

ADVANCE AUSTRALIAN SMALLER COMPANIES MULTI-BLEND FUND

As at 31 March 2018

FUND PERFORMANCE*	3 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)	5 years (% pa)
Growth return	(0.36)	2.41	5.55	4.86	2.27
Distribution return	(0.00)	13.92	8.17	6.21	4.72
Total return	(0.36)	16.33	13.72	11.06	6.99
Benchmark return	(2.79)	14.99	14.33	10.67	6.45

Benchmark: S&P/ASX Small Ordinaries Accumulation Index.

FUND UPDATE

The Advance Australian Small Companies Multi-Blend Fund generated strong positive outperformance relative to the S&P/ASX Small Ordinaries Accumulation Index for the first quarter of 2018.

Strong stock selection by all of the Fund's underlying managers contributed to relative outperformance, with the main contributors being Celeste and OC.

Stock selection was the predominant driver of the overall Fund alpha for the quarter. Stock selection yielded particularly strong results in the Consumer Discretionary, Materials and Industrials sectors. Overweight positions in Consumer Discretionary names such as Reject Shop and Specialty Fashion Group contributed strongly over the period, while avoiding losers such as Invocare, Retail Food Group and Myer were particularly additive to relative performance. The Materials sector underperformed over the quarter and the Fund's underweight to the sector contributed positively to relative outperformance; the Fund has zero exposure to Pilbara Minerals and Syrah Resources, which both fell over -25% during the period.

The Fund's overweight to the Financials sector, which was the second worst performing small cap sector over the period, was a drag to relative performance, however, this was offset by strong stock selection within the sector. Energy and Healthcare outperformed the market over the period, so the Fund's underweight to both sectors detracted from relative performance. Weak stock selection decisions within those sectors was also a drag.

ACTUAL ASSET ALLOCATION BY SECTOR[~]

	Fund (%)	Benchmark (%)
Energy	4.31	7.43
Materials	10.61	19.46
Industrials	19.40	8.59
Consumer Discretionary	21.91	19.00
Consumer Staples	4.42	8.62
Health Care	5.40	6.99
Information Technology	6.82	8.16
Telecommunication Services	1.71	2.65
Utilities	0.86	0.52
Property Trusts	5.68	10.90
Financial-x-Property Trusts	13.75	7.68
Derivatives & Other	0.00	0.00
Cash	5.13	0.00
Total	100.00	100.00

MARKET COMMENTARY

Global equity markets ended the 2017 year with strong gains across the board and the trend looked to continue earlier on in the first quarter of 2018. However, market volatility spiked in the latter half of the quarter as markets became increasingly concerned about faster than expected inflationary pressures and potential trade wars between the US and China. The Australian equity market ended the quarter in the red, underperforming global equity markets, with the S&P/ASX 300 Accumulation Index recording a return of -3.78% for the period. Small caps performed marginally better than the broad cap index; the S&P/ASX Small Ordinaries Accumulation Index falling -2.79% for the quarter. Most sectors fell over the period; Healthcare, up +2.9%, was the strongest performing sector for the quarter supported by solid reporting results during February's earnings season, followed by Energy and Consumer Staples, which generated only modest positive returns of +1.2% and +0.3% respectively. Telecommunications and Utilities were the worst performing sectors over the period, down -10.3% and -10.0% respectively while the Financials sector underperformed as regulatory concerns weighted on the banking sectors. Materials tracked commodity prices lower, while stock specific factors hurt some energy companies.

TOP 10 HOLDINGS

	Fund (%)	Benchmark (%)
Steadfast Group Ltd. (Australia)	2.73	1.11
Reliance Worldwide Corp. Ltd.	2.61	1.19
Cleanaway Waste Management Ltd.	2.56	0.00
IMF Bentham Limited	2.28	0.26
RCR Tomlinson Ltd	2.19	0.36
Ama Group Limited	2.13	0.24
Eclipx Group Ltd.	1.78	0.64
Bapcor Ltd.	1.78	0.87
SpeedCast International Ltd.	1.71	0.67
Reece Limited	1.64	0.00

INVESTMENT OBJECTIVES

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

BENEFITS OF INVESTING IN THE FUND

The Australian Smaller Companies Multi-Blend Fund offers a compelling alternative to most Australian share funds by investing in smaller companies. Simply due to their small size they may often grow more rapidly than larger, more mature companies. Smaller companies are often less bureaucratic and more flexible and can therefore respond more quickly to changes in market trends. Australian smaller companies funds may provide diversification benefits and add to the overall long-term returns by boosting your exposure to companies with potentially higher growth rates. 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)	\$173.43	
Date established	December 2004	March 2005
Distribution frequency	Half Yearly	Half Yearly
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}	1.18% pa	2.15% pa
Regular Savings Plan ¹	Yes	Yes
Regular Withdrawal Plan ¹	Yes	Yes
Distribution reinvestment	Yes	Yes
Buy/sell spread (%) ³	0.30/0.30	0.30/0.30
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.

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ASSET MANAGEMENT

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