

Pro-D Growth Fund

Fund Update
31 August 2023

The Pro-D Growth Fund is a cost-effective and diversified investment solution with a strategic asset allocation of 75% Growth assets and 25% Defensive assets. Combining the expertise of Farrelly Research & Management and Australian Unity, the Fund seeks to improve the tax-effectiveness of returns by investing across a range of active and indexed investment strategies. The Fund aims to deliver post-fee returns in excess of inflation plus 3.75% per annum over rolling five-year periods.

Performance as at 31 August 2023

	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.	Since inception % p.a.
Distribution return	0.00	2.86	3.81	5.12	4.74	5.64	5.81	5.80
Growth return	(0.35)	0.47	4.14	1.89	0.47	0.94	1.12	1.60
Fund total return	(0.35)	3.33	7.95	7.01	5.21	6.58	6.93	7.40
Target return	0.58	1.73	9.07	8.91	7.46	7.15	6.88	6.88
Excess return	(0.93)	1.60	(1.12)	(1.90)	(2.25)	(0.57)	0.05	0.52

Returns are calculated after fees and expenses and assume the reinvestment of distributions.

The target return objective is the Consumer Price Index, all groups, weighted average of 8 capital cities plus 4.5% p.a., until 31 March 2020 and 3.75% p.a. from 1 April 2020, and is an estimate only. It is based on the most recently released quarterly data from the Australian Bureau of Statistics, which typically lags by up to three months. No guarantee or assurance is provided as to the achievement of this target. Past performance is not a reliable indicator of future performance.

Inception date for performance calculations is 31 December 2012.

Fund returns

Equity markets were weaker in the month. Investors were rattled by the combination of ratings agency Fitch downgrading US debt from AAA to AA+, softer economic data in the US and Australia, and renewed concerns about property markets in China following a reported loss of US\$6.7 billion by major Chinese property developer "Country Garden". The US Federal Reserve, European Central Bank and RBA left cash rates unchanged during the month.

The Australian share market declined (-0.8%) in August as the Utilities and Consumer Staples sectors slumped while the Consumer Discretionary sector saw strong gains and A-REITs jumped +2.3% for the month. Currency-hedged international equities fell (-1.9%) but currency-unhedged international equities returned +1.6%, aided by the Australian dollar which tumbled (-3.5%) against the US dollar.

The Australian 10-year government bond yield fell by 0.03% to 4.03%pa and the US 10-year government bond yield rose by 0.15% to close at 4.11%pa.

Against this backdrop, the Fund declined slightly in value (-0.4%) for the month. The Fund achieved gains on its unhedged international share, listed REIT and small cap share exposures, and on its inflation-linked bond and high yield loans (Bentham) exposures. These were offset by weakness in the Fund's large cap Australian share, hedged international share and global infrastructure holdings. The Fund's one-year return is solidly positive, with double-digit gains on its international share exposures the key contributor to returns.

The Fund has achieved solid returns over longer periods. The

Fund's return since inception is a little above its objective (currently inflation + 3.75% pa), despite COVID's emergence in 2020 and central banks raising policy rates rapidly through 2022 and early 2023 to counter high inflation. Over the past five years the Fund's strongest contributors include the Australian Unity Healthcare Property Trust at +15.2% pa, iShares Indexed International Equity Fund (Unhedged) at +11.1% pa, and the Antipodes Global Fund at +8.8% pa.

Fund portfolio management

The Fund trimmed its Australian share exposure during August as flows and manager performance saw the holding rise above our target allocation. At month-end, the Fund's positioning can be summarised as:

Australian shares – The Fund expects to achieve a solid return premium versus risk-free assets over the medium-to-long term, bolstered by franking credits. We maintain a slight overweight exposure, holding a blend of underlying managers providing diversification across company size, industry exposure and investment styles, to improve the consistency of returns.

International shares – We believe most global share markets offer strong long-term returns for the risk being adopted. US equities remain the exception – we see the largest companies (in particular) as expensive and at risk of poor performance in coming years, and therefore maintain an underweight exposure to this market.

Real assets – The different return drivers for real assets versus listed equities provide diversification benefits for investors. At this

time we prefer listed assets, as these currently trade at discount to direct/unlisted assets.

Defensive assets – Current long-dated bond yields offer minimal return pickup relative to (zero-duration) cash, in contrast to the typically upward-sloping yield curve. Accordingly, we maintain relatively short duration within the Fund's fixed interest exposure. Credit spreads offer adequate compensation for the risk being assumed: accordingly, the Fund holds exposures to domestic and international credit managers alongside directly-held Australian inflation-linked bonds.

Outlook

Investors are keenly focused on global central banks' efforts to control inflation through tighter monetary policy without sending economies and vulnerable industries into recession. We believe most central banks are nearing the end of the current tightening cycle given signs of moderating inflation in recent months.

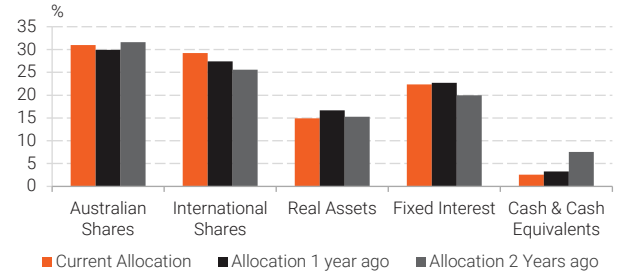
On a medium-to-long term view most growth assets (with the notable exception of US shares) continue to offer an attractive return premium versus risk-free assets, leading the Fund to adopt a "neutral" overall risk position.

Fund snapshot

APIR code	AUS0068AU
Funds under management	\$60.15m
Distribution frequency	Half yearly
Minimum initial investment	\$5,000
Entry/exit fee	Nil
Management fee*	0.70%
Buy/Sell spread	0.10%/0.10%
Advice fee	Available

*Refer to the Fund's Product Disclosure Statement for more details on the Fund's management costs which also include recoverable expenses and indirect costs. Total management costs may vary.

Asset allocation over time



Manager allocation

Fund Manager	Range %	Approach	%
Growth	0-80		75.09
Australian Shares	0-80		30.97
iShares		Index	18.17
Tyndall		Large Value	3.69
Platypus		Large/Mid Growth	3.55
Lennox		Small Caps	2.90
Investors Mutual		Small Caps	2.66
International Shares	0-80		29.22
iShares		Index Global	9.24
Vanguard		Index excl. USA	9.15
iShares		Index Unhedged	7.33
Antipodes		Concentrated	2.06
State Street		Value / Quality	1.44
Real Assets	0-80		14.90
Vanguard		Index Global Infra.	5.47
Australian Unity		Healthcare Property	3.58
iShares		Index A-REITS	3.42
Australian Unity		Hybrid Property	2.43
Defensive	20-100		24.91
Fixed Interest	0-100		22.33
iShares		Index Global Govt & IG	4.99
iShares		Index Aust Govt & IG	3.59
Barings		Global Non-Govt IG	3.49
Pimco		Global Non-Govt IG	2.73
Bentham		Global High Yield Loans	2.67
Australian Unity		Enhanced Cash	2.46
Australian Unity		Aust Govt Inflation-Linked Bonds	2.41
Cash & Cash Equivalents	0-100		2.57
Australian Unity		Cash	2.57

Contact us

australianunity.com.au/wealth/
australianunitywealth@unitregistry.com.au

Investor Services
 T 1300 997 774

Adviser Services
 T 1300 997 774

Important Information

Units in the AUFM Managed Fund No.3 ARSN 160 421 161 (Pro-D Growth Fund) are issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454 as responsible entity. The information in this document is general information only and is not based on the objectives, financial situation or needs of any particular investor. In deciding whether to acquire, hold or dispose of the product you should obtain a copy of the current Product Disclosure Statement (PDS), Additional Information Document (AID) and Target Market Determination (TMD) and consider whether the product is appropriate for you. Copies are available at www.australianunity.com.au/wealth or by calling us on 1300 997 774 or +61 3 9616 8687 (if calling from overseas). Past performance is not a reliable indicator of future performance. This document is updated monthly and is current at the time of publishing. We may change the investment characteristics of the fund at any time. This information is intended for recipients in Australia only. Not to be reproduced without permission.