

A month at a time

Advance Multi-Blend Funds – June 2011

ADVANCE

Market update

Global equity markets

- Global equity markets fell in May as investors were concerned about sovereign debt risks in Europe, further tightening fears in emerging economies and weaker than expected economic data which raised concerns about a slowing global economy.
- The MSCI World Index (in local currency terms) fell 1.7% in May. On a rolling three month basis this index is down 1.2% and on a rolling 12 month basis, the index is up 16.2%.

Australian equity market

- Risks to inflation and global growth weighed upon market sentiment in May pushing the domestic market lower. The ASX 200 found some support at the 4550-4600 level before finishing down -2.4%. Commodity prices remained volatile and the sentiment towards banks drove them lower despite inexpensive valuations. Defensive sectors were king, with Telecoms the standout.
- Market weakness was broad based, however, small cap outperformed large cap and resources outperformed industrials. Declines in the big four banks and consumer discretionary weighed on the ASX 100, especially the industrial indices.

Fixed income

- We continue to believe the RBA is evaluating the extent of inflationary pressures in the local economy and is likely to consider raising interest rates in the second half of 2011.
- We expect major developed market global bond yields to trade within a small range in the near term until the moderate global economic recovery shows increasing signs of a sustainable recovery.

Listed property trusts

- The S&P ASX 200 Property Accumulation Index fell -0.01% in May, outperforming the broader S&P/ASX 200 Accumulation index.
- Global REITS as represented by the FTSE EPRA NAREIT Global Index (hedged in Australian dollars) finished the month up +1.65%.

Currency

- Having reached a new post-float high against the US dollar early in the month, the Australian dollar struggled to maintain its strength and fell against most major currencies.

Asset class outlook

Asset Class	Ultra Short Term (1-6 months)	Short Term (6-12 months)	Medium Term (1 year-2 years)
Global Equities	↗	↗	↗
Australian Equities	↗	↗	↗
Developed Government Sovereign Bonds	↗	↗	↗
Corp Credit and Emerging Government Bonds	↗	↗	↗
Australian Dollar	↗	↘	↗
Commodities	↗	↗	↗
Listed Property	↗	↗	↗

Key

↗ +16 to +25%

↗ +6 to +15%

↗ +1 to +5%

↘ -6 to -15%

Funds update

- The Defensive, Moderate, Balanced, Growth and High Growth Multi-Blend Funds slightly underperformed their benchmarks for the month.
- Overall, the Funds' asset allocation mix provided positive performance through an underweight allocation to commodities. However, manager/stock selection detracted from performance and more than offset the gains made by asset allocation. Key highlights included the outperformance of Australian shares against its benchmark.
- The Australian Shares Multi-Blend Fund outperformed its benchmark having returned -1.91% for the month versus the benchmark -2.02%. Three of the five managers outperformed and the allocation to small caps also added value.
- The International Shares Multi-Blend Fund slightly underperformed its benchmark having returned 0.66% against 0.70% for the benchmark. Five of the underlying managers outperformed for the month. A key highlight was MFS's 1.37% above benchmark performance. The currency overlay detracted from the overall performance.
- The Property Securities Multi-Blend Fund marginally underperformed the benchmark returning 1.20% (against 1.24% benchmark) with two of three managers outperforming their respective benchmarks.
- The Australian Fixed Interest Multi-Blend Fund slightly underperformed, returning 1.14% (against 1.28% for the benchmark). Both underlying managers, Perennial and Colonial First State, slightly underperformed during the month.
- The International Fixed Interest Multi-Blend Fund slightly underperformed, returning 1.10% (against 1.38% for the benchmark) due to the underperformance by Franklin Templeton and Standish.
- The commodities benchmark declined in May by 6.68%, with our underlying manager slightly outperforming by 0.06%.
- Within alternative strategies, the AQR Global Risk Premium fund outperformed by 3.89%, while AQR's Absolute Return fund underperformed by 2.80%. Mellon Capital returned -1.79% against a -0.34% benchmark return.

Performance to 31/5/2011 (after fees)	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs %	5 yrs %
Defensive Multi-Blend	0.17	1.55	4.78	9.72	5.72	5.68
Benchmark	0.29	1.43	4.32	8.65	4.55	5.34
Moderate Multi-Blend	-0.15	1.09	5.37	10.93	4.10	4.80
Benchmark	-0.03	0.88	4.97	9.78	2.89	4.45
Balanced Multi-Blend	-0.50	0.32	5.71	11.54	1.75	3.52
Benchmark	-0.40	0.14	5.51	10.56	0.82	3.27
Growth Multi-Blend	-0.79	-0.32	5.84	11.82	-0.26	2.25
Benchmark	-0.69	-0.39	5.91	11.15	-0.82	2.36
High Growth Multi-Blend	-1.10	-1.11	5.75	11.57	-2.17	1.08
Benchmark	-1.04	-1.09	6.08	11.19	-2.31	1.38
Australian Shares Multi-Blend	-1.91	-1.56	4.39	10.01	-0.97	3.06
Benchmark	-2.02	-1.68	4.52	11.13	-1.56	3.24
Australian Sm Cos Multi-Blend	-1.33	-2.22	8.52	26.79	-0.74	5.17
Benchmark	-1.89	-4.70	1.08	18.07	-4.77	2.50
Intl Shares Multi-Blend	0.66	-2.57	2.31	1.95	-5.80	-3.17
Benchmark	0.70	-3.46	3.33	0.47	-5.74	-3.15
Australian Fxd Int Multi-Blend	1.14	2.40	4.01	6.86	7.78	5.90
Benchmark	1.28	2.46	3.87	6.40	7.96	6.42
Intl Fxd Int Multi-Blend	1.10	3.14	4.31	9.35	12.34	9.70
Benchmark	1.38	2.99	3.60	8.02	9.39	8.34
Property Securities Multi-Blend	1.20	2.77	10.85	21.05	-5.51	-2.88
Benchmark	1.24	2.67	11.82	23.11	-5.90	-2.37

The Fund performance shown above is wholesale performance, calculated using withdrawal values and assumes income is reinvested. Annual management fees and expenses have been taken into account; however, no allowance has been made for entry fees, tax or any rebates that may be given. Past performance is not a reliable indicator of future performance. For retail performance and details of the Funds' benchmarks, please visit advance.com.au.

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