Quarterly commentary

ADVANCE INVESTIGATE

INTERNATIONAL SHARES MULTI-BLEND FUND

as at 31 December 2009

WHOLESALE FUND RETURN AS AT 31 DECEMBER 2009[1]

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)
Growth Return	3.97	14.45	11.89	-11.88	-3.06
Distribution Return	0.00	0.00	0.00	3.00	2.95
Total Return	3.97	14.45	11.89	-8.88	-0.11
Benchmark Return [2]	3.29	13.45	8.75	-8.47	0.48

[1] 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.
[2] Benchmark: MSCI World ex Australia Net $A. Prior to 8th Dec 2009 the benchmark comprised 65% MSCI World ex Australia Net $A + 35% MSCI World ex Australia Hedged $A.

INVESTMENT MARKET COMMENTARY

Global equity markets posted positive returns in the fourth quarter albeit at a slower pace than the previous two quarters. Enthusiasm over corporate earnings, positive economic data and ongoing support from fiscal and monetary policies benefited equity markets over the quarter despite some jitters in response to Dubai's debt situation and Greece's fiscal problems.

In local currency terms, global equities, as measured by the MSCI World ex Australia Index gained 4.9% over the quarter whilst in unhedged Australian dollar terms the Index returned a more modest 2.1% given the strength of the Australian Dollar. However, stronger data out of the US later in the quarter pushed bond yields higher spurring a rally in the US dollar pairing back some of the earlier gains in the Australian dollar.

Equity markets rallied on the prospects of continued growth in emerging economies as well as the reemergence of growth in the US. The fourth quarter rally was certainly not a smooth one as financial markets faced numerous obstacles during the period. Rating agencies downgraded the sovereign debt of Greece and threatened to downgrade Spain's obligations. Dubai World announced in late October that it would need to restructure its debt. In response to the financial crisis, the Bank for International Settlements issued its paper, the so-called "Basel II" proposing stricter regulations regarding banks' capital and liquidity requirements.

US banks were able to take advantage of the opportunity afforded by rising equity prices to pay back the billions borrowed under the Troubled Asset Relief Program (TARP) and thus minimise, or rid themselves of direct government oversight. Overall, optimism prevailed as equity and commodity prices gained, while market interest rates rose in Europe and the United States on perceptions of increased economic activity.

Emerging markets continued to outperform developed markets over the quarter. Commodity-related markets such as Russia and Brazil led the way as investors began anticipating resurgence in demand. Turkey, China and Mexico also delivered strong returns while Korea and India were notable laggards. Within developed markets, Singapore, US and UK were strong performers while Greece and Japan trailed.

Cyclical sectors led the market higher with materials and technology the two best performing sectors over the quarter. Higher commodity prices aided the materials sector while technology firms in particular benefited from stronger reported earnings. Healthcare stocks also rose more than the broader market as both chambers of Congress in the US passed healthcare reform bills, removing some of the uncertainty that has weighed on the sector. After leading stock market gains in the prior two quarters, financials was the worst performing sector over the quarter and the only sector to decline in absolute terms. By style, growth stocks outperformed value stocks, while small caps underperformed large cap stocks.

FUND AND MANAGER PERFORMANCE COMMENTARY

Over the quarter, the International Shares Multi-Blend Fund returned 3.97% after wholesale fees.

As an active multi-manager, the Fund is revised regularly within our robust risk management framework. This ensures we're able to take advantage of changing market conditions and that the Fund is well positioned for sustainable, long-term growth. We have recently undertaken a strategic review of the Fund, which has resulted in some structural and investment manager changes to the Fund over the quarter.

As recent market volatility has reset risk premiums worldwide, this has ultimately improved the risk/return trade-off for growth assets. In terms of portfolio construction, this means there are now greater opportunities to generate superior risk-adjusted returns for investors within the international equities sector.

To ensure the Fund is able to capitalise on these opportunities, our strategic review has covered both the, overall structure and the underlying investment managers. From a structural perspective, the Fund has removed its passive currency hedge and is now fully unhedged. We have also refined our manager line-up and introduced a new range of investment managers, selected not just for their individual capabilities and ability to deliver alpha, but also for their complementary characteristics within the overall Fund.

We're pleased to welcome AQR, Lazard, MFS, Schroders and Trilogy as new International shares managers. AQR is a specialist quantitative manager who focuses on global equities and alternatives. Lazard utilises a global thematic process and has a long track record of successful performance. MFS displays a slight growth bias but has a strong focus on quality. Schroders manages a dynamic blend between quality and value stocks across the broader investment universe. Trilogy has strong coverage of the broad investment universe with complementary macroeconomic input. These new managers will join Tradewinds to create a Fund that's optimally positioned to access the alpha available in the market and deliver a better risk/return outcome for investors.

When blending our final mix of managers, we're starting to move away from a core/satellite approach to portfolio construction, and taking advantage of the opportunity to distribute manager risk more evenly across the Fund. The Fund is biased towards manager skill rather than cyclical market factors, a strategy we believe should lead to consistent long-term returns. We'll continue to review the allocations all our managers and we'll make adjustments as required to deliver the optimal selection and allocation of managers for the Fund to continually meet and exceed its objectives.

Tradewinds returned positive absolute returns during the quarter and outperformed its benchmark. Much of the relative outperformance for the fourth quarter was due to significant overweight exposure to and stock selection in the materials sector and to its significant underweight exposure in the financials sector. Over the period, performance was most impaired by their sector exposure and stock selection in the telecommunications sector and stock selection in the consumer staples sector. Canadian-based gold mining company Gabriel Resources Limited was Tradewinds top contributor to performance during the period. In November, the company announced the addition of a major shareholder, and the news significantly lifted the company's stock price. Lihir Gold Limited, a gold producer in the Australasian region, was also among the best contributors to performance. Investors reacted positively to the discovery of new reserves at the company's Lihir Island gold mining operations accompanied by an improvement in the project's economics. Brazilian electric utility, Centrais Eletricas Brasileira SA and U.S. coal producer, Peabody Energy Corporation were also amongst the best contributors. The worst detractor from performance during the quarter was Nippon Telegraph & Telephone (NTT), Japan's largest telecom company which underperformed as operating profits declined.

Mellon Capital, a portfolio that aims to replicate the MSCI World ex Australia Index (Hedged) was removed from the portfolio in December. The fully hedged position of the Mellon Capital portfolio was the strongest positive contributor in absolute terms for the International Shares Multi-Blend Fund as the Australian dollar appreciated against most of the major currencies.

The Boston Company was removed from the portfolio in late November, slightly underperforming the benchmark over the period invested. Stock selection in the financials and materials sectors detracted the most from performance. In Financials many of their European names - notably Barclays, Credit Agricole Group, Axa, and Erste, fell after the new Basel Committee proposals for capital and liquidity regulations were announced. Performance in materials was hurt by lack of exposure to the metals and mining stocks, which rose along with expectations of global demand recovery. Stock selection in industrials and Healthcare were positive contributors to performance. The manager also benefited from an overweight exposure to Healthcare.

AllianceBernstein was also removed from the portfolio in late November, outperforming the benchmark over the allocated period. Performance was driven largely by positive security selection in the consumer discretionary and finance sectors. Within consumer discretionary, leading online-retailer Amazon.com reported surprisingly robust third-quarter results as well as gaining market share modestly expanding margins. Continued enthusiasm about a recovery in advertising spending and the potential completion of its AOL spin-off boosted the managers holding in media firm Time Warner. Within financials, overweight positions in Industrial & Commercial Bank of China and Visa also contributed positively after reporting robust earnings results.

The Fund gained exposure to new managers MFS, AQR, Schroders, Lazard and Trilogy in December. Over the short period invested, MFS, Trilogy and Schroders outperformed their respective benchmarks while Lazard and AQR underperformed.

Overall, the active currency strategy slightly detracted from performance over the quarter, with both managers delivering negative returns. Mellon Capital Management lost alpha over the quarter, with the majority of the underperformance coming from overweights to the Japanese yen and the Swiss Franc. An underweight position in the UK pound recouped some of the underperformance. Overlay Asset Management also delivered a more modest negative return for the quarter. As a whole, the performance contribution from trading systems, models and model risk allocation had a negative contribution. The sudden appreciation of the US dollar at the start of December hurt returns most as the portfolio was underweight the US dollar. In addition, the overweight position in the Euro was also a negative contributor.

MANAGER ALLOCATION

The current manager line-up and the benchmark allocation to each manager is as follows:

	Style	Benchmark Allocation (%)
MFS	Core	25
Lazard	Thematic	15
Tradewinds	Value	15
Trilogy	Growth	15
Schroders	Dynamic	15
AQR	Core	15

The unfunded active currency overlay strategy is managed by Mellon Capital Management and Overlay Asset Management.

TOP TEN PORTFOLIO HOLDINGS

		Portfolio (%)	Benchmark (%)
1.	Oracle Corporation	1.27	0.47
2.	Microsoft Corporation	1.23	1.17
3.	Nestle S.A.	1.12	0.81
4.	Roche Holding Limited	1.09	0.57
5.	Pfizer Inc.	1.01	0.70
6.	Cisco Systems Incorporated	0.99	0.66
7.	Walt Disney Company (The)	0.98	0.27
8.	Accenture Plc	0.88	0.12
9.	Barrick Gold Corporation	0.84	0.18
10.	3m Company	0.84	0.26
	TOTAL	**10.23**	**5.23**