

Advance Property Securities 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 | 5.84% | -15.31% | -2.81% | 4.08% | -18.72% |
| Distribution return | 0.00% | 10.90% | 6.07% | 5.10% | 8.26% |
| Total return | 5.84% | -4.41% | 3.26% | 9.18% | -10.47% |
| Benchmark return ¹ | 6.45% | -2.69% | 4.90% | 9.89% | -9.76% |

¹ Benchmark: S&P/ASX 200 Property Accumulation Index and FTSE EPRA NAREIT Global Real Estate Index AUD Hedged.
*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 2004.

| Fund update | Region | Fund % | Benchmark% |
|-------------------------------------|---------------|--------|------------|
| | North America | 39.20 | 39.88 |
| UK | 4.30 | 3.82 | |
| Europe | 5.64 | 6.79 | |
| Asia Pacific (ex Australia & Japan) | 13.44 | 11.75 | |
| Japan | 7.19 | 6.42 | |
| Australia | 27.74 | 31.26 | |
| Middle East & Africa | 0.09 | 0.08 | |
| Cash & Other | 2.39 | 0.00 | |

The Advance Property Securities Multi-Blend Fund returned 5.8% for the quarter, underperforming its benchmark, which returned 6.5% for the December quarter.

The quarter saw significant changes to the portfolio.

- Addition of AMP Capital Investors Limited to the Fund – with one of the largest REIT teams in the property universe of managers, AMP was appointed to run a global REIT mandate for the Fund.
- Addition of Phoenix Portfolios Pty Ltd to the Fund – an investment manager that’s demonstrated an ability to diversify away from large cap stocks and manage risks appropriately within Australian REITs. In addition to this manager change, the benchmark for our Australian REIT exposure changed to the S&P/ASX 300 Property Trust Accumulation Index.
- The Fund also gained exposure to Principal Global Investors (Australia) Limited and we removed exposure to CBRE Clarion Securities in global REITs.
- Removal of Perennial Investment Partners Limited as an investment manager for the Fund.

The above changes were implemented through November, utilising the expertise of a transition manager to managing exposure and security changes in the portfolio.

European Investors (EI) remains an investment manager of the fund and underperformed the benchmark by returning 6.4% versus the FTSE EPRA NAREIT Developed Index (hedged in AUD) return of 7.2% for the quarter. Over one, two and three year periods, EI has outperformed the benchmark. EI’s underperformance for the quarter was driven primarily due to stock selection in Asia, with volatility amongst Hong Kong REITs impacting the portfolio. Whilst Hong Kong REITs held such as China Resources (+49%) and China Overseas Land (+15%) contributed to performance, these were exceeded by non benchmark stocks such as Shangri-La Asia and Lifestyle International, which were down -10.5% and -13.8% respectively for the quarter. The EI portfolio was underweight Japan for the quarter and this contributed to performance, in addition to stock selection within Japan contributing. The portfolios holdings in the US detracted from performance as EI is underweight the US, though this was offset to some extent by positive stock selection within the US with Starwood (+25%), and regional malls, Taubman (+24%) and Simon (+18%) contributing.

Other managers, including incoming and outgoing, contributed close to their respective benchmark performance across the quarter.

| Actual asset allocation by region | Region | Fund % | Benchmark% |
|-----------------------------------|-------------------------------------|--------|------------|
| | North America | 39.20 | 39.88 |
| | UK | 4.30 | 3.82 |
| | Europe | 5.64 | 6.79 |
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| <p>Market commentary</p> | <p>REITS and equity markets generally continued on the themes that prevailed during the previous quarter, and the year, with concerns over macro factors such as Europe's debt crisis and concerns over US government funding driving investor sentiment. Unlike during the previous quarter where markets headed into negative territory and stayed there, in the December quarter, markets traded around volatility and recovered some of the losses incurred during the crisis period of early August through to the beginning of October. Some of the volatility was attributable to lower trading volumes coming into the thanksgiving holiday in the US and the end of year. The dominant concerns remained centred on the European debt crisis, European banks exposures to the likes of Greece, Portugal, Spain and Italy and the ability (and political willingness) of the northern European leaders, particularly Germany and France and the Scandinavian countries to reach agreement on bailout packages. In the US, the focus moved away from their own funding crisis and lack of strategic direction and agreement as to how to deal with the debt issue to some more positive fundamentals coming through economic data releases.</p> <p>With the deepening of the concerns in Europe, we saw the attention shift from the peripheral countries (Greece, Spain, and Portugal) to the larger economies of Italy and France. French long bond yields rose substantially during the quarter (over 1% to 3.7% in late November). Banks have become more cautious in their lending practices – further emphasising the quality factor in property markets. Better quality REITS such as Unibail based in Paris are still able to secure bank debt and bonds issued publicly. At the end of the quarter, Unibail issued €500mn of 2017 bonds at a fixed rate of 3 7/8%.</p> <p>Despite the focus on government debt levels, corporate and households in Europe remain in a better state in the larger economies of France and Germany with unemployment at reasonable levels.</p> <p>The Asian property markets recovered some of the losses of the previous quarter but Asian property companies remain the most discounted worldwide. Positive fundamentals (high cash balances, low share price relative to fundamental values) are still being overshadowed by investor concerns over global growth.</p> <p>The US market outperformed Asia and Europe by a large margin over the year, the last quarter and month of 2011. Lodging, self storage and regional malls were the top performing sectors in the December quarter, whilst over the year, self storage (up 35%), and regional malls and residential were the top performing sectors. The US REITS benefited in the fourth quarter from improving economic news – real GDP forecasts improving, slightly declining jobless claims, higher than expected PMI data for December and improving consumer confidence.</p> <p>Australian REITS as measured by the S&P ASX 200 Property index had a positive December quarter (3.7%), and outperformed the broader Australian equity market by 9% over 2011. Hong Kong finished the year recovering some of the previous quarters significant losses though finished the year down 27% as property developers felt dual pressures of unfavourable economic sentiment and liquidity constraints in China.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|-------------|--------|-------------|---------------------------|------|------|---------------------------|------|------|------------------------|------|------|--------------|------|------|----------------|------|------|----------------------|------|------|------------------------|------|------|------------------------------|------|------|----------------------------|------|------|-------------------------|------|------|
| <p>Top 10 holdings</p> | <table border="1"> <thead> <tr> <th>Stock name</th> <th>Fund %</th> <th>Benchmark %</th> </tr> </thead> <tbody> <tr> <td>Westfield Group Australia</td> <td>6.91</td> <td>8.53</td> </tr> <tr> <td>Simon Property Group Inc.</td> <td>5.05</td> <td>3.69</td> </tr> <tr> <td>Westfield Retail Trust</td> <td>4.20</td> <td>3.60</td> </tr> <tr> <td>Mirvac Group</td> <td>2.78</td> <td>2.04</td> </tr> <tr> <td>Public Storage</td> <td>2.60</td> <td>1.68</td> </tr> <tr> <td>Dexus Property Group</td> <td>2.49</td> <td>2.03</td> </tr> <tr> <td>Boston Properties Inc.</td> <td>2.35</td> <td>1.44</td> </tr> <tr> <td>Sun Hung Kai Properties Ltd.</td> <td>2.16</td> <td>2.35</td> </tr> <tr> <td>Mitsubishi Estate Co. Ltd.</td> <td>2.01</td> <td>1.52</td> </tr> <tr> <td>Mitsui Fudosan Co. Ltd.</td> <td>1.92</td> <td>1.25</td> </tr> </tbody> </table> | Stock name | Fund % | Benchmark % | Westfield Group Australia | 6.91 | 8.53 | Simon Property Group Inc. | 5.05 | 3.69 | Westfield Retail Trust | 4.20 | 3.60 | Mirvac Group | 2.78 | 2.04 | Public Storage | 2.60 | 1.68 | Dexus Property Group | 2.49 | 2.03 | Boston Properties Inc. | 2.35 | 1.44 | Sun Hung Kai Properties Ltd. | 2.16 | 2.35 | Mitsubishi Estate Co. Ltd. | 2.01 | 1.52 | Mitsui Fudosan Co. Ltd. | 1.92 | 1.25 |
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| <p>Investment objective</p> | <p>To provide long-term capital growth together with income through investment in property securities.</p> <p>The Fund is designed for investors seeking a more diverse offering in property securities than is available through investing solely in Australian listed property securities. The Fund aims to provide investors with a total investment return (before fees and taxes) that outperforms the combined benchmarks S&P/ASX 200 Property Accumulation Index and FTSE EPRA NAREIT Global Real Estate Index (total return in AUD) hedged over periods of 5 years or longer.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Benefits of investing in the Fund</p> | <p>The Property Securities Multi-Blend Fund is a simple way to invest in the property market without tying up your money directly in real estate. You can participate in all sectors of the property market including office, hotels, retail, residential and industrial property. Listed property securities may provide a growing income stream with some tax advantages, due to depreciation and other allowances, as well as a capital growth over time. Managers are selected for their own investment style and process. The Multi-Blend approach is based on the belief that the different styles of each manager when combined, can produce a more consistent outcome for investors by minimising style and portfolio risk.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Key features

| | Wholesale | Retail |
|--------------------------------------|---|---|
| Fund size | \$45.48 million | \$0.43 million |
| Date established | April 2004 | April 2004 |
| 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 | 0.85% pa ² | 1.97% pa ² |
| Regular Savings Plan ¹ | Yes | Yes |
| Regular Withdrawal Plan ¹ | Yes | Yes |
| Distribution Reinvestment | Yes | Yes |
| Buy/sell spread (%) | 0.30/0.30 | 0.30/0.30 |
| 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 Property Securities 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.