

Advance Alternative Strategies Multi-Blend Fund

ARSN 151 294 647

Annual report - for the period from 24 May 2011 to 30 June 2011

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These financial statements cover Advance Alternative Strategies Multi-Blend Fund as an individual entity and the consolidated entity consisting of Advance Alternative Strategies Multi-Blend Fund and its subsidiary.

The Responsible Entity of Advance Alternative Strategies Multi-Blend Fund is Advance Asset Management Limited (ABN 98 002 538 329). The Responsible Entity's registered office is Level 20, 275 Kent Street, Sydney, NSW 2000.

Directors' report

The directors of Advance Asset Management Limited, the Responsible Entity of Advance Alternative Strategies Multi-Blend Fund, present their report together with the financial statements of Advance Alternative Strategies Multi-Blend Fund ("the Fund") and the consolidated financial statements of the Fund and its subsidiary (collectively, "the consolidated entity") for the period from 24 May 2011 to 30 June 2011.

Principal activities

The consolidated entity obtains exposure to the investment manager Ramius LLC through an investment in FDRCO Ltd, which is the Fund's subsidiary. The consolidated entity invests in offshore hedge funds, corporate bonds and derivative financial instruments.

The consolidated entity did not have any employees during the period.

There were no significant changes in the nature of the consolidated entity's activities during the period.

The Fund was constituted on 24 May 2011. The first application occurred on 25 May 2011.

The Fund was registered as a managed investment scheme by the Australian Securities and Investments Commission on 17 June 2011.

Directors

The following persons held office as directors of Advance Asset Management Limited during the period or since the end of the period and up to the date of this report:

J Shuttleworth (appointed 25 February 2009)
D Lees (appointed 7 July 2010)
L Ralph (appointed 21 February 2011)
D Plumb (appointed 1 March 2011)
R Davies (appointed 1 March 2011)

Review and results of operations

During the period, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The performance of the Fund, as represented by the results of its operations, was as follows:

	Consolidated Period from 24 May 2011 to 30 June 2011	Parent Period from 24 May 2011 to 30 June 2011
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<u>(185)</u>	<u>(185)</u>
<i>Distributions</i>		
Distribution paid and payable (\$'000)	<u>-</u>	<u>-</u>
Distribution (cents per unit)	<u>-</u>	<u>-</u>

Directors' report (continued)

The table below demonstrates the performance of the Fund as represented by the total return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for the period from 24 May 2011 to 30 June 2011 and assumes that all distributions were re-invested during that period. These are calculated in accordance with FSC Standard 6.0 Product Performance - calculation and presentation of returns.

	Parent Period from 24 May 2011 to 30 June 2011 %
Capital growth	(0.53)
Distribution of income	<u>-</u>
Total return	<u>(0.53)</u>

Consistent with our statements in the governing documents of the Fund, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

Unit redemption prices

Unit redemption prices (quoted cum-distribution) are shown as follows:

	Parent Period from 24 May 2011 to 30 June 2011 \$
At 30 June	<u>0.9947</u>
High during period	<u>0.9974</u>
Low during period	<u>0.9913</u>

The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	Parent 30 June 2011 \$'000
Net assets for unit pricing purposes	407,419
Difference between net market value (for unit pricing) and fair value (for financial statements) of financial assets held at fair value through profit or loss	446
Effect of classification of net assets attributable to unitholders as liabilities	<u>(407,865)</u>
Net assets under Australian Accounting Standards	<u>-</u>

Directors' report (continued)

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial period.

Matters subsequent to the end of the financial period

Apart from the matter disclosed in note 14 to the financial statements relating to market volatility, no other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial periods, or
- (ii) the results of those operations in future financial periods, or
- (iii) the state of affairs of the Fund in future financial periods.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Indemnity and insurance of officers

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to the officers of the Responsible Entity.

Indemnity of auditors

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in note 10 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the period.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 10 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in note 7 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the balance sheets and derived using the basis set out in note 2 to the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Directors' report (continued)

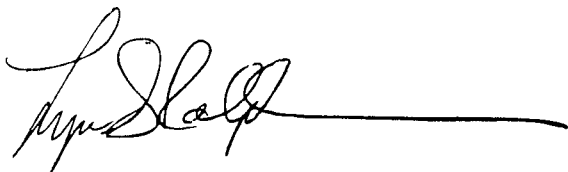
Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of the directors.



Director



Director

Sydney
19 September 2011



Auditor's independence declaration

As lead auditor for the audit of Advance Alternative Strategies Multi-Blend Fund for the period ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Advance Alternative Strategies Multi-Blend Fund and the entity it controlled during the period.

A handwritten signature in black ink, appearing to read 'ck', followed by a period.

Claire Keating
Partner
PricewaterhouseCoopers

Sydney
19 September 2011

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Statements of comprehensive income

		Consolidated	Parent
		Period from 24 May 2011 to 30 June 2011 \$'000	Period from 24 May 2011 to 30 June 2011 \$'000
	Notes		
Investment income			
Interest income	4	161	26
Net gains/(losses) on financial instruments held at fair value through profit or loss	6	<u>147</u>	<u>81</u>
Total net investment income/(loss)		<u>308</u>	<u>107</u>
Expenses			
Responsible entity's fees	10	292	292
Transaction costs		10	-
Other operating expenses	5	<u>191</u>	<u>-</u>
Total operating expenses		<u>493</u>	<u>292</u>
Operating profit/(loss)		<u>(185)</u>	<u>(185)</u>
Finance costs attributable to unitholders			
(Increase)/decrease in net assets attributable to unitholders of the parent entity	7	<u>185</u>	<u>185</u>
Profit/(loss) for the period		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>-</u>	<u>-</u>

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Balance sheets

	Notes	As at Consolidated 30 June 2011 \$'000	As at Parent 30 June 2011 \$'000
Assets			
Cash and cash equivalents	8	28	28
Due from brokers - receivable for units not yet allocated		100,000	100,000
Due from brokers - receivable for securities sold		308,081	308,081
Receivables		<u>3</u>	<u>3</u>
Total assets		<u>408,112</u>	<u>408,112</u>
Liabilities			
Payables		<u>247</u>	<u>247</u>
Total liabilities (excluding net assets attributable to unitholders of the parent entity)		<u>247</u>	<u>247</u>
Net assets attributable to unitholders of the parent entity - liability	7	<u>407,865</u>	<u>407,865</u>

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity

	Consolidated	Parent
	Period from 24 May 2011 to 30 June 2011 \$'000	Period from 24 May 2011 to 30 June 2011 \$'000
Total equity at the beginning of the financial period	-	-
Profit/(loss) for the period	-	-
Other comprehensive income	-	-
Total comprehensive income	<u>-</u>	<u>-</u>
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial period	<u>-</u>	<u>-</u>

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the period.

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows

	Consolidated	Parent	
	Period from 24 May 2011 to 30 June 2011	Period from 24 May 2011 to 30 June 2011	
	\$'000	\$'000	
Notes			
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss	5,686	-	
Purchase of financial instruments held at fair value through profit or loss	(393,513)	(408,000)	
Transaction costs on financial instruments held at fair value through profit or loss	(10)	-	
Interest received	161	26	
Other income received	(3)	(3)	
Responsible Entity's fees received/(paid)	(45)	(45)	
Other expenses	(52)	-	
Net cash inflow/(outflow) from operating activities	<u>13(a) (387,776)</u>	<u>(408,022)</u>	
Cash flows from investing activities			
Net cash outflow from loss of control of subsidiary	<u>(20,246)</u>	-	
Net cash inflow/(outflow) from investing activities	<u>(20,246)</u>	-	
Cash flows from financing activities			
Proceeds from applications by unitholders	<u>408,050</u>	<u>408,050</u>	
Net cash inflow/(outflow) from financing activities	<u>408,050</u>	<u>408,050</u>	
Net increase/(decrease) in cash and cash equivalents	28	28	
Cash and cash equivalents at the beginning of the period	-	-	
Cash and cash equivalents at the end of the period	<u>8 28</u>	<u>28</u>	

The above statements of cash flows should be read in conjunction with the accompanying notes.

1 General information

This financial report includes separate financial statements for Advance Alternative Strategies Multi-Blend Fund ("the Fund") as an individual entity and the consolidated entity consisting of Advance Alternative Strategies Multi-Blend Fund and its subsidiary, FDRCO Ltd. The consolidated entity obtains exposure to the investment manager Ramius LLC through an investment in FDRCO Ltd, which is the Fund's subsidiary. The subsidiary was incorporated in the Cayman Islands. The Fund's investment in FDRCO Ltd was sold on 30 June 2011. As at the year end the Fund had no holdings in the subsidiary.

The Fund was constituted on 24 May 2011.

The Responsible Entity of the Fund is Advance Asset Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 20, 275 Kent Street, Sydney, NSW 2000. The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the directors on 19 September 2011. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* in Australia.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Compliance with International Financial Reporting Standards

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Advance Alternative Strategies Multi-Blend Fund ("the parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Advance Alternative Strategies Multi-Blend Fund and its subsidiary together are referred to in these financial statements as the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Fund has the power to govern the financial and operating policies, generally accompanying a unitholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Fund. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for obtaining control of subsidiaries by the Fund.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Fund.

Non-controlling interests in the results and net assets of subsidiaries are shown separately in the consolidated statements of comprehensive income and balance sheets respectively.

Investments in subsidiaries are accounted for at fair value through profit or loss in the separate financial statements of the parent entity.

2 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

The Fund acquires units in subsidiaries at their unit price which reflects the fair value of the units in the subsidiary.

(ii) Changes in ownership interests

The consolidated entity treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the consolidated entity. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in net assets attributable to unitholders and non-controlling interests.

When the Fund ceases to have control, joint control or significant influence, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of the subsidiary are accounted for as if the Fund had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Financial instruments

(i) Classification

The consolidated entity and the Fund's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

Derivative financial instruments such as futures, forward contracts, warrants, options and swaps are included under this classification. The consolidated entity and the Fund does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted unit trusts, unlisted equity instruments and commercial paper.

The consolidated entity and the Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition/derecognition

The consolidated entity and the Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the consolidated entity and the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the consolidated entity and the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the consolidated entity and the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the consolidated entity and the Fund recognises the difference in profit or loss to reflect a change in factors, including time, which market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 3.

Loans and receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Investments in subsidiaries

Investments in subsidiaries are measured in accordance with note 2(c).

(e) Business combinations

Business combinations relate to the acquisition by the Fund of controlling interests in other entities. The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the consideration given plus costs directly attributable to the acquisition.

The Fund acquires units in trusts at their unit price which reflects the fair value of the units in the trust.

(f) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities as the Fund is required to distribute its distributable income. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

(g) Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, cash management trusts and bank overdrafts.

2 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents (continued)

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(h) Investment income

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlement basis.

(i) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

(j) Income tax

Under current legislation, the Fund is not subject to income tax provided the taxable income of the Fund is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

(k) Distributions

In accordance with the Fund's Constitution, the Fund distributes its distributable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(l) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(m) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statements of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(n) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the consolidated entity and the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(o) Accrued income

Accrued income may include amounts for dividends, trust distributions and interest. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment. Amounts are generally received within 45 days of being recorded as receivables.

(p) Receivables

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

(q) Payables

Payables include liabilities, accrued expenses and redemption monies owing by the Fund which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the balance sheets when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(r) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. The Fund qualifies for RITC at a rate of 75%; hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheets. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

(s) Use of estimates

The consolidated entity and the Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the consolidated entity's and the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

To the extent practicable, models use observable data. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

2 Summary of significant accounting policies (continued)

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. Management's assessment of the impact of these new standards (to the extent relevant to the consolidated entity and the Fund) and interpretations is set out below:

(i) *AASB 9 Financial Instruments* and *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* and *AASB 2010 Amendment to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The consolidated entity and the Fund has not yet decided when to adopt *AASB 9*. Management does not expect this will have a significant impact on the Fund's financial statements as the Fund does not hold any available-for-sale investments.

(ii) *Revised AASB 124 Related Party Disclosures* and *AASB 2009-12 Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised *AASB 124 Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities. The consolidated entity and the Fund will apply the amended standard from 1 July 2011. The amendments are not expected to have any effect on the Fund's financial statements.

(iii) *AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued *AASB 2010-6 Disclosures on Transfers of Financial Assets* which amends *AASB 1 First-time Adoption of Australian Accounting Standards* and *AASB 7 Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments are not expected to have any impact on the consolidated entity's and the Fund's disclosures. The consolidated entity and the Fund intends to apply the amendment from 1 July 2011.

(iv) *Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Fund does not expect that any adjustments will be necessary as the result of applying the revised rules.

(u) Rounding of amounts

The Fund is an entity of the kind referred to in Class Order 98/100 (as amended), issued by ASIC, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

3 Financial risk management

The consolidated entity's and the Fund's activities expose them to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Consolidated entity

The consolidated entity's financial risk is managed by each of the investment managers of the companies within the consolidated entity. No other risk management occurs for the consolidated entity.

Parent entity

The Fund's overall risk management programme focuses on ensuring compliance with the governing documents of the Fund and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The Fund may also use (or uses) derivative financial instruments to alter certain risk exposures. Financial risk management is carried out by the investment manager.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk.

The investment manager mitigates these financial risks through diversification and a careful selection of securities and other financial instruments within specified limits set by management.

The Fund invests into FDRCO Ltd which is a company incorporated in the Cayman Islands. The investment objective of FDRCO Ltd is to provide a diversified, non-equity related multi-faceted investment structure specifically for growth alternative strategies. FDRCO Ltd may invest in a wide variety of market traded and over the counter financial instruments including stocks, bonds, options, derivatives and foreign exchange contracts.

The Advance Alternative Strategies Multi-Blend Fund is an actively managed multi-manager portfolio of diversified growth alternative investments.

The Fund aims to achieve returns of 4-5% pa (after fees and taxes) above its benchmark (UBS Bank Bill Index) over the medium to long term. To achieve its expected return objective, the Fund is expected to have volatility of about 5-8% pa over the medium to long term.

The Fund aims to construct a diversified portfolio of alternative strategies, seeking returns different from those available through long only equity and fixed interest investments. The Fund looks to achieve these returns in a cost-efficient, liquid manner using a combination of best-in-class hedge funds and other investments that aim to extract the returns often achieved by hedge funds with systematic strategies that don't have high hedge fund fees. These investments are accessed in different ways, including via direct hedge funds, derivatives and managed accounts.

The Fund's performance exceptions to the UBS Bank Bill Index, which is the Fund's benchmark, are reported to a senior management committee on a regular basis. Exceptions to compliance are not reported on a consolidation basis.

3 Financial risk management (continued)

(a) Market risk

(i) Price risk

The consolidated entity's financial risk is managed by each of the investment managers of the company within the consolidated entity. No other risk management occurs for the consolidated entity.

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

The consolidated entity and the Fund are exposed to price risk on equity securities, unlisted unit trusts, fixed interest securities, hybrid securities and derivative securities. This arises from investments held by the consolidated entity and the Fund for which prices in the future are uncertain. These are classified in the balance sheets as at fair value through profit or loss. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured. All security investments present a risk of loss of capital. Except for effectively sold-short equity positions, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold-short can be unlimited.

Throughout the period, the Fund held investments in offshore companies that provided exposure to alternative strategies. At period end, the Fund held no investments in offshore companies.

The table presented in note 3(b) summarises sensitivity analysis to price risk.

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The consolidated entity holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk.

The Fund's foreign exchange policy is as per the governing documents of the Fund.

Exceptions to compliance with the Fund's foreign exchange policy are reported to management on a regular basis.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets.

The consolidated entity and the Fund do not have any significant direct exposure to interest rate risk.

The consolidated entity holds investments in a diversified portfolio of alternative strategies and are exposed to interest rate risk through those investments. Any interest rate risk from these unit trusts is reported as a component of price risk for the purposes of the sensitivity analysis.

3 Financial risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the consolidated entity's and the Fund's operating profit and net assets attributable to unitholders to other price risk. The reasonably possible movements in the risk variables have been determined based on management estimates, having regard to a number of factors, including historical levels of changes in market index and/or benchmark returns, interest rates and foreign exchange rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

At 30 June 2011, the parent entity disposed of its holdings in its subsidiary and therefore was not exposed to price risk at the end of the reporting period. However this is not representative of the inherent risks to which the Fund was exposed throughout the reporting period, as the Fund and the consolidated entity held unit trusts and other traded instruments which exposed the Fund and the consolidated entity to price risk. The consolidated entity's and the Fund's sensitivity to price risk is disclosed in the table below:

	Price risk Impact on operating profit/Net assets attributable to unitholders	
	-10.00%	+10.00%
	\$'000	\$'000
Consolidated		
30 June 2011	(40,808)	40,808
	Price risk Impact on operating profit/Net assets attributable to unitholders	
	-10.00%	+10.00%
	\$'000	\$'000
Parent		
30 June 2011	(40,808)	40,808

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio based on market information.

(c) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Credit risk primarily arises from investments in debt securities and from trading in derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

The investments invested into by the consolidated entity and the Fund are exposed to credit risk.

The consolidated entity's concentrations of direct credit risk are minimised primarily by:

- ensuring that transactions are undertaken with a number of counterparties.

Exceptions to the compliance with the Fund's credit risk policy are reported to management on a regular basis. Exceptions to compliance are not reported on a consolidated basis.

3 Financial risk management (continued)

(c) Credit risk (continued)

As at period end, the following amounts are receivable:

	Consolidated 30 June 2011 \$'000	Parent 30 June 2011 \$'000
Due from brokers - receivable for units not yet allocated - FDRCO Ltd	100,000	100,000
Due from brokers - receivable for securities sold - FDRCO Ltd	<u>308,081</u>	<u>308,081</u>
Total	<u>408,081</u>	<u>408,081</u>

An external credit rating is not available for FDRCO Limited. There is no historical information available to assess the creditworthiness of this counterparty as this is a new arrangement in the current financial year.

Apart from the above there were no significant direct concentrations of credit risk to counterparties at 30 June 2011.

(d) Liquidity risk

Liquidity risk is the risk that the consolidated entity and the Fund will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments.

The Fund is exposed to daily cash redemptions of redeemable units.

The Fund held shares in FDRCO Ltd which is structured to ensure flexibility in meeting the liquidity offered to investors.

The risk management guidelines adopted are designed to minimise liquidity risk through:

- ensuring that the exposure to illiquid or thinly traded financial instruments is managed appropriately, and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty.

Exceptions to the compliance with the Fund's policy are reported to management on a regular basis. Exceptions to compliance are not reported on a consolidated basis.

The table below analyses the consolidated entity's and the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the end of the reporting period. The amounts in the table are contractual undiscounted cash flows.

	Less than 1 month \$'000	1-3 months \$'000	Greater than 3 months \$'000
Consolidated			
At 30 June 2011			
Payables	247	-	-
Net assets attributable to unitholders	<u>407,865</u>	<u>-</u>	<u>-</u>
Total financial liabilities	<u>408,112</u>	<u>-</u>	<u>-</u>
Parent			
At 30 June 2011			
Payables	247	-	-
Net assets attributable to unitholders	<u>407,865</u>	<u>-</u>	<u>-</u>
Total financial liabilities	<u>408,112</u>	<u>-</u>	<u>-</u>

3 Financial risk management (continued)

(e) Fair value estimation

The carrying amounts of the consolidated entity's and the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The consolidated entity and the Fund value their investments in accordance with the accounting policies set out in note 2. For the majority of their investments, the consolidated entity and the Fund rely on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the consolidated entity and the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the consolidated entity and the Fund hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the consolidated entity and the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black-Scholes option valuation model.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the consolidated entity and the Fund hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

Investments in unlisted unit trusts and unlisted companies are recorded at the redemption value per unit as reported by the managers of such funds and companies.

3 Financial risk management (continued)

(f) Fair value hierarchy

(i) Classification of financial assets and financial liabilities

The consolidated entity and the Fund classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

As at 30 June 2011, the consolidated entity and the Fund had no assets in level 1, 2, and 3.

(ii) Transfers between levels

There have been no transfers between levels for the period ended 30 June 2011.

4 Interest income

The following table details the interest income earned by the consolidated entity and the Fund during the period:

	Consolidated	Parent
	Period from	Period from
	24 May 2011	24 May 2011
	to 30 June	to 30 June
	2011	2011
	\$'000	\$'000
Interest income from financial assets that are not at fair value through profit or loss:		
Cash and cash equivalents	<u>161</u>	<u>26</u>
Total interest income	<u>161</u>	<u>26</u>

5 Other operating expenses

	Consolidated Period from 24 May 2011 to 30 June 2011 \$'000	Parent Period from 24 May 2011 to 30 June 2011 \$'000
Audit fees	84	-
Custodian fees	7	-
Reimbursable expenses	15	-
Legal fees	84	-
Other expenses	<u>1</u>	<u>-</u>
	<u>191</u>	<u>-</u>

Consolidated

Auditor's remuneration for auditing the consolidated financial statements of \$96,722 and other services of \$760 were partly paid for by the subsidiary by inclusion in the operating expenses and partly paid for by the Responsible Entity out of their fees.

Parent

Auditor's remuneration for auditing the financial statements of \$12,259 and other services of \$760 were paid by the Responsible Entity out of their fees.

6 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Consolidated Period from 24 May 2011 to 30 June 2011 \$'000	Parent Period from 24 May 2011 to 30 June 2011 \$'000
Net unrealised gains/(losses) on financial instruments held for trading	5,198	-
Net unrealised gains/(losses) on financial instruments designated as at fair value through profit or loss	(2,772)	-
Net realised gains/(losses) on financial instruments held for trading	(2,279)	-
Net realised gains/(losses) on financial instruments designated as at fair value through profit or loss	<u>-</u>	<u>81</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>147</u>	<u>81</u>

7 Net assets attributable to unitholders of the parent

Movements in number of units and net assets attributable to unitholders of the parent during the period were as follows:

	Parent	
	30 June 2011 No. '000	30 June 2011 \$'000
	Net assets attributable to unitholders of the parent entity	
Opening balance	-	-
Applications	408,082	408,050
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>(185)</u>
Closing balance	<u>408,082</u>	<u>407,865</u>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Responsible Entity manages the Fund's net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the Fund's individual redemptions greater than \$1,000,000 or 5% of the fund size. Management assesses the impact on remaining unitholders of the realisation of the assets to meet the redemption before approving these transactions and allowing them to be processed in the registry system and funds remitted to the redeeming unitholders. As permitted under the governing documents, where the impact on remaining unitholders is significant, management may decide to pay a special distribution and/or may delay payment of the redemption amount.

8 Cash and cash equivalents

	Consolidated	Parent
	As at 30 June 2011 \$'000	As at 30 June 2011 \$'000
Cash at bank	<u>28</u>	<u>28</u>
	<u>28</u>	<u>28</u>

9 Derivative financial instruments

In the normal course of business the consolidated entity and the Fund enter into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

9 Derivative financial instruments (continued)

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the consolidated entity and the Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and/or adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

As at the end of the reporting period, there were no derivative financial instruments held by the consolidated entity and the Fund.

The consolidated entity and the Fund held the following derivative financial instruments during the period:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Forward currency contracts

Forward currency contracts are primarily used by the consolidated entity and the Fund to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

(c) Credit default swaps

A credit default swap (CDS) is a form of insurance which protects the buyer of the CDS in the case of a loan default. If the loan defaults, the buyer of the CDS can exchange or "swap" the defaulted loan (or in some CDSs the reduced cash value of the defaulted loan) for the face value of the loan. One difference between a traditional insurance policy and a CDS is that anyone can purchase one, even those who have no direct "insurable interest" in the lender. The buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if the loan or any credit instrument named in the contract (typically a bond or loan) defaults, creating a credit event.

(d) Total return swaps

A total return swap is an agreement between two parties to exchange their obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period. One party makes payments on a set rate (typically LIBOR plus a funding spread) in exchange for receiving the total return on a reference asset or index. The fair value of total return swaps is the estimated amount that the Fund would receive or pay to terminate the swap at the end of the reporting period, taking into account current index or asset levels and the current creditworthiness of the swap counterparties. Swap legs will be settled on a net basis with the counterparty.

(e) Exchange traded funds

An exchange-traded fund (ETF) is an investment fund traded on stock exchanges, much like equities. An ETF holds assets such as stocks, commodities, or bonds, including underlying derivatives themselves and trades close to its net asset value over the course of the trading day.

10 Related party transactions

Parent entities

The parent entity within the group is Advance Alternative Strategies Multi-Blend Fund.

Subsidiaries

Interests in subsidiaries are set out in note 11.

Responsible Entity

The Responsible Entity of the Fund is Advance Asset Management Limited (ABN 98 002 538 329), a wholly owned subsidiary of St. George Procurement Management Pty Limited (ABN 23 000 305 573). The ultimate parent entity is Westpac Banking Corporation (ABN 33 007 457 141). The registered office of the Responsible Entity and the Fund is Level 20, 275 Kent Street, Sydney, NSW, 2000.

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Advance Asset Management Limited at any time during the financial period as follows:

J Shuttleworth (appointed 25 February 2009)
D Lees (appointed 7 July 2010)
L Ralph (appointed 21 February 2011)
D Plumb (appointed 1 March 2011)
R Davies (appointed 1 March 2011)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial period:

Name	Position	Employer
B Cooper	CEO, BT Financial Group	Westpac Banking Corporation

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial period.

Responsible Entity's/manager's fees and other transactions

For the period ended 30 June 2011, in accordance with the Fund Constitution, the Responsible Entity received a total fee of 0.98% (inclusive of GST, net of RITC available to the Fund) per annum.

In addition to the above fee, a performance fee is payable to certain underlying investment managers when they exceed specific investment performance targets. This fee is paid out of the assets of the underlying fund/company in which performance fees are charged and reflected in the daily unit prices for that underlying fund/company.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the period and amounts payable at period end between the Fund and the Responsible Entity were as follows:

	Consolidated 30 June 2011 \$'000	Parent 30 June 2011 \$'000
Management fees for the period paid/(received) by the Fund to/(from) the Responsible Entity	<u>292</u>	<u>292</u>
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	<u>247</u>	<u>247</u>

10 Related party transactions (continued)

Related party schemes' unitholdings

Parties related to the Fund (including the Responsible Entity, its related parties and other schemes managed by the Responsible Entity), held units in the Fund as follows:

2011	Parent					
	Number of units held opening (000's Units)	Number of units held closing (000's Units)	Interest held (%)	Number of units acquired (000's Units)	Number of units disposed (000's Units)	Distributions paid/payable by the Fund (\$'000)
Balanced Multi-Blend Fund	-	51,015	12.500	51,015	-	-
Defensive Multi-Blend Fund	-	6,002	1.470	6,002	-	-
Growth Multi-Blend Fund	-	26,008	6.370	26,008	-	-
High Growth Multi-Blend Fund	-	9,503	2.330	9,503	-	-
Moderate Multi-Blend Fund	-	7,502	1.840	7,502	-	-
Advance Global Alpha Fund	-	308,052	75.490	308,052	-	-
Total	-	408,082	100.000	408,082	-	-

Key management personnel unitholdings

At 30 June 2011 no key management personnel held units in the Fund.

Key management personnel compensation

Key management personnel are paid by Westpac Banking Corporation or the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Investments

The Fund did not hold any investments in the Responsible Entity or its related parties during the period.

Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial period and there were no material contracts involving key management personnel's interests existing at period end.

11 Business combination

Current period ended 30 June 2011 - FDRCO Ltd

(a) Summary of acquisition

On 25 May 2011, the Fund gained control of FDRCO Ltd, when the interest held by the Fund reached 100% of the shares of FDRCO Ltd. On the date that control transferred to the Fund, the fair value of the investment in FDRCO Ltd was \$10,000,000.

(b) Purchase consideration

The 100% holding at 25 May 2011 was obtained as a result of a single acquisition of a controlling interest in FDRCO Ltd. The purchase consideration amounted to \$10,000,000.

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	10,000
Fair value of net identifiable assets acquired	<u>10,000</u>
Purchase consideration	10,000
Cash and cash equivalents	<u>(10,000)</u>
Net cash outflow	<u>-</u>

12 Business disposal

Current period ended 30 June 2011- FDRCO Ltd

(a) Summary of disposal

On 30 June 2011, the Fund lost control of FDRCO Ltd when the interest held by the Fund reached Nil% of the shares in FDRCO Ltd. On the date that control transferred from the Fund, the fair value of the investment in FDRCO Ltd was \$308,081,000.

(b) Sale consideration

On 30 June 2011, control of FDRCO Ltd was lost due to full redemption. Sale consideration receivable by the parent entity was \$308,081,000.

(c) Assets and liabilities lost

The assets and liabilities disposed of are as follows:

	Fair value \$'000
Cash and cash equivalents	20,246
Due from brokers - receivable for securities sold	52,897
Financial assets held at fair value through profit or loss	235,077
Payables	<u>(139)</u>
Fair value of net identifiable assets disposed	<u>308,081</u>
Sale consideration receivable	<u>308,081</u>

13 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	Consolidated Period from 24 May 2011 to 30 June 2011 \$'000	Parent Period from 24 May 2011 to 30 June 2011 \$'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the period	(185)	(185)
Proceeds from sale of financial instruments held at fair value through profit or loss	5,686	-
Purchase of financial instruments held at fair value through profit or loss	(393,513)	(408,000)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(147)	(81)
Net change in accrued income and receivables	(3)	(3)
Net change in payables	386	247
Net cash inflow/(outflow) from operating activities	<u>(387,776)</u>	<u>(408,022)</u>

14 Events occurring after the reporting period

Effective 1 July 2011, the Fund reinvested into FDRCO Ltd for \$308,081,000.

The consolidated entity and the Fund invest directly or indirectly in equities/property trusts and are consequently exposed to the market risk associated with these investments.

Since the end of the reporting period, share markets have experienced a period of significant volatility, impacting on the valuation of the investment portfolio.

As the investments are measured at their 30 June 2011 fair values in the financial report, this volatility in value is not reflected in the statements of comprehensive income or the balance sheets. As the consolidated entity and the Fund allocate all of their investment income to unitholders, the volatility in value of investments has been reflected in the current unit price, resulting in a corresponding change in net assets attributable to unitholders.

There were no other significant events which have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the balance sheets as at 30 June 2011 or on the results and cash flows of the Fund for the year ended on that date.

15 Contingent assets and liabilities and commitments

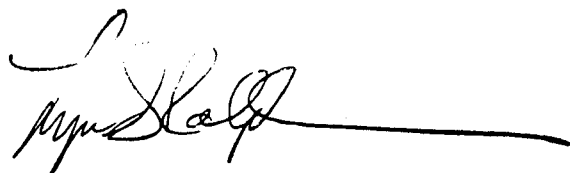
There are no outstanding contingent assets, liabilities or commitments as at 30 June 2011.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 29 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the consolidated entity's and the Fund's financial position as at 30 June 2011 and of its performance for the financial period ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



Director



Director

Sydney
19 September 2011



Independent audit report to the unitholders of Advance Alternative Strategies Multi-Blend Fund

Report on the financial report

We have audited the accompanying financial report of Advance Alternative Strategies Multi-Blend Fund, which comprises the balance sheets as at 30 June 2011, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Advance Alternative Strategies Multi-Blend Fund ("the Fund") and Advance Alternative Strategies Multi-Blend Fund Group ("the consolidated entity"). The consolidated entity comprises the Fund and the entities it controlled at the year's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Fund comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the annual report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of the business decisions made by the directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Advance Alternative Strategies Multi-Blend Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's and the consolidated entity's financial position as at 30 June 2011 and of their performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a).

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'ck'.

Claire Keating
Partner

Sydney
19 September 2011

