, although most ended February in the red.

In Australia, the economy recorded its sixteenth consecutive month of employment gains, and seeing the unemployment rate ease to 5.5% in February. The Reserve Bank of Australia held the official cash rate steady at its board meeting in February. While we saw house prices in rise by 2.2% in the year to February, Sydney homes suffered their first annual fall in median value in five and a half years, down 0.5%. Perth and Darwin prices also declined over the 12 months, while Hobart prices surged 13.1%. Melbourne prices appreciated by 6.9%. The S&P/ASX 200 Accumulation index managed a 0.4% rise for February, despite losing 0.4% on a price-only basis.

The US economy produced another healthy month of job creation, 200,000 jobs were created in the non-farm sector in January, ahead of the market's median expectation of about 180,000 jobs. The US unemployment rate stayed at a 17-year low of 4.1%.

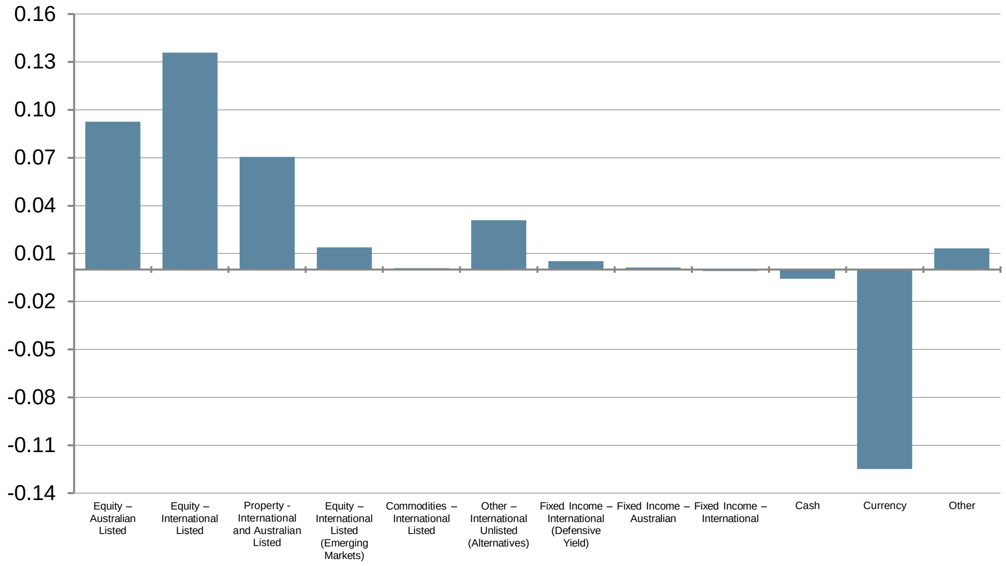
Throughout the Eurozone, February's data showed that the economy grew by 2.5% in 2017, mainly driven by strong performances from Germany, Spain and France. Germany added 22,000 new jobs in February, with the unemployment rate holding steady at 5.4%.

Both the Dow Jones and the broader S&P 500 had their worst month in two years. On a total return basis, the Dow Jones ended February down 4.0%, the S&P 500 index fell by 3.7% while the technology-heavy Nasdaq Composite Index fared slightly better, shedding 1.7% for the month.

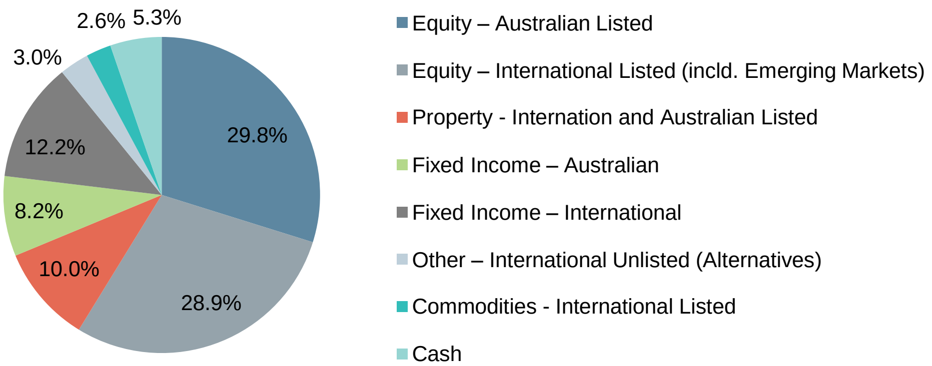
China reported an official February manufacturing purchasing managers' index (PMI) figure that hit a 19-month low of 50.3, while staying in expansion territory (a reading above 50 indicates expansion). Further good news for the Chinese economy came with its consumers spending more than ever during the Lunar New Year holiday. According to China's Ministry of Commerce, Chinese consumers spent US$146 billion ($188 billion) in the period, up 10.2% on a year ago.

Japan's February manufacturing PMI came in at a seasonally adjusted 54.1, down from January's 54.8, which was the strongest reading in almost four years. But job hiring rose at the fastest pace in 11 years, with employers optimistic on future demand.

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



ACTUAL ASSET ALLOCATION~



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)	$3,579.64	
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	$1500	$500
Entry fee[2]	Nil	4.10% maximum
Management costs[2,3]	0.79% pa[1,2]	1.94% pa
Buy/sell spread (%)[3]	0.20/0.20	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

ASSET ALLOCATION RANGES

Asset class	Investment manager	SAA ranges (%)
Equity – Australian	Bennelong, BT Investment Management, Celeste, OC Funds, Realindex, Schroders, Sigma, Solaris, Tribeca	9-49
Equity – International	AQR, Ardevora, Citi Transition Management, MFS, River & Mercantile, T.Rowe Price, TT International, Wellington,	9-49
Property – Australian and International Listed	BlackRock, Heitman, Phoenix, Principal	0-25
Fixed Income – Australian	AMP, BT Investment Management, Henderson	0-33
Fixed Income – International	BT Investment Management, Kapstream, Standish, Wellington	0-32
Other – Defensive Alternatives	AB Custom, RV Capital	9-54
Commodities – International Listed	Henderson	0-7
Cash	BT Investment Management, 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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