

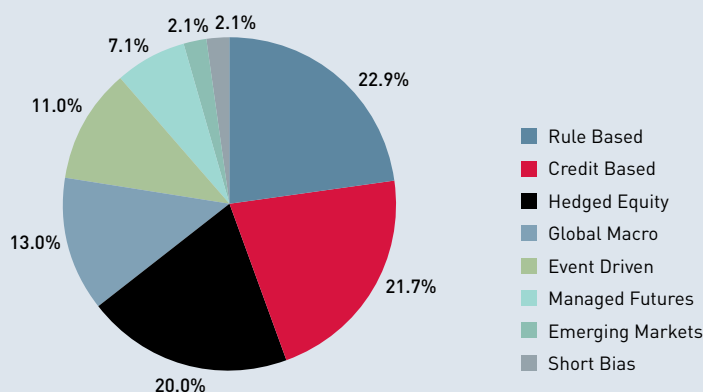
As at 31 December 2011

Wholesale performance*	3 months	1 year	2 years	3 years	5 years
	% pa	% pa	% pa	% pa	% pa
Growth return	1.31%	1.23%	8.05%	9.71%	-5.69%
Distribution return	0.00%	0.00%	0.00%	0.00%	1.92%
Total return	1.31%	1.23%	8.05%	9.71%	-3.77%
Benchmark ¹ return	1.22%	4.60%	3.34%	2.97%	-0.32%

*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: 31 October 2005.
¹ Benchmark: UBS Bank Bill Index.

Fund update	Performance
	<p>The Fund generated positive performance of 1.30% for the December quarter with limited volatility while equity, credit and commodity markets continued to have wild swings.</p> <p>The diversity across the portfolio as well as the flexibility available given its various liquid components allowed us to maintain low downside sensitivity to equity markets.</p> <p>Out of the portfolio's four building blocks (Alpha, Replication, Diversifiers and Rule Based Alternative Beta) only the last was marginally down with the remaining allocations generating positive performance.</p> <p>The customised hedge fund replication was the best performer. The overlay hedge where we aim to reduce persistent structural beta detracted 1.43% given the rally in equity markets over the period. We are happy to forego this performance in exchange for a portfolio that is lowly correlated with equity markets on the assumption that investors are getting plenty of equity exposure elsewhere in their portfolios.</p> <p>Alpha Allocation</p> <p>High correlations across markets, sectors and stocks have plagued the alpha allocations since launch as security selection has not been rewarded in a market environment that has largely been driven by headlines and macro influences.</p> <p>Whilst the alpha allocation was positive over the quarter we believe this part of the portfolio is best evaluated over a longer term time horizon. A modest improvement in the investment environment and greater asset price stability should see security selection rewarded and value extracted from this allocation in the Fund.</p> <p>Cevian, who adopt a concentrated and active approach to unlocking value in Europe, performed strongly. Major positive contributors include Old Mutual Plc and Volvo.</p> <p>From an underperformance standpoint, One William Street, a manager with a value bias to US Structured Credit Markets, declined by 4.1%. The non agency RMBS market suffered from declining liquidity and a reduction in balance sheet committed by banks after losses incurred in the third quarter. However, valuations remain attractive even with very conservative assumptions applied.</p> <p>Replication</p> <p>The packages of equity and credit beta representative of a specific subset of hedge fund groups performed strongly over the quarter as markets rallied.</p> <p>Diversifiers</p> <p>The allocation across managed accounts and fund investments of managed futures and macro managers produced positive returns over the quarter while also playing the desired role of balancing the returns from the other parts of the portfolio.</p> <p>Trend following struggled to make any positive contribution as markets reversed their bearish trajectory in October. The correlated performance of trend managers was offset by QIM, a short to medium term systematic manager that moved positioning in October to be long equities which had moved to oversold territory in the first week of the month as well as short positions in US bonds which had reached over-bought levels.</p> <p>The discretionary global macro managers added value across the board with Prologue, COMAC and Caxton becoming increasingly more tactical in their trading style as well as exploiting themes like European funding stress and emerging market growth deceleration.</p> <p>Rule Based Alternative Beta</p> <p>This allocation was marginally negative over the quarter with the long volatility profile across the non correlated rules the most meaningful underperformer as equity volatility declined by 45% over the period. In currency markets, emerging market carrying risk premia underperformed whilst currency volatility performed better than equity volatility risk premia and was a positive contributor over the quarter. The passive representative of merger arbitrage risk premia extracted via the Credit Suisse Liquid Merger Arbitrage Index was also positive to the portfolio.</p>

Actual asset allocation by strategy



Market commentary

The fourth quarter was very volatile with respect to both changes to economic activity as well as risk premia supporting asset price stability.

Economic activity in the US again improved. The second quarter was seemingly the low point for GDP for the year. The quality of economic activity has been mixed with the major positive elements being both the contribution from corporate capital spending and the stability in inventory levels. On the negative side, the resilience in the consumer has been financed more by a decline in savings than income growth. Lastly, slow progress on job creation and a lifeless housing market have shown no material improvement.

Outside of the US, economic activity deteriorated and Europe probably entered into a recession toward the end of the quarter as austerity, tightening financial conditions and waning confidence eroded any prospect of keeping the financial debt crises contained and out of the real economy. The dependence of emerging economies on exports and their general cyclical sensitivity combined to push growth rates lower and push policy makers to adopt more a dovish approach to interest rates, inflation and currency appreciation.

Asset markets moved from extremely over-sold levels at the beginning of the quarter although remaining volatile throughout much of October and November. Commodities struggled with both a combination of global growth scares as well as a stronger dollar.

At the end of the quarter, important and constructive policy and action combined to remove short term catastrophe in the European banking sector with the result that stability improved and volatility declined toward the end of the year. The most significant of these actions came in the form of the ECB putting in place two long term repo facilities of 3 years.

A general theme across the quarter was the declining liquidity which amplified volatility as investors remained on the sidelines and market makers committed less capital to intermediate in certain markets like credit.

Within this environment many hedge funds reduced risk and missed the volatile rallies that followed the lows reached in the third quarter. For this reason long / short equity returns were positive but lagged traditional equity indices on both an absolute and relative basis. In addition intra market correlation across companies remained very high resulting in little stock specific dispersion being extracted by managers.

Credit strategies added hedges to their portfolios throughout the year as liquidity eroded. The basis risk of macro and index hedges contributed to difficulties faced by managers in this area with returns mostly flat to slightly down.

Macro and managed futures investment styles performed positively over the quarter with discretionary macro styles in general outperforming as managers were more tactical in trading opportunities like the funding stresses in Europe and the slowdown in emerging markets economies.

Investment objective

The Fund aims to generate absolute returns of cash plus 4-5% after fees with low correlation to equity and credit markets over a 3-year investment cycle.

Benefits of investing in the Fund

This Fund is ideal for investors seeking added diversification through exposure to a mixture of alternative strategies. When used within an investment portfolio, investors should experience a more balanced portfolio and lower overall volatility.

Ranges of investment strategies

Strategy	Range
Alpha Managers	20%–40%
Diversifiers	15%–30%
Replication Overlay	15%–40%
Alternative Beta	10%–40%

Key features

	Wholesale
Fund size	\$17.77 million
Date established	Oct-05
Distribution frequency	Annually
Minimum investment	\$5,000 (\$1,500 for <i>Regular Savings Plan</i> ¹)
Minimum withdrawal	\$1,500
Withdrawal period	5 days
Entry fee	Nil
Ongoing fee	0.98%pa ^{2,3}
Regular Savings Plan ¹	Yes
Regular Withdrawal Plan ¹	Yes
Distribution reinvestment	Yes
Buy/sell spread (%)	0.25/0.25
Exit fee	Nil

¹ Conditions apply.

² Includes effect of GST.

³ Performance fee.

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advance.com.au

Advance Global Alpha 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.

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