Australian Unity
Real Wellbeing

Pro-D High Growth Fund

Fund Update
30 November 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 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	5.56	7.43	6.19	7.21	7.39	7.21
Growth return	5.01	(1.26)	(0.57)	(1.25)	1.50	0.70	0.14	1.17
Fund total return	5.01	(1.26)	4.99	6.18	7.69	7.91	7.53	8.38
Target return	0.73	2.23	9.14	9.53	8.13	7.75	7.42	7.45
Excess return	4.28	(3.49)	(4.15)	(3.35)	(0.44)	0.16	0.11	0.93

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 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 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 +5.0% 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 +5.0%, 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 comfortably above objective (currently inflation + 4.25% pa), despite the impacts of COVID's emergence in 2020 and the 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 +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 – 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.

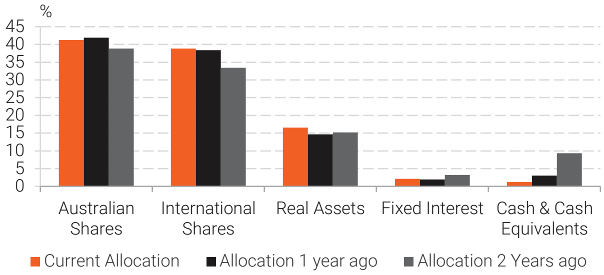
On a medium-to-long-term view, most growth assets (with the notable exception of US shares) continue to offer a reasonable or attractive return premium versus risk-free assets, leading the Fund to adopt a "neutral" overall risk position.

Fund snapshot

APIR code	AUS0064AU
Funds under management	$19.89m
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		96.69
Australian Shares	0-100		41.30
iShares		Index	28.88
Investors Mutual		Small Caps	4.24
Lennox		Small Caps	4.12
Tyndall		Large Value	2.20
Platypus		Large/Mid Growth	1.86
International Shares	0-100		38.80
iShares		Index Global	12.59
Vanguard		Index excl. USA	11.33
iShares		Index Unhedged	10.30
Antipodes		Concentrated	2.33
State Street		Value / Quality	2.24
Real Assets	0-100		16.59
iShares		Index Global Infra.	8.50
Australian Unity		Healthcare Property	3.36
iShares		Index A-REITS	3.31
Australian Unity		Hybrid Property	1.42
Defensive	0-100		3.31
Fixed Interest	0-100		2.10
Barings		Global Non-Govt IG	0.85
Pimco		Global Non-Govt IG	0.65
Bentham		Global High Yield Loans	0.60
Cash & Cash Equivalents	0-100		1.21
Australian Unity		Cash	1.21

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