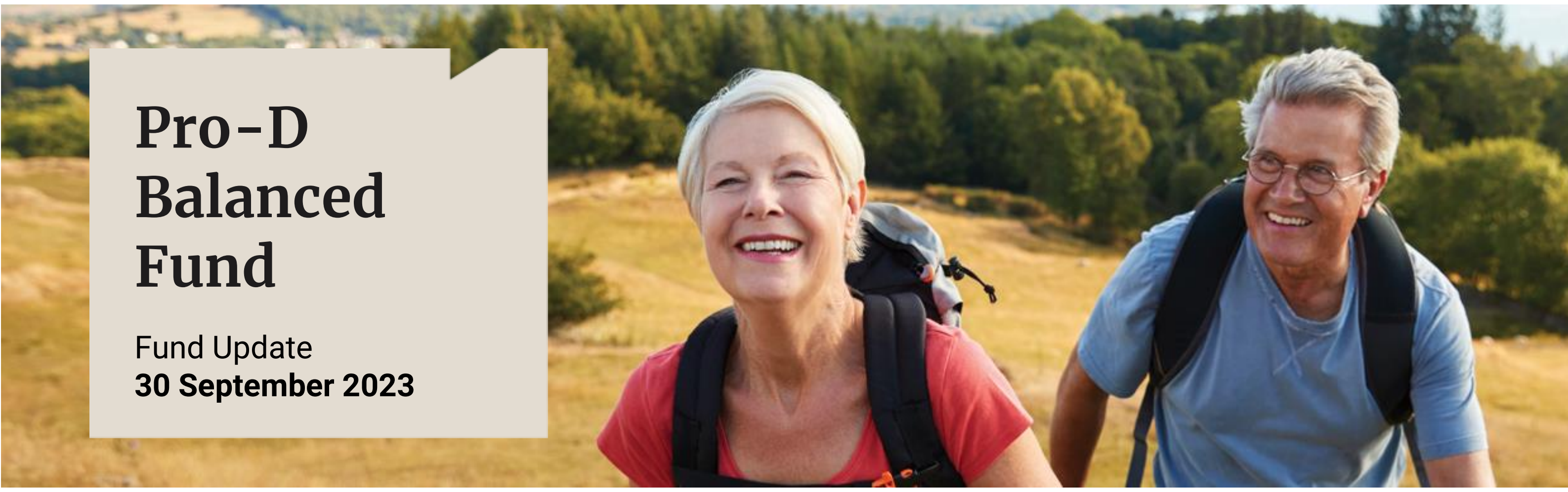
Australian Unity
Real Wellbeing



Pro-D Balanced Fund

Fund Update
30 September 2023

The Pro-D Balanced Fund is a cost-effective and diversified investment solution with a strategic asset allocation of 50 percent Growth assets and 50 percent 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 3.0% per annum over rolling five-year periods.

Performance as at 30 September 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	0.00	2.98	3.77	3.54	4.22	4.56	4.53
Growth return	(2.08)	(0.69)	4.38	(0.01)	(0.37)	0.11	0.38	0.82
Fund total return	(2.08)	(0.69)	7.36	3.76	3.17	4.33	4.94	5.35
Target return	0.52	1.57	7.98	8.07	6.66	6.27	5.95	5.97
Excess return	(2.60)	(2.26)	(0.62)	(4.31)	(3.49)	(1.94)	(1.01)	(0.62)

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 3.5% p.a., until 31 March 2020 and 3.0% 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

Share markets declined in September as investors digested the potential inflationary implications of a surging crude oil price (+6.9% for the month), along with brinkmanship from US lawmakers regarding the Government's funding bill. The European Central Bank raised rates by 0.25% to 4.0% while other major global central banks including the Reserve Bank of Australia kept rates on hold during the month.

The Australian share market declined (-2.9%) in September: the Healthcare and Technology sectors slumped while Energy stocks saw gains, buoyed by higher oil prices. A-REITs declined sharply (-8.7%) for the month. Currency-hedged international equities fell (-3.8%) and currency-unhedged international equities returned (-4.0%) as the Australian dollar gained against the Euro and Yen but fell against the US dollar.

The Australian 10-year government bond yield jumped by 0.46% to 4.49% pa and the US 10-year government bond yield rose by 0.46% to close at 4.57% pa.

Against this backdrop, the Fund declined (-2.1%) for the month. The Fund achieved gains on short-duration investment grade (Barings) and syndicated loan (Bentham) exposures, its direct inflation-linked bond holdings and on the AU Healthcare Property Trust. These were offset by weakness in the Fund's indexed Australian REITs, Australian and international share holdings, and duration-sensitive bond exposures. The Fund's one-year return sits at +7.4%, with double-digit gains on its Australian and international share exposures the key contributors to returns.

The Fund has achieved solid returns over longer periods. The return since inception sits somewhat below objective (currently inflation + 3.0% pa), impacted by COVID's emergence in 2020 and share and bond market losses which preceded central bank rate rises 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 +10.1% pa, and the Antipodes Global Fund at +7.7% pa.

Fund portfolio management

The Fund migrated a portion of its real asset exposures during the month, trimming direct property and adding to its holding in (relatively-attractive) listed property. Additionally, the Fund increased its interest rate duration toward month-end, after increases in Australian and global bond yields improved the prospective returns on fixed interest assets.

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 that provide 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. We currently prefer listed assets, as these currently trade at discount to direct/unlisted assets and have greater liquidity.

Defensive assets – Current long-dated bond yields offer a meaningful return pickup relative to (zero-duration) cash. Accordingly, we have increased duration within the Fund's fixed interest exposures recently. 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.

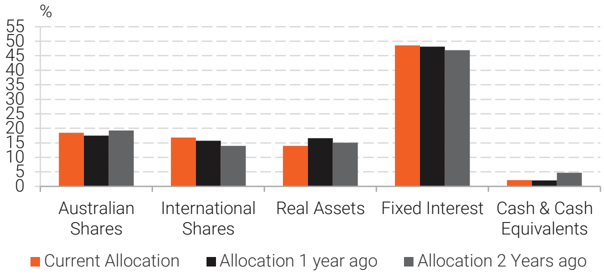
On a medium-to-long term view most growth assets (with the notable exception of US shares) continue to offer an attractive return premium versus risk-free assets, leading the Fund to adopt a "neutral" overall risk position.

Fund snapshot

APIR code	AUS0066AU
Funds under management	$81.31m
Distribution frequency	Half yearly
Minimum initial investment	$5,000
Entry/exit fee	Nil
Management fee*	0.65%
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	0-55		49.26
Australian Shares	0-55		18.50
iShares		Index	13.47
Lennox		Small Caps	1.82
Investors Mutual		Small Caps	1.67
Platypus		Large/Mid Growth	0.81
Tyndall		Large Value	0.73
International Shares	0-55		16.81
iShares		Index Global	5.62
Vanguard		Index excl. USA	5.24
iShares		Index Unhedged	4.27
Antipodes		Concentrated	0.93
State Street		Value / Quality	0.75
Real Assets	0-55		13.96
iShares		Index Global Infra.	5.27
Australian Unity		Healthcare Property	3.85
iShares		Index A-REITS	3.39
Australian Unity		Hybrid Property	1.45
Defensive	45-100		50.74
Fixed Interest	0-100		48.53
iShares		Index Global Govt & IG	11.10
Barings		Global Non-Govt IG	8.90
iShares		Index Aust Govt & IG	8.09
Pimco		Global Non-Govt IG	6.37
Australian Unity		Aust Govt Inflation-Linked Bonds	5.33
Australian Unity		Enhanced Cash	5.06
Bentham		Global High Yield Loans	3.68
Cash & Cash Equivalents	0-100		2.21
Australian Unity		Cash	2.21

Contact us

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

Investor Services
T 1300 997 774

Adviser Services
T 1300 997 774