

# Pro-D Growth Fund

Fund Update  
30 November 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 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	3.69	5.01	4.78	5.64	5.79	5.66
Growth return	4.52	(0.83)	0.67	(0.32)	1.45	0.87	0.69	1.48
Fund total return	4.52	(0.83)	4.36	4.69	6.23	6.51	6.48	7.14
Target return	0.70	2.11	8.64	9.03	7.62	7.25	6.92	6.95
Excess return	3.82	(2.94)	(4.28)	(4.34)	(1.39)	(0.74)	(0.44)	0.19

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

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 +4.5% 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 +4.4%, 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 marginally above objective (currently inflation + 3.75% pa), despite the impacts of 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.

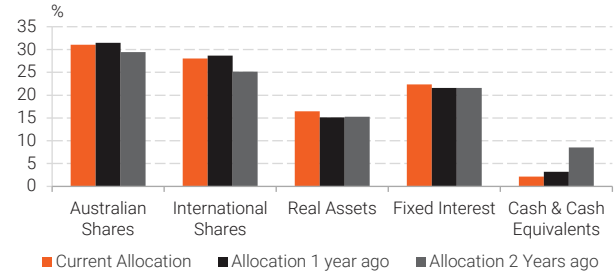
On a medium-to-long-term view, most growth assets (with the notable exception of US shares) continue to offer a reasonable or attractive return premium versus risk-free assets, leading the Fund to adopt a "neutral" overall risk position.

**Fund snapshot**

APIR code	AUS0068AU
Funds under management	\$59.15m
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	%
<b>Growth</b>	<b>0-80</b>		<b>75.53</b>
<b>Australian Shares</b>	<b>0-80</b>		<b>31.02</b>
iShares		Index	19.22
Platypus		Large/Mid Growth	3.57
Lennox		Small Caps	2.88
Tyndall		Large Value	2.69
Investors Mutual		Small Caps	2.66
<b>International Shares</b>	<b>0-80</b>		<b>28.06</b>
iShares		Index Global	9.17
Vanguard		Index excl. USA	9.10
iShares		Index Unhedged	7.40
Antipodes		Concentrated	1.26
State Street		Value / Quality	1.13
<b>Real Assets</b>	<b>0-80</b>		<b>16.44</b>
iShares		Index Global Infra.	8.14
Australian Unity		Healthcare Property	3.56
iShares		Index A-REITS	3.30
Australian Unity		Hybrid Property	1.45
<b>Defensive</b>	<b>20-100</b>		<b>24.47</b>
<b>Fixed Interest</b>	<b>0-100</b>		<b>22.34</b>
iShares		Index Global Govt & IG	6.11
iShares		Index Aust Govt & IG	4.64
Barings		Global Non-Govt IG	3.60
Pimco		Global Non-Govt IG	2.78
Australian Unity		Aust Govt Inflation-Linked Bonds	2.46
Bentham		Global High Yield Loans	2.26
Australian Unity		Enhanced Cash	0.50
<b>Cash &amp; Cash Equivalents</b>	<b>0-100</b>		<b>2.13</b>
Australian Unity		Cash	2.13

**Contact us**  
[australianunity.com.au/wealth/](http://australianunity.com.au/wealth/)  
[australianunitywealth@unitregistry.com.au](mailto: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](http://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.