

ADVANCE ASIAN SHARES MULTI-BLEND FUND

As at 31 March 2017

FUND PERFORMANCE*

	3 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)	5 years (% pa)
Growth return	7.88	20.68	(4.73)	6.33	7.03
Distribution return	-	1.41	8.97	7.01	4.54
Total return	7.88	22.09	4.24	13.34	11.58
Benchmark return¹	7.63	18.45	1.83	11.68	11.38

¹ MSCI AC Asia ex-Japan Index in AUD.

* 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 2004

FUND UPDATE

The Advance Asian Shares Multi Blend Fund surged 7.88% in the March quarter, outperforming the MSCI All Country Asia ex Japan Index. Underlying manager TT International was the primary driver of relative outperformance during the period, while Wellington performed roughly in line with the benchmark.

TT International's outperformance was driven by positive country and stock selection. At the country level, overweight positions across China and India helped the strategy. IT firm Hikvision was the biggest winner in China and held within the portfolio. Hikvision is the world's largest supplier of video surveillance products. It provides front-end cameras, back-end hardware such as digital video recorders and encoders, and back-end software such as video management software. China accounts for 75% of revenues, followed by ROW (13%), the EU (6%) and the US (6%). The company has generated a ROE in excess of 25% for the past 5 years and boasts superior margins than peers, largely due to its scale advantage.

Indian property developers Prestige and Oberoi also performed well over the quarter. The Indian government aim to stimulate the property market with recent widened tax incentives from ultra-low cost housing to middle income housing continues to support the industry. Additionally, housing affordability is improving as prices have flat lined in recent years while incomes have risen and mortgage rates have fallen.

At the sector level, the portfolio outperformed in Consumer Discretionary, IT, Financials and Real Estate. Chinese sofa manufacturer Man Wah led outperformance in the Consumer Discretionary sector.

Wellington's performance was impacted by stock selection which detracted from returns at the sector level, particularly in the Consumer Discretionary space where an overweight to Matahari Department Store was negative. Matahari faced a more challenging environment with increasing competition coming from department stores catering to lower-income and high-end consumers competing for the company's core middle income customers. As a result, Wellington trimmed their investment in Matahari over the quarter.

Other significant stock detractors included CEMEX Holdings Philippines, Semiconductor Manufacturing International Corp. (SMIC), and not owning Samsung Electronics. CEMEX Philippines is the third-largest cement producer in the Philippines. Shares of the company retreated over the quarter amid weaker-than-expected fourth-quarter results, a slower macroeconomic

outlook, and widening country risk premia. SMIC, the leading semiconductor foundry in China, declined over the quarter after a sharp rally in the prior quarter. Sentiment was hurt in Q1 after the company guided that first-half sales would likely be weaker than expected. Samsung Electronics outperformed in Q1 despite the implication of senior executives, including the apparent heir of the Samsung Group, in the bribery and political scandal that saw the Korean president impeached and removed from power.

ACTUAL ASSET ALLOCATION BY SECTOR

	Fund (%)	Benchmark (%)
Energy	1.35	4.38
Materials	3.79	4.67
Industrials	10.13	8.04
Consumer Discretionary	12.53	9.57
Consumer Staples	7.37	4.64
Health Care	1.55	2.24
Information Technology	31.41	28.38
Telecommunication Services	0.55	5.21
Utilities	1.06	3.36
Property Trusts	4.27	5.95
Financial-x-Property Trusts	22.19	23.58
Derivatives & Other	0.82	-
Cash	2.99	-
Total	100.00	100.00

ACTUAL ASSET ALLOCATION BY COUNTRY

	Fund (%)	Benchmark (%)
China	25.14	31.35
Hong Kong	11.38	12.12
India	17.85	10.32
Indonesia	4.65	2.93
Korea	14.70	17.56
Malaysia	1.06	2.85
Philippines	4.05	1.35
Singapore	0.61	4.59
Taiwan	12.34	14.30
Thailand	0.41	2.64
Cash, Currency, Derivatives & Other	7.82	-
Total	100.00	100.00

MARKET COMMENTARY

Major equity markets around the world continued to advance over the March quarter as broadly positive economic and corporate data, gradual interest rate normalisation in the US, and stabilising currencies all helped support positive investor sentiment. The strength of the Australian dollar however moderated investor returns, with the MSCI World ex Australia Index in AUD terms delivering a gain of 0.9%. Emerging markets outperformed developed markets thanks largely to the US dollar retreating despite the US Federal Reserve raising official interest rates by 25 basis points in March.

Asian ex Japan equity markets were particularly strong, outperforming broader global equities in the March quarter with the MSCI All Country Asia ex Japan Index rallying 7.6%. Within the region, India outperformed over the quarter as Prime Minister Modi's BJP party won a resounding victory in the nation's largest state, Uttar Pradesh (UP). The win was widely viewed as public support for the prime minister's reform and anti-corruption agenda. In China, a pick-up in manufacturing activity and sustained property market strength buoyed the market and added to the sentiment behind the global reflation trade which fed through to the continued outperformance of cyclicals over defensives and value over quality. Despite advancing over the quarter, the Philippines lagged the region as sentiment was checked by rising inflation and amid rising concerns over President Duterte's domestic policies.

TOP 10 HOLDINGS

	Fund (%)	Benchmark (%)
Alibaba Group Holding Ltd.	6.24	3.22
Taiwan Semiconductor Manufacturing Co., Ltd.	5.44	4.08
AIA Group Limited	4.61	2.02
Tencent Holdings Ltd.	4.58	4.33
Samsung Electronics Co., Ltd.	4.28	5.49
Techtronic Industries Co., Ltd.	2.04	0.15
China Pacific Insurance (Group) Co., Ltd.	2.03	0.25
LG Corp	1.80	0.16
HDFC Bank Limited	1.69	-
International Container Terminal Services, Inc.	1.54	0.02

INVESTMENT OBJECTIVE

To provide investors with a total return (before fees and taxes) that outperforms the benchmark over periods of five years or longer.

BENEFITS OF INVESTING IN THE FUND

The Advance Asian Shares Multi-Blend Fund is ideal for investors seeking to benefit from manager and strategy diversification through a multi-manager approach using Asian-based investment managers. A multi-manager structure is ideally suited to managing the higher market volatility and style-biased investment manager universe within the Asian region.

KEY FEATURES

	Wholesale	Retail	
Total assets (millions)	\$202.21		
Date established	May 2004	May 2004	Oct
Distribution frequency	Annually	Annually	
Minimum investment	\$5,000 (\$1,500 for Regular Savings Plan ¹)	\$1,500 (\$1,000 for Regular Savings Plan ¹)	\$5,000 Regu
Minimum withdrawal	\$1,500	\$500	
Withdrawal period	5 business days	5 business days	10 bus
Entry fee	Nil	4.10% maximum ²	
Ongoing fee	1.25% ²	2.20% ²	
Regular Savings Plan ¹	Yes	Yes	
Regular Withdrawal Plan ¹	Yes	Yes	
Distribution reinvestment	Yes	Yes	
Buy/sell spread (%)	0.45	0.45	
Exit fee	Nil	Nil	
¹ Please refer to the Product Disclosure Statement and Application Form.			
² Includes effect of GST (net of RITC).			

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ASSET MANAGEMENT

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