

Pro-D High Growth Fund

Fund Update
31 August 2023

The Pro-D High Growth Fund is a cost-effective and diversified investment solution with a strategic asset allocation of 95% Growth assets and 5% 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 4.25% 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	4.75	5.83	7.64	6.12	7.22	7.43	7.41
Growth return	(0.50)	(0.52)	4.39	1.42	0.21	0.83	0.69	1.31
Fund total return	(0.50)	4.23	10.22	9.06	6.33	8.05	8.12	8.72
Target return	0.62	1.85	9.57	9.41	7.97	7.66	7.38	7.39
Excess return	(1.12)	2.38	0.65	(0.35)	(1.64)	0.39	0.74	1.33

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 5% p.a., until 31 March 2020 and 4.25% 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 (-0.5%) for the month. The Fund achieved gains on its unhedged international share, listed REIT and small cap share 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 strong returns over longer periods. The Fund's return since inception sits comfortably above its objective

(currently inflation + 4.25% 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 – Credit spreads offer adequate compensation for the risk being assumed: accordingly, the Fund holds exposures to domestic and international credit managers.

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.

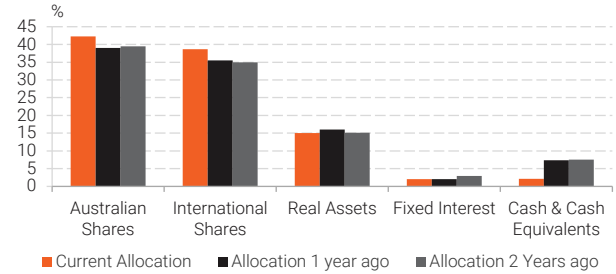
On a medium-to-long term view most growth assets (with the notable exception of US shares) continue to offer an attractive return premium versus risk-free assets, leading the Fund to adopt a "neutral" overall risk position.

Fund snapshot

APIR code	AUS0064AU
Funds under management	\$20.62m
Distribution frequency	Half yearly
Minimum initial investment	\$5,000
Entry/exit fee	Nil
Management fee*	0.75%
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	0-100		95.88
Australian Shares	0-100		42.25
iShares		Index	28.50
Investors Mutual		Small Caps	4.16
Lennox		Small Caps	4.07
Tyndall		Large Value	3.70
Platypus		Large/Mid Growth	1.81
International Shares	0-100		38.64
iShares		Index Global	12.01
Vanguard		Index excl. USA	11.18
iShares		Index Unhedged	10.01
Antipodes		Concentrated	2.82
State Street		Value / Quality	2.64
Real Assets	0-100		14.99
Vanguard		Index Global Infra.	5.93
iShares		Index A-REITS	3.36
Australian Unity		Healthcare Property	3.31
Australian Unity		Hybrid Property	2.39
Defensive	0-100		4.12
Fixed Interest	0-100		2.02
Barings		Global Non-Govt IG	0.81
Pimco		Global Non-Govt IG	0.62
Bentham		Global High Yield Loans	0.59
Cash & Cash Equivalents	0-100		2.10
Australian Unity		Cash	2.10

Contact us

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

Investor Services
 T 1300 997 774

Adviser Services
 T 1300 997 774

Important Information

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