

Advance Australian Shares Multi-Blend Fund

ADVANCE

MULTI-BLEND FUND

As at 31 December 2011

Wholesale performance*	3 months	1 year	2 years	3 years	5 years
	% pa	% pa	% pa	% pa	% pa
Growth return	0.44%	-14.63%	-9.26%	2.13%	-13.13%
Distribution return	1.33%	2.67%	3.45%	4.15%	10.66%
Total return	1.78%	-11.96%	-5.81%	6.27%	-2.47%
Benchmark return ¹	2.05%	-10.98%	-4.70%	7.56%	-2.32%

*The Fund performance relates to wholesale investors only. If you are a retail investor, you can obtain up to date returns at advance.com.au.

Inception date: 30 June 1998.

¹ Benchmark: S&P/ASX 300 Accumulation Index.

Fund update

Over the quarter, the Advance Australian Shares Multi-Blend Fund slightly underperformed the benchmark, returning 1.8% after wholesale fees, while the S&P/ASX 300 Accumulation Index delivered 2.1%. The small companies' managers outperformed, but were unable to offset the underperformance of the small cap sector relative to their large cap peers. Performance across our larger company managers was mixed as oversold company shares continued to decline irrespective of quality. During the quarter, Advance restructured the Australian Shares Multi-Blend Fund. Advance added Bennelong Australian Equity Partners to the Fund replacing the Ausbil allocation and also transitioned the BTIM to a high conviction mandate with less stock holdings and a higher performance target.

Schroders finished December strongly outperforming over the quarter. The majority of Schroders' performance came from good stock selection. Materials stock selection was strong, with the manager's underweight to the smaller resources sector avoiding some of the rollercoaster price moves. Schroders stock selection within financials (NAB and SunCorp) offset their underweight to listed property. The managers stock selection within industrials (Brambles and Transpacific) and consumer discretionary (News Corp) also added value. Schroders active management within Healthcare benefited the portfolio as they purchased Cochlear after its product recall and following price depreciation. The stock rebounded from being oversold assisting performance. Despite the volatile sentiment pervading in the market, Schroders continue to respond rationally to share price changes.

Alleron outperformed under difficult market conditions. A number of positions rebounded from previous weakness including Cochlear, Seven West Media, and Downer EDI. Alleron's underweight and stock selection added value within materials (Iluka and zero Alumina) as did their overweight and stock selection within industrials (Downer, Sydney Airport, Seek). Good stocks selection within listed property (Stockland) helped offset poorer stock selection within financials (Zero CBA and underweight ANZ). In the face of market weakness due to the continued European debt stress, Alleron remains focused on companies that show an increasing organic growth profile.

Northcape's focus on quality companies benefited them outperform over the quarter as their underweight to smaller companies helped avoid some of the more volatile stocks. Underweight positions and good stock selection within both materials (zero Newcrest and Alumina) and consumer staples (underweight Wesfarmers) assisted performance as did stock selection within industrials (Transurban, Brambles and Campbell Brothers). Overweight positions to the banks offset the underweight and stock selection within telecoms (zero Telstra and underweight Singtel) as Telstra's 28c dividend continues to attract investors during this volatile period. Northcape still views the Australian market as a bright spot in the western world and while growth is anaemic at present they believe it will improve over the next twelve months as mining and agricultural volumes recover from weather impacts in 2011 and large scale mining, gas and infrastructure projects get built.

Advance increased the concentration of the stock positions within the BTIM mandate in November to better complement the approaches of our other incumbent managers and the incoming Bennelong. The combined BTIM portfolio underperformed over the quarter as stock volatility extended in the December month. BTIM's underweight materials and good stock selection with energy (Oil Search and zero Woodside) was not enough to offset the underweight to the defensive sectors. BTIM's overweight and stock selection within consumer discretionary, underweight and stock selection within healthcare and financials also detracted from performance. BTIM expect that heightened levels of volatility will continue, however, at current valuations BTIM is finding attractive entry points into several stocks they believe will add value for investors over a longer time frame.

Ausbil slightly outperformed during October prior to transition benefiting from a strong rebound across a number of their materials and consumer discretionary positions. Bennelong Australian Equity Partners has been added to the Australian Shares Multi-Blend Fund during November. Bennelong is a good complement to the other incumbent managers within the Fund and while their performance has been modest since appointment Advance Asset Management has high conviction that they will add value to the portfolio.

Actual asset allocation by sector	Sector	Fund %	Benchmark%
	Energy	7.75	7.14
	Materials	23.58	25.01
	Industrials	14.97	7.21
	Consumer Discretionary	6.93	3.89
	Consumer Staples	3.96	8.02
	Healthcare	6.23	3.62
	Information Technology	0.82	0.67
	Telecommunication Services	2.36	4.50
	Utilities	0.58	1.63
	Property Trusts	0.57	6.23
	Financial-ex-Property Trusts	28.58	32.07
	Cash	3.65	0.00
	Total	100.00	100.00
Market commentary	<p>The Australian equities market (ASX 300) finished 2011 with a positive return in the December quarter of 2.1%. During the quarter the market continued to exhibit very high levels of volatility; the market had a strong bounce-back at the beginning of the quarter, rallying back 7.2%, after six consecutive negative months, however, investor concerns returned again weighing on equity prices in November and December with the market down 3.4% and 1.4% respectively. Two RBA rate cuts provided some support to the market, but in reality it was the relief rally in October that underpinned positive fourth quarter returns.</p> <p>As had been the case for most of the year, the main influence on market direction in the December quarter was the ongoing European sovereign debt crisis. Peripheral European bond spreads continued to widen relative to German bonds which prompted agreement at an EU summit for further fiscal discipline for member countries via further government borrowing controls while initiatives were put in place to provide further capital support via the International Monetary Fund (IMF). While this tempered negative sentiment to a degree with peripheral European bond yields steadying towards the end of the period, investors remained highly uncertain regarding the future outlook. The quarter also was the banks' earnings season, which added to the generally downbeat mood that we saw during the preceding August reporting season. All the banks pointed to the difficult funding markets and, with credit remaining tight, the focus is once again on initiatives to reduce costs rather than grow earnings.</p>		
Top 10 holdings		Fund %	Benchmark%
	BHP Billiton	9.68	11.19
	Westpac Banking Corp.	6.76	6.17
	National Australia Bank Ltd.	6.21	5.28
	Australia & New Zealand Banking Group Ltd.	4.65	5.54
	Commonwealth Bank of Australia	4.51	7.86
	Rio Tinto	4.45	2.66
	Origin Energy Ltd.	2.63	1.47
	Brambles Ltd.	1.93	1.07
	Telstra Corp. Ltd.	1.80	4.20
	Woolworths Ltd.	1.75	3.09
Investment objective	<p>To provide long-term capital growth from a diversified portfolio of Australian shares.</p> <p>The Fund aims to provide investors with a total investment return (before fees and taxes) that outperforms the S&P/ASX 300 Accumulation Index over periods of 5 years or longer.</p>		
Benefits of investing in the Fund	<p>The Australian Shares Multi-Blend Fund gives you the opportunity to benefit from the performance of Australian businesses across a wide range of industries such as pharmaceuticals, information technology and banking. Over time, your investment may increase in value and provide a growing income stream through dividend payments. You may also receive tax benefits if companies in the portfolio distribute income as dividends on which tax has already been paid. 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.</p>		

Key features

	Wholesale	Retail
Fund size	\$72.73 million	\$29.93 million
Date established	June 1998	July 1994
Distribution frequency	Quarterly	Quarterly
Minimum investment	\$5,000 (\$1,500 for <i>Regular Savings Plan</i> ¹)	\$1,500 (\$1,000 for <i>Regular Savings Plan</i> ¹)
Minimum withdrawal	\$1,500	\$500
Withdrawal period	5 business days	5 business days
Entry fee	Nil	4.10% maximum ²
Ongoing fee	0.90% pa ^{2,3}	1.95% pa ^{2,3}
Regular Savings Plan ¹	Yes	Yes
Regular Withdrawal Plan ¹	Yes	Yes
Distribution reinvestment	Yes	Yes
Buy/sell spread (%)	0.30/0.30	Nil
Exit fee	Nil	Nil

¹ Conditions apply.

² Includes effect of GST.

³ Performance fee.

Contact Centre: 1800 819 935

Adviser Services: 1300 361 864

advance.com.au

Advance Australian Shares Multi-Blend Fund is issued by Advance Asset Management Limited (Advance) ABN 98 002 538 329 AFSL No. 240902. A Product Disclosure Statement (PDS) for the Fund is available at www.advance.com.au or via 1800 819 935 or from your financial adviser. Financial advisers, please call 1300 361 864. This fact sheet contains general information only and does not take into account individual financial circumstances. Investors should consider the PDS and whether the Fund is appropriate to their circumstances, and seek professional advice before investing in the Fund. Past performance is not a guide to future performance. Past performance is not a reliable indicator of future performance. Advance is a member of the Westpac Group, which includes Westpac Banking Corporation ABN 33 007 457 141 ("Westpac"). An investment in the Fund does not represent an investment in, deposit with or other liability of Westpac or any other member of the Westpac Group. It is subject to investment risk, including possible delays in repayment and loss of income and principal invested. Neither Westpac nor any other member of the Westpac Group stands behind or otherwise guarantees the capital value of an investment in a Fund or the performance of a Fund. Performance figures are calculated using withdrawal values and assume that 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.

AD10038F-0112c