

ADVANCE AUSTRALIAN SMALLER COMPANIES MULTI-BLEND FUND

As at 30 September 2018

FUND PERFORMANCE*

	3 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)	5 years (% pa)
Growth return	0.85	0.37	(1.51)	5.33	1.79
Distribution return	(0.00)	15.84	11.27	8.82	6.09
Total return	0.85	16.21	9.76	14.15	7.88
Benchmark return	1.10	20.32	11.31	16.97	8.75

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

FUND UPDATE

The Advance Australian Small Companies Multi-Blend Fund underperformed relative to the S&P/ASX Small Ordinaries Accumulation Index over the third quarter of 2018.

OC was the best performing manager this quarter. This was driven mainly by an underweight allocation to the Materials sector, which was the worst performing sector over the quarter. Good stock selection decisions within the Materials sector, including holdings in Ausdrill and Mineral Resources was also additive to their relative performance outcome. Tribeca also contributed positive to the Fund over the period, with their gold overweight positions such as Aurelia Metals up over +16% continued its positive run as it was added to the small cap index in September. Sigma and Celeste both generated negative returns over the quarter, detracting from relative performance.

At the portfolio level, the Materials position contributed positively to performance. The Fund's overall underweight allocation to the weakest performing sector combined with strong stock selection within the sector contributed positively to the Fund's relative performance outcome. Materials companies Sims Metal, Aurelia Metals and Sandfire Resources were the largest positive contributors. The Consumer Discretionary (overweight) and Consumer Staples (underweight) position were the next contributors to relative performance, further boosted by strong stock selection. At a stock level, an overweight to Baby Bunting Group (+61.8%) and an underweight to Costa Group (-12.5%) were beneficial.

Health Care was a strong performing sector over the September quarter, so the Fund's underweight exposure to the sector detracted from relative performance. This was further compounded by poor stock selection, specifically an underweight to Mayne Pharma Group which was up almost +50% over the quarter. An overweight holding in Industrials stock, RCR Tomlinson, was also a drag given it fell over -50% over the three months to September.

ACTUAL ASSET ALLOCATION BY SECTOR~

	Fund (%)	Benchmark (%)
Energy	4.58	8.35
Materials	10.89	16.92
Industrials	15.17	7.78
Consumer Discretionary	19.37	13.40
Consumer Staples	4.08	8.41
Health Care	3.50	6.77
Information Technology	8.41	10.71
Telecommunication Services	10.50	8.66
Utilities	1.03	0.46
Property Trusts	5.75	10.11
Financial-x-Property Trusts	11.15	8.44
Derivatives & Other	0.00	0.00
Cash	5.59	0.00
Total	100.00	100.00

MARKET COMMENTARY

After a period of strong performance, the Australian equities market showed some signs of weakness during the September quarter. The S&P/ASX 300 Accumulation Index ended the period up +1.5% (vs. +8.36% in the June quarter), underperforming global equities, with the MSCI World ex-Australia (Net Dividends) Index ended up +7.35% in AUD terms. Small caps were weaker than their larger counterparts over the period and by the end of September, the S&P/ASX Small Ordinaries Index ended up a modest +1.1% for the quarter.

The corporate reporting period in August was a relatively muted affair. Although many companies met investor expectations, there were more disappointments this quarter and the season ended with a modest downward revision of -1.9%. Intra-day volatility within the market spiked on the day of reporting season, likely a result of increasing quant and algorithmic trading activities.

Most sectors within the small cap universe generated positive returns over the quarter; the Energy sector (+19.8%) was the standout performer, led by Beach Energy (+22.6%) and Worleyparsons (+17.7%). This was followed by the IT sector (+16.9%) for the period, with almost half the companies in the Software & Services subsector posting double digit returns over the three months, the most notable being Afterpay which almost doubled in price, up +92% for three months. Materials was the greatest laggard for the quarter, down -15.7%. "

TOP 10 HOLDINGS

	Fund (%)	Benchmark (%)
IMF Bentham Limited	2.59	0.27
oOh!media Ltd.	2.31	0.62
Steadfast Group Ltd. (Australia)	2.12	1.15
Seven Group Holdings Limited	1.98	1.28
HT&E Limited	1.87	0.40
Reece Limited	1.83	0.00
Reliance Worldwide Corp. Ltd.	1.77	0.00
Bapcor Ltd.	1.76	1.07
Baby Bunting Group Ltd.	1.73	0.00
Mineral Resources Limited	1.67	1.29

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)	\$157.32	
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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