

Advance International 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	1.26%	-6.71%	-3.16%	1.62%	-8.49%
Distribution return	0.10%	0.71%	0.37%	0.26%	2.00%
Total return	1.37%	-5.99%	-2.79%	1.88%	-6.49%
Benchmark return ¹	2.00%	-5.34%	-3.70%	0.28%	-6.59%

*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 September 1998.
¹ Benchmark: MSCI World Ex Aust. Index Net AUD.

Fund update
<p>The Advance International Shares Multi-Blend Fund was positive but underperformed its benchmark over the quarter. The Fund was up 1.4%, whilst the MSCI World ex Australia Index rose 2.0%. From a manager perspective, outperformance from Trilogy, AQR and MFS was unfortunately more than offset by underperformance from Tradewinds, Lazard and Schroders. The active currency overlay strategy provided a slight boost to performance as both our managers' posted a small positive return over the quarter. An underweight position in the euro was the largest contributor.</p> <p>Trilogy was the strongest performing manager in the Fund over the quarter, outperforming the benchmark by 2.7%. Stock selection was the major positive contributor to returns over the quarter. Stock selection was positive in all but two sectors with consumer discretionary, consumer staples and materials adding the most relative value. Sector allocation was mildly positive benefiting from a zero weighting in the utilities and telecom sectors. Geographically, stock selection was positive across all regions as were underweight allocations to Canada and Asia ex Japan. At the stock level, the top contributors to relative outperformance over the quarter were Google, Lennar Corp, Philip Morris International, Noble Energy, Assa Abloy and Medco Health Solutions.</p> <p>Tradewinds was the largest drag to the Fund's relative performance as it significantly underperformed the benchmark over the quarter. Negative stock selection was the main contributor to underperformance over the quarter, particularly within the industrials, materials, financials and energy sectors. Within materials, the overweight position in gold mining companies detracted most as gold spot prices fell strongly. MF Global's bankruptcy, increasing perception of the US dollar as a choice safe haven and/or rising liquidity needs were a drag for gold equities. Japanese financial holdings also notably detracted from performance as a result of country-specific headwinds. Sector allocation was a negative contributor resulting from overweight exposure to materials, utilities and telecoms. Country allocation was also a drag on performance predominantly due to overweight exposures to Japan and Turkey and their underweight position in the US. At the stock level, the top contributors to relative underperformance were Electricite de France, Newmont Mining, RusHydro and Daiwa securities,</p> <p>Lazard was also a significant negative underperformer over the quarter. Themes that provided the main source of relative underperformance were Antimatter (i.e. Japan), Gold & Precious Metals and Managing Complexity. Under the Anitmatter theme, almost all holdings declined in a weak Japanese equity market as investors feared that the weak Japanese economy would suffer further as competition from European companies intensified, simulated by the weaker euro. Financials holdings Nomura holdings and Mitsubishi UFJ Financial Group, and real estate companies Mitsui Fudosan and Sumitomo Realty & Development were notably weak. Under Gold & Precious Metals, almost all holdings declined on the weaker bullion price. Kinross Gold fell most sharply on an announced acquisition. Barrick Gold fell too on news of a mining company acquisition that included base metals in its portfolio. Under Managing Complexity, poor returns were almost entirely due to Oracle's unfavourable earnings surprise as the company missed revenue guidance. From a sector perspective, stock selection in financials, capital goods and materials detracted from relative returns.</p>

Actual asset allocation by sector	Sector	Fund %	Benchmark%
	Energy	10.11	12.00
	Materials	10.11	6.50
	Industrials	11.75	11.28
	Consumer Discretionary	9.19	10.61
	Consumer Staples	11.29	11.12
	Health Care	10.64	10.80
	Information Technology	12.88	12.47
	Telecommunication Services	3.49	4.43
	Utilities	2.51	4.08
	Property Trusts	1.31	2.50
	Financial-ex-Property Trusts	14.53	14.21
	Other	1.16	0.00
Cash	1.03	0.00	
Total	100.00	100.00	

Actual asset allocation by region	Region	Fund %	Benchmark%
	North America	50.57	60.01
	UK	8.70	10.19
	Europe	19.47	18.06
	Asia Pacific (ex Australia & Japan)	6.30	2.00
	Japan	8.96	9.45
	Australia	0.40	0.00
	Middle East & Africa	1.87	0.28
	Emerging Europe	1.35	0.00
	Latin & South America	1.36	0.00
	Cash & Other	1.03	0.00
	Total	100.00	100.00

Market commentary	Global sharemarkets posted significant gains in the fourth quarter of 2011, but the gains were not enough to prevent most major markets posting an overall loss for the year. Once again, the ongoing European sovereign debt crisis and the lack of credible policy initiatives continued to dominate market sentiment and movements over the quarter. Although elevated volatility in global equity markets from the third quarter carried into the fourth quarter, global equity markets rallied in anticipation of the long awaited European debt plan, better than expected US earnings and stronger US economic data calming fears of a double dip recession. Emerging markets underperformed while commodities, including gold, fell. In Australian dollar terms, global shares, as measured by the MSCI World ex Australia Index, rose 2.0% over the quarter. A stronger Australian dollar negatively impacted a 7.3% surge in local currency terms. For the year as a whole, the index dropped 5.3% in Australian dollar terms. Global macro concerns dominated stock fundamentals during the year, particularly during the second half, resulting in high correlations between stocks and a strong preference for security both at the asset class level and within equities.
<p>All major regional indices excluding Japan posted gains in local currency terms over the fourth quarter. The recovery in performance this quarter from the dismal third quarter performance was led by US equities, which benefited from improving economic data and continued strength in corporate earnings. European equities staged a relief rally as coordinated action by the world's largest central banks, expansion of the European Financial Stability Facility and the provision of financing to European banks by the ECB provided a boost to liquidity and sentiment tempering fears of a financial system meltdown. Equity markets in Denmark, Norway, Netherlands and the UK were notable outperformers while central and eastern European markets lagged. Latin American equities outperformed over the quarter, supported by monetary policy easing in Brazil, strength in copper-related names benefiting Peru and the improving tone in US economic data releases boosting sentiment in Mexico. Asia ex Japan markets were notable underperformers during the quarter. The region was affected by the slowdown in the Chinese economy, declining growth prospects in Europe and concern about a credit crunch via Eurozone bank deleveraging. India underperformed significantly as Inflation concerns and local currency weakness hurt sentiment. Japan was the worst performing region over the quarter as persistent strength of the yen and renewed weakness in the domestic economic outlook weighed on equities.</p> <p>At the global sector level, leadership transitioned from the decisively defensive posture of the third quarter to a mixture of more cyclical energy and industrials sectors and the more defensive health care and consumer staples sectors. This leadership was fairly consistent across regions, with the exception of the US where leadership was more cyclically biased. The telecom and utilities sectors were the weakest performing global sectors over the quarter, reversing their strong performance in the third quarter. From a style perspective, value outperformed growth while large caps continued to outperform small caps in all markets.</p>	

Top 10 holdings		
Investment objective	To provide long-term capital growth from a diversified portfolio of global shares and currencies. The Fund aims to provide investors with a total investment return (before fees and taxes) that outperforms the MSCI World Ex Australia (Standard) Index (Net Dividends) in Australian dollars over periods of five years or longer.	
Benefits of investing in the Fund	The International Shares Multi-Blend Fund gives you the opportunity to participate in the performance of world markets outside of Australia. International shares provide the potential for capital growth and some income over time. Diversifying a portfolio beyond the Australian sharemarket may help reduce risk and improve returns. Managers are selected for their own investment style and process. The Multi-Blend approach is based on the belief that the different styles of each manager when combined, can produce a more consistent outcome for investors by minimising style and portfolio risk.	
Key features		
	Wholesale	Retail
Fund size	\$32.41 million	\$2.58 million
Date established	September 1998	July 1994
Distribution frequency	March, June, September, December	March, June, September, December
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	1.10% pa ²	2.10% pa ²
Regular Savings Plan ¹	Yes	Yes
Regular Withdrawal Plan ¹	Yes	Yes
Distribution reinvestment	Yes	Yes
Buy/sell spread (%)	0.40/0.40	Nil
Exit fee	Nil	Nil
	¹ Conditions apply.	
	² Includes effect of GST.	

Contact Centre: 1800 819 935

Adviser Services: 1300 361 864

advance.com.au

Advance International 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.