

ADVANCE INTERNATIONAL SHARES MULTI-BLEND FUND

As at 30 June 2018

FUND PERFORMANCE*

	3 months (%)	1 year (%)	2 years (% pa)	3 years (% pa)	5 years (% pa)
Growth return	(2.02)	6.74	(6.40)	(13.24)	(3.20)
Distribution return	6.66	8.61	22.86	23.13	17.76
Total return	4.64	15.35	16.45	9.89	14.56
Benchmark return	5.53	15.39	15.06	9.95	14.91

Inception date: 30 September 1998

Benchmark: MSCI World Ex Australia (Standard) Index (Net Dividends) in Australian dollars

FUND UPDATE

The Advance International Shares Multi-Blend Fund underperformed the MSCI World Ex-Australia index for the second quarter of 2018.

At the underlying fund manager level the results were mixed with T.Rowe Price delivering strong returns followed by Ardevora. AQR, MFS and River and Mercantile underperformed over the quarter. Common themes among these managers is a focus on valuation in light of continued outperformance in the US and in particular the Technology sector.

The key positive contributors were strong stock selection in Germany and an underweight country allocation to Japan. A slight overweight to Italy combined with strong stock selection also contributed positively to returns. From a sector perspective, a positive contribution came from a significant underweight to financials which performed poorly over the quarter. At an individual stock level the returns are diversified with no individual stock contributing more than 10 basis points. The largest contributors were Canada Goose Holdings, Twitter and Largan Precision.

The largest detractor for the portfolio was the underweight position to the United States which hurt from a currency perspective. In a market backdrop of escalating geopolitical tensions, the United States has received capital inflows. A slight overweight allocation to Brazil hurt the portfolio as investors shied away from emerging markets. Conversely the underweight to the United Kingdom detracted from performance which was further hurt by poor stock selection. On a sector basis the clear detractor to performance was the Information Technology holdings largely driven by poor stock selection. The Information Technology position is further highlighted in the stock level attribution as underweights in Apple, Amazon and Microsoft detracted from performance.

ACTUAL ASSET
ALLOCATION BY
SECTOR⁻

	Fund (%)	Benchmark (%)
Energy	4.02	6.80
Materials	4.44	4.58
Industrials	10.50	11.35
Consumer Discretionary	12.09	12.97
Consumer Staples	5.81	8.29
Health Care	11.40	12.24
Information Technology	19.14	18.98
Telecommunication Services	0.24	2.65
Utilities	1.17	3.03
Property Trusts	1.17	2.93
Financial-x-Property Trusts	9.60	16.19
Derivatives & Other	18.70	0.00
Cash	1.71	0.00
Total	100.00	100.00

ACTUAL ASSET
ALLOCATION BY
REGION⁻

	Fund (%)	Benchmark (%)
North America	58.82	65.79
United Kingdom	5.66	6.61
Developed Europe ex UK	18.53	16.70
Developed Asia (ex Aus & Jap)	1.75	1.88
Japan	6.73	8.83
Australia	0.72	0.00
Middle East & Africa	0.54	0.19
Emerging Europe	0.07	0.00
Latin & South America	1.19	0.00
Emerging Asia	4.19	0.00
Cash, Currency & Other	1.82	0.00
Total	100.00	100.00

MARKET COMMENTARY

The June quarter was a turbulent period with escalating geopolitical and trade war tensions weighing heavily on investor sentiment. A positive end to the US-North Korea Summit in Singapore provided some relief for the markets early on in the quarter, however, the positive sentiment was short lived with threats of retaliatory tariffs in response to Trump's trade policy moves with its major trading partners. The negative sentiment in the market saw global equity returns fall over the quarter in USD terms; Australian investors, however, benefitted from a weakening currency and the MSCI World ex-Australia (Net Dividends) Index ended up +5.53% in AUD terms. Compared to equities, commodity markets showed greater resilience in the face of rising geopolitical pressures with crude oil prices rising above US\$80, the highest levels since 2014.

Strong labour market data supported equity returns in the US, despite the trade tensions and a 25bps cash rate hike by the US Fed. Mirroring the hawkish tone of the Fed, President Draghi in Europe provide further guidance about the ECB's intention to reduce monetary stimulus with a goal to conclude its 3-year bond purchase program by December 2018. Asian markets struggled to perform against the pressure of trade concerns, with ASEAN markets among the weakest. Emerging markets equities recorded a sharp fall in Q2 with US dollar strength a significant headwind.

On a sector basis, the Energy sector was the largest gainer over the quarter, up nearly +17% for the three months to June, supported by higher oil prices. Growth was again supported this quarter and as a result, IT and Consumer Discretionary stocks outperformed the broader market. The Financials sector was the only sector to end lower over the period.

TOP 10 HOLDINGS

	Fund (%)	Benchmark (%)
Facebook, Inc.	1.20	1.19
Amazon.com, Inc.	1.07	1.79
Alphabet Inc.	0.95	1.77
Visa Inc.	0.90	0.61
Microsoft Corporation	0.85	1.85
Apple Inc.	0.82	2.41
JPMorgan Chase & Co.	0.69	0.92
Thermo Fisher Scientific Inc.	0.66	0.21
Accenture plc	0.62	0.26
Nestle S.A.	0.60	0.62

INVESTMENT OBJECTIVE

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

BENEFITS OF INVESTING IN THE FUND

The International Shares Multi-Blend Fund gives you the opportunity to participate in the performance of world markets outside of Australia. International shares provide the potential for capital growth and some income over time. Diversifying a portfolio beyond the Australian sharemarket may help reduce risk and improve returns. 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)	\$1,871.35	
Date established	September 1998	July 1994
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}	1.10% pa	2.10% pa
Regular Savings Plan ¹	Yes	Yes
Regular Withdrawal Plan ¹	Yes	Yes
Distribution reinvestment	Yes	Yes
Buy/sell spread (%) ³	0.20/0.20	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.

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ADVANCE
ASSET MANAGEMENT

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