Pro-D High Growth Fund

Fund Update
31 October 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 October 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	5.52	7.52	6.12	7.18	7.36	7.24
Growth return	(2.96)	(6.44)	(1.11)	(0.15)	0.28	0.27	(0.40)	0.72
Fund total return	(2.96)	(6.44)	4.41	7.37	6.40	7.45	6.96	7.96
Target return	0.74	2.23	9.37	9.49	8.10	7.73	7.41	7.44
Excess return	(3.70)	(8.67)	(4.96)	(2.12)	(1.70)	(0.28)	(0.45)	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 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

Share markets declined in October after a deadly attack on Israel by Hamas, followed by an Israeli declaration of war and barrage of airstrikes in the Gaza strip. The risk of spill-over into broader regional warfare, coupled with the ongoing Russia/Ukraine conflict dented investor confidence. Investors also contemplated the prospect of higher cash rates and bond yields further into the future, following stronger than expected US GDP growth and a higher than anticipated Australian inflation print for the September quarter. Major global central banks including the RBA kept rates on hold during the month.

The Australian share market declined (-3.8%) in October: Technology and Healthcare sectors were the worst performers while Utility stocks were the only sector that gained. A-REITs declined sharply (-5.7%) for the month. Currency-hedged international equities fell (-2.7%) and currency-unhedged international equities returned (-1.0%) as the Australian dollar fell against the Euro and the US dollar.

The Australian 10-year government bond yield jumped by 0.44% to 4.93% pa and the US 10-year government bond yield rose by 0.36% to close at 4.93%pa.

Against this backdrop, the Fund declined (-3.0%) for the month. The Fund was impacted by weakness in its indexed Australian REITs, Australian and hedged international share exposures, with only AU Healthcare Property Trust and cash achieving meaningful gains in October. The Fund's one-year return sits at +4.4%, with double-digit gains on its currency-unhedged international share exposures the key contributors to returns.

The Fund has achieved solid returns over longer periods. The return since inception is a little above objective (currently inflation + 4.25% pa), with underperformance in recent years reflecting 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 +15.3% pa, iShares Indexed International Equity Fund (Unhedged) at +11.1% pa, and the Antipodes Global Fund at +8.6% pa.

Fund portfolio management

The Fund added to its listed global infrastructure exposure as we see prospective returns as highly compelling, trimming Australian and shares to fund this purchase.

At month-end, the Fund's positioning can be summarised as:

Australian shares – The Fund expects to achieve an adequate return premium versus risk-free assets over the medium-to-long term, bolstered by franking credits. We recently trimmed the Fund's Australian share exposure, bringing this toward neutral, and hold 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 reasonable 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.

Real assets – The different return drivers for real assets versus listed equities provide diversification benefits for investors. We currently prefer listed assets, particularly global infrastructure, as these currently trade at a significant discount to direct/unlisted holdings, have greater liquidity and offer robust prospective returns, and have recently built an overweight position to these assets.

Defensive assets – Credit spreads offer adequate but not outstanding compensation for the risk being assumed. Accordingly, the Fund holds exposures to domestic and international credit managers.

Outlook

Investors remain keenly focused on global central banks' efforts to control inflation through tighter monetary policy and are watching to see whether this sends economies and vulnerable industries into recession. We believe most central banks are near the end of their current tightening cycles.

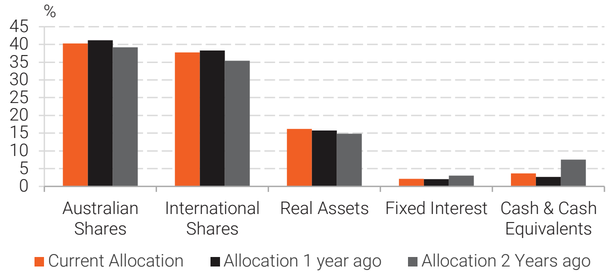
On a medium-to-long-term view, most growth assets (with the notable exception of US shares) continue to offer a reasonable or attractive return premium versus risk-free assets, leading the Fund to adopt a "neutral" overall risk position.

Fund snapshot

APIR code	AUS0064AU
Funds under management	$19.39m
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		94.20
Australian Shares	0-100		40.26
iShares		Index	28.20
Investors Mutual		Small Caps	4.19
Lennox		Small Caps	3.94
Tyndall		Large Value	2.20
Platypus		Large/Mid Growth	1.73
International Shares	0-100		37.76
iShares		Index Global	11.96
Vanguard		Index excl. USA	11.15
iShares		Index Unhedged	10.12
Antipodes		Concentrated	2.33
State Street		Value / Quality	2.21
Real Assets	0-100		16.18
iShares		Index Global Infra.	8.15
Australian Unity		Healthcare Property	3.55
iShares		Index A-REITS	3.06
Australian Unity		Hybrid Property	1.43
Defensive	0-100		5.80
Fixed Interest	0-100		2.12
Barings		Global Non-Govt IG	0.86
Pimco		Global Non-Govt IG	0.64
Bentham		Global High Yield Loans	0.62
Cash & Cash Equivalents	0-100		3.68
Australian Unity		Cash	3.68

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