

ADVANCE PROPERTY SECURITIES 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	(5.62)	(9.22)	(7.80)	(6.14)	1.77
Distribution return	0.70	12.24	11.48	9.58	6.76
Total return	(4.93)	3.02	3.68	3.45	8.53
Benchmark return	(5.49)	1.05	2.84	3.09	8.16

Inception date: 30 June 2004
Benchmark: 25% S&P/ASX 300 Property Accumulation Index/ 75% FTSE EPRA/NAREIT Developed Index Hedged in AUD Net TRI

FUND UPDATE

The Advance Property Securities Multi-Blend Fund outperformed its benchmark over the quarter. All of the underlying Global REITs managers contributed positively to the Fund's relative outperformance with Principal adding the most. Phoenix, the Fund's specialist A-REITs manager underperformed over the period and detracted from the Fund's relative performance.

The Fund's relative outperformance over the period was attributed to positive stock selection, sector and country allocation decisions. Strong stock selection in the Diversified REITs sector was a key driver of relative outperformance this quarter. The underweight exposure to Diversified REITs was also beneficial, given the sector marginally underperformed the benchmark. REITs in the US fell further than the benchmark this quarter, so the Fund's underweight exposure to the region contributed positively to relative performance. Stock selection made a particularly strong contribution to the Fund's relative performance outcome over the period with US stocks such as Ventas, Kimco Realty Corp. and Extra Space Storage being some of the largest active contributors.

Small underweight positions to the Industrial and Office REITs, and Diversified Real Estate Activities sectors detracted from performance but was not enough to offset the positive effects of stock selection within the sectors. From a country perspective, an underweight to Hong Kong, which outperformed the Index over the period also detracted. Macquarie Atlas Roads Group, one of the Fund's largest active stock positions held in the Phoenix active portfolio was a major detractor from the Fund's relative performance over the quarter.

ACTUAL ASSET ALLOCATION BY SECTOR⁻

	Fund (%)	Benchmark (%)
Diversified REITs	15.73	17.31
Industrial REITs	7.95	9.00
Mortgage REITs	0.00	0.00
Office REITs	7.86	9.53
Residential REITs	9.38	7.86
Retail REITs	23.60	26.33
Specialized REITs	6.82	5.60
Diversified Real Estate Activities	6.72	6.82
Real Estate Operating Companies	7.34	7.50
Real Estate Development	3.02	1.84
Real Estate Services	0.00	0.02
Derivatives & Other	11.05	8.19
Cash & Currency	0.54	0.00
Total	100.00	100.00

Where a negative number is shown, this indicates the underlying investment managers have used derivatives to create the strategy rather than physical bonds.

ACTUAL ASSET ALLOCATION BY REGION⁻

	Fund (%)	Benchmark (%)
North America	37.64	40.06
United Kingdom	3.78	4.06
Developed Europe ex UK	10.58	9.99
Developed Asia (ex Aus & Jap)	6.93	8.42
Japan	8.57	8.32
Australia	31.29	29.07
Middle East & Africa	0.00	0.08
Emerging Europe	0.00	0.00
Latin & South America	0.16	0.00
Emerging Asia	0.50	0.00
Cash, Currency & Other	0.54	0.00
Total	100.00	100.00

MARKET COMMENTARY

Financial markets experienced unusually low levels of volatility throughout 2017, but the same could not be said for the first quarter of 2018. Positive investor sentiment spurred on by improvements in major economies across the global and higher global growth forecasts supported strong market returns in Q4 and it seemed that the positive momentum was carried over through the first half of the March quarter with markets off to a strong start. Major central bank moves to lift interest rates caused investors to sell out interest rate sensitive assets, including property securities, causing a large performance gap between property stocks and general equities to start the first quarter. However, as Trump announced his intention to introduce tariffs to which China responded with its own, optimism in the markets waned, pushing up volatility and a flight to safety. By end of the quarter, REITs had strongly outperformed the broader market with the FTSE EPRA/NAREIT Developed Hedged Index up +2.4% in AUD terms for the quarter, compared to the MSCI World ex-Australia Index (in AUD) which was up only +0.8% over the same period.

TOP 10 HOLDINGS

	Fund (%)	Benchmark (%)
Scentre Group Limited	5.45	5.23
Westfield Corp.	4.47	4.21
Simon Property Group, Inc.	2.71	2.54
GPT Group	2.65	2.20
Goodman Group	2.32	3.54
Vicinity Centres	2.17	2.00
AvalonBay Communities, Inc.	2.07	1.20
Mirvac Group	1.96	2.06
Deutsche Wohnen SE	1.93	0.88
Mitsui Fudosan Co., Ltd.	1.70	1.22

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 Property Securities Multi-Blend Fund is a simple way to invest in the property market without tying up your money directly in real estate. You can participate in all sectors of the property market including office, hotels, retail, residential and industrial property. Listed property securities may provide a growing income stream with some tax advantages, due to depreciation and other allowances, as well as a capital growth over time. 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)	\$2,259.12	
Date established	April 2004	April 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	1500	500
Withdrawal period	5 business days	5 business days
Entry fee ²	Nil	4.10% maximum
Management costs ^{2,3}	0.85% pa	1.97% 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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ADVANCE
ASSET MANAGEMENT

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