

ADVANCE AUSTRALIAN FIXED INTEREST MULTI-BLEND FUND

As at 30 September 2017

| FUND PERFORMANCE* | 3 months (%) | 1 year (%) | 2 years (%) | 3 years (%) | 5 years (%) |
|----------------------------|--------------|------------|-------------|-------------|-------------|
| Growth return | (0.52) | (3.32) | (1.04) | 0.23 | 0.07 |
| Distribution return | 0.38 | 2.59 | 3.41 | 3.34 | 3.78 |
| Total return | (0.14) | (0.73) | 2.36 | 3.57 | 3.85 |
| Benchmark return | (0.07) | (0.75) | 2.42 | 3.90 | 3.90 |

Benchmark: Bloomberg AusBond Composite 0+ Yr IndexSM

FUND UPDATE

The Australian Fixed Interest Multi-Blend Fund returned underperformed its benchmark the over the quarter.

Despite recording negative returns, the majority of the underlying managers in the fund were able to outperform the benchmark over the September quarter. Henderson and BTIM were notable standouts.

Henderson was a key contributor to the portfolio's excess returns with performance during the quarter attributable to a combination of value added from interest rate and sector strategies. The Henderson portfolio maintained a modest short duration stance which added value as yields rose, although this was partially negated by the under-performance of inflation indexed bonds, with break-even inflation rates drifting lower over the month. The Portfolio's overweight allocation to investment grade credit, primarily corporate debt, added value with the excess return from this sector largely reflecting the 'carry' associated with their yield advantage relative to government bonds.

BTIM also made a valuable contribution during the quarter with gains from the manager's yield curve strategy partly offset by its duration positioning. Yield curve strategies benefited from an Australian front end curve steepener adopted at the end of August. Meanwhile, BTIM's duration positions benefited from the long New Zealand front end position but was hurt by some small trades in the 3 and 10 year Australian maturities. The physical portfolio however outperformed the benchmark over the quarter. Both the government sector positioning and the non-government portion of the portfolio contributed positively to the outperformance. Positive performance came from infrastructure, utilities, industrials, domestic banks and supranational sector positioning.

Aberdeen was the key detractor in the portfolio during the quarter. A number of its macro trades detracted from overall performance. These included a NZ/AU widener trade and some long inflation linked bond positions which underperformed.

SUB SECTOR ALLOCATIONS[~]

| Sector | Fund (%) | Benchmark (%) |
|--------------------|---------------|---------------|
| Corporate | 18.02 | 9.22 |
| Government Related | 33.52 | 38.88 |
| Securitized | 6.67 | 0.68 |
| Treasury | 33.81 | 51.21 |
| Cash & Currency | 7.99 | 0.00 |
| Other | 0.00 | 0.00 |
| Total | 100.00 | 100.00 |

CREDIT AND MATURITY[~]

| Credit Quality | Fund (%) | Benchmark (%) |
|-------------------------|---------------|---------------|
| AAA | 45.46 | 73.80 |
| AA | 22.52 | 19.11 |
| A | 18.75 | 4.70 |
| BBB | 10.16 | 2.39 |
| BB | 0.00 | 0.00 |
| B | 0.00 | 0.00 |
| CCC and Lower | 0.00 | 0.00 |
| Not Rated / Derivatives | (5.72) | 0.00 |
| A-1+ | 0.83 | 0.00 |
| A-1 | 0.00 | 0.00 |
| A-2 | 0.00 | 0.00 |
| A-3 | 0.00 | 0.00 |
| Cash & Currency | 7.99 | 0.00 |
| Total | 100.00 | 100.00 |

| Years to Maturity | Fund (%) | Benchmark (%) |
|-------------------|---------------|---------------|
| 0-1 years | (6.17) | 6.26 |
| 1-3 years | 20.06 | 24.48 |
| 3-5 years | 33.19 | 21.32 |
| 5-7 years | 14.36 | 14.16 |
| 7-10yrs | 14.90 | 19.45 |
| 10yrs+ | 23.66 | 14.33 |
| Total | 100.00 | 100.00 |

| Effective Duration | Fund (Years) | Benchmark (Years) |
|--------------------|--------------|-------------------|
| <0yrs | (0.02) | 0.00 |
| 0-1 years | (0.12) | 0.03 |
| 1-3 years | 1.08 | 0.48 |
| 3-5 years | 0.91 | 1.00 |
| 5-7 years | 0.69 | 0.96 |
| 7-10yrs | 1.86 | 1.75 |
| 10yrs+ | 0.66 | 0.72 |
| Total | 5.06 | 4.95 |

MARKET COMMENTARY

Global government bond yields were buffeted by various news stories during July, however none was sufficient to drive a major movement in yields. Subsequently in August, yields generally moved lower against a backdrop of relatively benign economic data releases. The US set the tone for an upward movement in yields towards the end of September, as Federal Reserve Chair Janet Yellen said she was “wary of moving too gradually” on interest rates.

US 10-year Treasury bond yields ended the quarter at 2.33%, with comparable maturities in Germany and Japan ending at 0.46%, and 0.07% respectively.

Australian yields rose sharply in early July, amid market speculation related to discussion at the Reserve Bank of Australia board meeting regarding a ‘neutral’ setting for the cash rate. The rising trend in yields was reinforced over the course of August and September by the generally favourable tone of domestic economic data releases. The Australian Commonwealth 10-year bond yield ended the quarter at 2.84%, while its 2-year counterpart ended at 1.95%.

Credit markets remained resilient over the quarter, supportive factors included strength in oil prices, reassuring comments from central banks, US and European economic data printing to the upside and better-than-expected reporting sessions out of the US and Europe. However, geopolitical concerns around North Korea weighed on sentiment. Credit spreads broadly tightened over the quarter. Primary market activity remained buoyant with consistently oversubscribed bond deals demonstrating the demand for fixed income securities that are offering additional yield over government bonds. There were a diverse range of primary market issuers active over the quarter with a highlight being an inaugural \$2.25bn Australian dollar raising by US telecommunications company, Verizon.

INVESTMENT OBJECTIVE

To provide a source of income from Australian fixed interest exposure with a total investment return (before fees and taxes) that outperforms the benchmark over periods of three years or longer.

BENEFITS OF INVESTING IN THE FUND

The Australian Fixed Interest Multi-Blend Fund provides a source of income from Australian fixed interest exposure and enhanced performance through active management. This asset sector is generally not as volatile as sharemarkets, and is generally used by the more conservative investor or those with shorter investment timeframes. Managers are selected for their own investment style and process. 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.

KEY FEATURES

| | Wholesale | Retail |
|--------------------------------------|--|--|
| Total assets (AUD millions) | \$2,141.56 | |
| Date established | June 2004 | June 2004 |
| 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 | \$500 |
| Withdrawal period | 5 business days | 5 business days |
| Entry fee ² | Nil | 4.10% maximum |
| Management costs ^{2,3} | 0.55% pa | 1.75% pa |
| Regular Savings Plan ¹ | Yes | Yes |
| Regular Withdrawal Plan ¹ | Yes | Yes |
| Distribution reinvestment | Yes | Yes |
| Buy/sell spread (%) ³ | 0.05/0.05 | Nil |
| Exit fee | Nil | Nil |

¹ Refer to the Product Disclosure Statement for further information.

² Includes the effect of GST (net of RITC).

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).

* 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

~ Allocations may not equal 100% due to rounding.

† Where a negative number is shown, this may indicate the use of derivatives and physical securities to create short positions in the portfolio. Specifically, for the reporting of effective duration, negative numbers can also arise when security prices move in the same direction as interest rates where long positions are held in the portfolio.

Advance Asset Management, GPO Box B87, Perth WA 6838

Client Services 1800 819 935 Adviser Services 1300 361 864 Fax (02) 9274 5211

advance.com.au

ADVANCE
ASSET MANAGEMENT

The Fund is issued by Advance Asset Management Limited (Advance) ABN 98 002 538 329 AFSL No. 240902. This fact sheet contains general information only and does not take into account individual financial circumstances. Investors should consider the PDS and whether the Fund is appropriate to their circumstances, and seek professional advice before investing in the Fund. A Product Disclosure Statement (PDS) for the Fund is available at www.advance.com.au or via 1800 819 935 or from your financial adviser. Financial advisers, please call 1300 361 864. Past performance is not a reliable indicator of future performance. Performance figures are calculated using withdrawal values and assume that income is reinvested. Annual management fees and expenses have been taken into account; however, no allowance has been made for entry fees, tax or any rebates that may be given. Advance is a member of the Westpac Group, which includes Westpac Banking Corporation ABN 33 007 457 141 ("Westpac"). An investment in the Fund does not represent an investment in, deposit with or other liability of Westpac or any other member of the Westpac Group. It is subject to investment risk, including possible delays in repayment and loss of income and principal invested. Neither Westpac nor any other member of the Westpac Group stands behind or otherwise guarantees the capital value of an investment in a Fund or the performance of a Fund. AD10038J-0917sx