

ADVANCE PROPERTY SECURITIES 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	1.00	4.43	(3.12)	(1.06)	2.59
Distribution return	0.00	4.64	8.60	9.14	7.44
Total return	1.00	9.07	5.48	8.09	10.03
Benchmark return	0.74	7.62	4.31	8.08	9.78

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. Both Phoenix's Benchmark Aware and Unware strategies contributed positively to the Fund's relative performance. The underlying Global REITs managers, Principal and Blackrock contributed to the Fund's performance whilst Heitman detracted.

From a total portfolio level, an overweight allocation to Australia contributed significantly to relative performance although this was marginally offset by negative stock selection. Overweight holdings to Mirvac, Charter Hall and Dexus, which all outperformed, were significant positive contributors. The overweight exposure to Diversified REITs, whilst an underweight to Specialised REITs were positive and further aided by strong stock selection within both sectors during the quarter. US data centre stock, CyrusOne, rose over +11% over the period, so the Fund's overweight exposure to the name contributed positively.

The largest contributor to the Fund's underperformance was an exposure to Singapore. Despite the Fund's underweight exposure to the region, stock selection in Singapore detracted from relative performance. The Fund's overweight allocation to City Developments in Singapore was the largest detractor in the region, down almost -15% over the quarter. From a sector perspective, an overweight to Retail REITs, was the largest detractor to relative performance. Scentre Group and Unibail-Rodamco-Westfield were both down over the quarter, so the Fund's overweight to both names negatively impacted relative performance.

ACTUAL ASSET ALLOCATION BY SECTOR⁻

	Fund (%)	Benchmark (%)
Diversified REITs	12.36	14.53
Industrial REITs	8.30	10.06
Mortgage REITs	0.00	0.00
Office REITs	10.44	12.53
Residential REITs	9.94	8.44
Retail REITs	22.13	24.46
Specialized REITs	6.94	6.09
Diversified Real Estate Activities	6.10	6.17
Real Estate Operating Companies	7.57	7.64
Real Estate Development	2.75	1.32
Real Estate Services	0.00	0.00
Derivatives & Other	12.10	8.75
Cash & Currency	1.37	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	39.82	42.08
United Kingdom	3.58	3.63
Developed Europe ex UK	12.10	11.96
Developed Asia (ex Aus & Jap)	6.79	7.62
Japan	7.97	8.19
Australia	27.77	26.42
Middle East & Africa	0.00	0.10
Emerging Europe	0.00	0.00
Latin & South America	0.16	0.00
Emerging Asia	0.44	0.00
Cash, Currency & Other	1.37	0.00
Total	100.00	100.00

MARKET COMMENTARY

After three consecutive positive months, global equities ended the third quarter strongly with the MSCI World ex-Australia (Net Dividends) Index ended up +7.35% in AUD terms. Developed markets outperformed this quarter, with Asian markets struggling in particular. This saw the MSCI All Country World ex-Australia (Net Dividends) Index slightly lagging the developed market, but still up +6.48% over the period. While REITs outperformed the broader global equities market in Q2 of this year, the tides reversed in the September quarter and the FTSE EPRA/NAREIT Developed Net TRI Hedged AUD rose only +0.31%. Domestic REITs were stronger than their global counterparts, with the S&P/ASX 300 AREIT Accumulation Index up +1.98% over the period.

The divergence between the US and rest-of-world equity performance has widened substantially over the year, and that behaviour was mirrored in real estate securities markets. Despite the 20bps rise in 10 year US treasury yields and escalating trade tensions, strong corporate earnings announcements and improvements in the economic environment saw the North America region outperforming both Asia-Pacific and European real estate markets. Property stocks in Europe were weak over the period, given failed Brexit negotiation affecting larger cyclical sectors with exposure to London office and retail.

TOP 10 HOLDINGS

	Fund (%)	Benchmark (%)
Scentre Group Limited	5.36	5.21
Unibail-Rodamco-Westfield	3.43	3.48
Simon Property Group, Inc.	3.16	2.77
Vicinity Centres	2.83	2.09
GPT Group	2.76	2.32
Prologis, Inc.	2.74	2.16
AvalonBay Communities, Inc.	2.46	1.27
Goodman Group	2.19	4.18
Mirvac Group	1.98	2.22
Dexus	1.96	2.65

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)	\$2,403.45	
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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