# ADVANCE BALANCED MULTI-BLEND FUND

As at 30 November 2018

## FUND RETURNS*

| | 1 month (%) | 3 months (%) | 1 year (%) | 2 years (% pa) | 3 years (% pa) | 5 years (% pa) |
|---|---|---|---|---|---|---|
| **Growth return** | (0.72) | (5.60) | (5.46) | (5.41) | (6.43) | (3.30) |
| **Distribution return** | 0.00 | 0.10 | 6.12 | 12.46 | 12.35 | 9.13 |
| **Total return** | (0.72) | (5.50) | 0.66 | 7.04 | 5.92 | 5.83 |

Inception date: 31 May 1998

## FUND UPDATE

The Advance Balanced Multi-Blend Fund produced a negative absolute return over the month of November, 12 month performance remains positive. International Equity markets dropped 1.8% in AUD terms partly due to the strengthening Australian Dollar, which appreciated c. 3% relative to its developed market counterparts. Australian equities declined 2.2%, resulting in negative performance for the asset class over the 12 month period. Fixed interest assets returned positively over the month despite increasing credit spreads on investment grade bonds. International Fixed Interest returned 0.5% with Australian Fixed Interest returning 0.2%. Defensive diversified funds outperformed higher growth funds due to lower allocations to equity markets.

## MARKET COMMENTARY

Australia's low unemployment rate of 5.0% was maintained throughout November, giving reason for the increasing of the RBA's inflation expectations. Reaching a three-year high, wage growth rose to 0.6% for the September quarter (2.3% annualised). However, this number was primarily driven by the Healthcare and Public Assistance (2.8%) and Training and Education (2.7%) sectors, whilst wage growth in Private sectors was significantly lower.

Construction activity fell by 2.8% over the September quarter which will drag on total GDP growth. In addition, private capital expenditure fell 0.5% in the quarter, weaker than expected, driven by a slump in mining investment amidst low energy prices. Nevertheless, there are positive signs – equipment investment grew 2.2% over the quarter and spending expectations for 2018-19 have improved, suggesting 8.7% annual growth in non-mining investment.

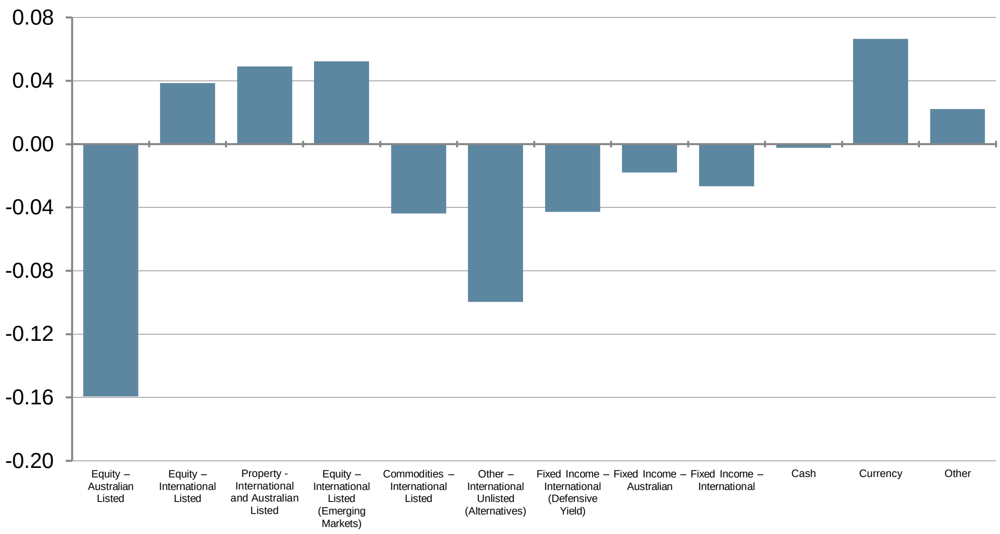
The Australian share market saw the S&P/ASX 200 Resources Accumulation Index was hit the hardest, losing 6.5% on the back of the fall in oil prices, while the S&P/ASX200 Accumulation Index lost 2.2% over the month.

In the US, uncertainty over the effects of the trade war on economic growth both in and outside of the US continued in November. At the end of the month, there was positive investor sentiment as Xi and Trump made some positive developments at the G20 Summit, however concerns remain. Towards the end of the month, Federal Reserve Chairman Powell made some comments suggesting a slower and more flexible approach to interest rate hikes through 2019, causing a more positive outlook from investors. Unemployment rose slightly in November, alongside a fall in consumer confidence from its 18-year high of 137.9 in October to 135.6 in November. The Dallas Fed Manufacturing index fell significantly to 17.6 in November from 29.4 the prior month, possibly due to the slump in oil prices. The US Purchasing Managers Index also suffered with the Markit Manufacturing PMI down from 55.7 to 55.4 and the Markit services PMI down from 54.8 to 54.4 over the month. However US equity performance was strong with the S&P 500 (+2.0%), the Dow Jones (+2.1%) and the NASDAQ (+0.5%) all up on a total return basis.

In Europe, consumer confidence in the Eurozone fell to its lowest since May 2017, from -2.7 in October to -3.9 in November. Concern over the effects of a 'no-deal' Brexit weighed on sentiment, as investors question the ability for the proposed deal to pass through UK parliament. Confidence was weighed further by market volatility, low inflation and subdued economic growth in Europe. On a brighter note, Italy's coalition announced plans to reduce their budget deficit to 2.0-2.2%, which is in line with the EU's rules, thus avoiding tension between the parties involved. However, GDP growth remains low in Italy amidst political risk, with PMI indicators below 50. Production indicators further suggest slowed growth across the Euro area, particularly with reduced vehicle production in Germany. The Eurozone Purchasing Managers Index fell 1% to 51.5 in November, while the Markit Eurozone Services Index fell by 0.6 points to 53.1. Both figures (above 50) suggests expansion, although slower compared to the previous month. Germany's IFO business survey reduced to 102 in November from 102.9 in October. Markets in Europe have continued to fall on the pack of poor economic data and concerns directly attributed to news out of the UK (Brexit) and Italy (Budget), with the STOXX Europe 600 Index losing 1.0% on a total return basis. This was driven by price falls in the CAC 40 (-1.8%), the FTSE 100 (-2.1%) and the DAX (-1.7%).

In Asia, despite the positive news at the end of the month as Xi and Trump met at the G20, fears remain over the effects of the trade conflict on China and other developing economies. China has organised fiscal stimulus for 2019 following GDP growth being below expectations in the September quarter. Japan suffered from contracted growth in the September quarter on the back of natural disasters, however indicators are expected to improve in 2019 as various infrastructure and construction projects get underway. The Nikkei manufacturing index fell from 52.9 in October to 51.8, suggesting slowed growth in activity. Furthermore, Japan's annualised CPI for October was 1.4%, below the 2% target which appears difficult to reach with oil prices falling. Asian equity markets improved relative to October with the Hang Seng Index up 6.1% and the Korea KOSPI up 3.3% on a price return basis, however the Shanghai Composite fell 0.6%. The Nikkei 225 Index also gained 2.0% on a total returns 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

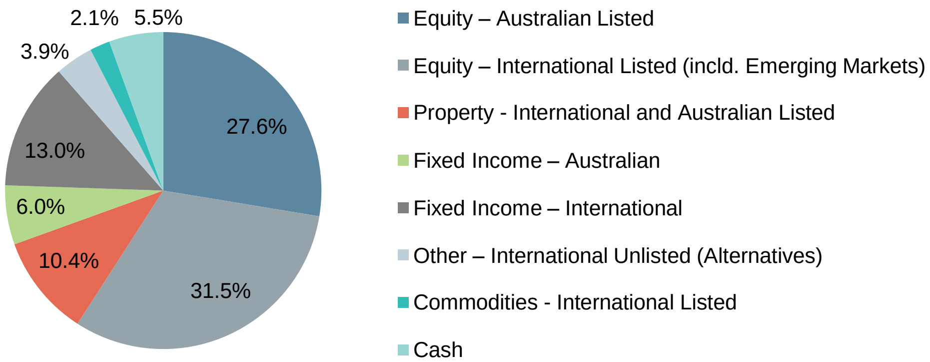
To provide moderate to high total returns (before fees and taxes) over the medium term from a combination of capital growth and income through a diversified mix of growth and defensive assets.

## KEY FEATURES

| | Wholesale | Retail |
|---|---|---|
| **Total assets (AUD millions)** | $3,251.46 | |
| **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 | Pendal, Celeste, OC Funds, Realindex, Schroders, 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, 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