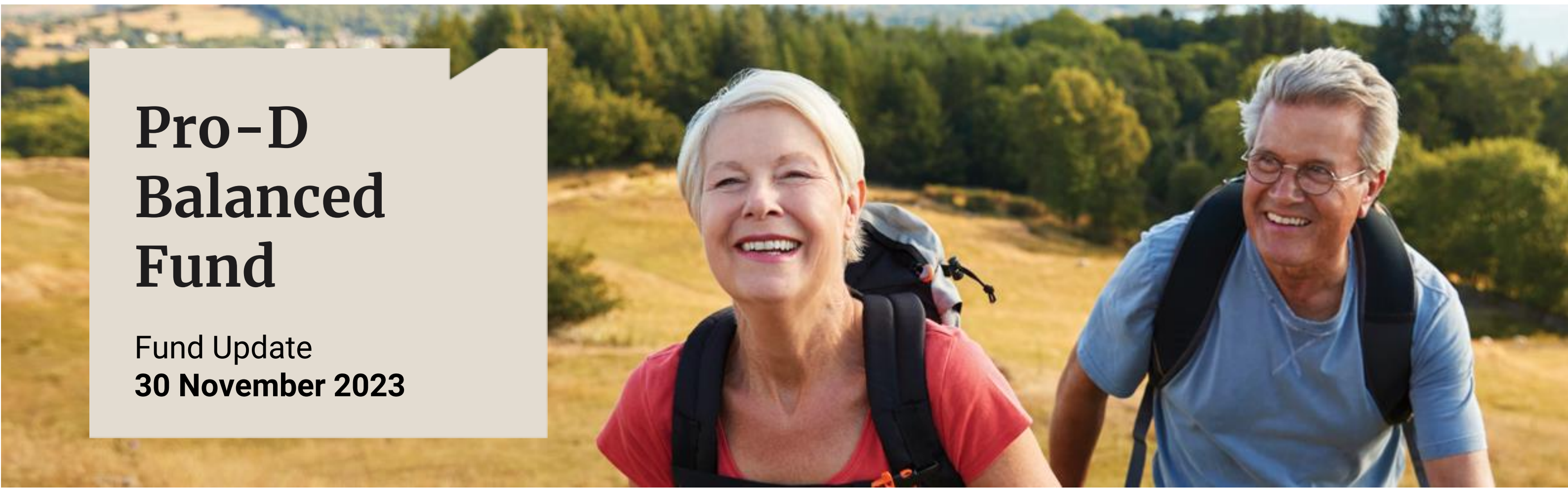


Pro-D Balanced Fund

Fund Update
30 November 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 November 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	2.88	3.73	3.58	4.23	4.57	4.47
Growth return	3.69	(0.29)	0.85	(0.98)	0.61	0.40	0.43	0.97
Fund total return	3.69	(0.29)	3.73	2.75	4.19	4.63	5.00	5.44
Target return	0.64	1.93	7.90	8.28	6.81	6.38	6.01	6.03
Excess return	3.05	(2.22)	(4.17)	(5.53)	(2.62)	(1.75)	(1.01)	(0.59)

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 surged in November following a flat October US Consumer Price Index (CPI) print and hints from the US Federal Reserve that the hiking cycle may have ended. Australia's October headline CPI came in at 4.9%, below market expectations of 5.2%. Crude oil prices slumped (-5.2%), despite intensive fighting in the Gaza strip between Israeli forces and Hamas and the ongoing risk of spill-over into a broader regional conflict. The Reserve Bank of Australia (RBA) increased the cash rate by 0.25% to 4.35%, in contrast to most major global central banks which kept interest rates on hold.

Australian shares gained 5.1% in November, led by the Healthcare, Technology and Industrial sectors. Australian Real Estate Investment Trusts (A-REITs) surged 10.9% for the month. Currency-hedged international equities gained 8.0% and currency-unhedged international equities returned 4.4%, blunted by the Australian dollar which appreciated in value against the US dollar.

The Australian 10-year government bond yield tumbled by (-0.51%) to 4.41% pa and the US 10-year government bond yield fell by (-0.60%) to close at 4.33% pa.

Against this backdrop, the Fund returned +3.7% for the month. The Fund achieved gains on almost all holdings: the only investment to detract value was the Australian Unity Healthcare Property Trust, due to downward revaluations on its underlying property holdings. The Fund's one-year return sits at +3.7%, supported by double-digit gains on the Lennox Australian Small Companies Fund, Bentham Syndicated Loan Fund, and on the Fund's international share exposures.

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 the share and bond market losses that 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 +14.3% pa, iShares Indexed International Equity Fund (Unhedged) at +12.5% pa, and the Antipodes Global Fund at +10.0% pa.

Fund portfolio management

The Fund trimmed its currency-hedged global share exposure after the strong rally in global share markets pushed the exposure above our target.

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 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, and so the Fund is significantly underweight to the US while maintaining significant exposure to other markets.

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 trade at a significant discount to direct/unlisted holdings, have greater liquidity, and offer robust prospective returns. Accordingly, we maintain an overweight position to these assets.

Defensive assets – Currently long-dated bond yields are close to the returns available on (zero-duration) cash, offering outperformance if central banks cut cash rates in coming years. Fixed interest also offers diversification benefits versus equities, and so we maintain moderate duration exposure.

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.

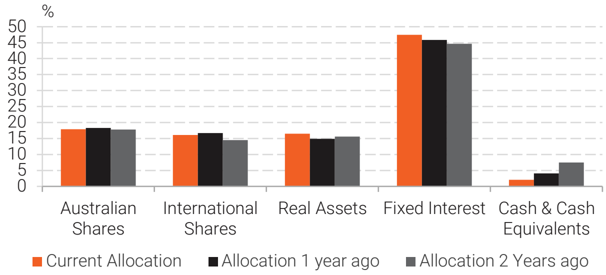
On a medium-to-long-term view, most growth assets (with the notable exception of US shares) continue to offer a reasonable or attractive return premium versus risk-free assets, leading the Fund to adopt a "neutral" overall risk position.

Fund snapshot

APIR code	AUS0066AU
Funds under management	$81.78m
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		50.50
Australian Shares	0-55		17.93
iShares		Index	13.47
Lennox		Small Caps	1.84
Investors Mutual		Small Caps	1.67
Platypus		Large/Mid Growth	0.84
Tyndall		Large Value	0.11
International Shares	0-55		16.11
iShares		Index Global	5.37
Vanguard		Index excl. USA	5.28
iShares		Index Unhedged	4.39
Antipodes		Concentrated	0.56
State Street		Value / Quality	0.51
Real Assets	0-55		16.46
iShares		Index Global Infra.	7.80
Australian Unity		Healthcare Property	3.73
iShares		Index A-REITS	3.50
Australian Unity		Hybrid Property	1.43
Defensive	45-100		49.50
Fixed Interest	0-100		47.44
iShares		Index Global Govt & IG	11.61
Barings		Global Non-Govt IG	8.94
iShares		Index Aust Govt & IG	8.46
Pimco		Global Non-Govt IG	6.47
Australian Unity		Aust Govt Inflation-Linked Bonds	5.34
Bentham		Global High Yield Loans	3.62
Australian Unity		Enhanced Cash	3.02
Cash & Cash Equivalents	0-100		2.06
Australian Unity		Cash	2.06

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