

Pro-D High Growth Fund

Fund Update
31 December 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 December 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	0.59	0.60	5.77	7.55	6.22	7.16	7.38	7.24
Growth return	4.01	5.99	7.45	(0.07)	2.99	0.90	0.47	1.52
Fund total return	4.60	6.59	13.22	7.48	9.21	8.06	7.85	8.76
Target return	0.73	2.22	8.91	9.57	8.16	7.78	7.43	7.46
Excess return	3.87	4.37	4.31	(2.09)	1.05	0.28	0.42	1.30

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 December following an indication from the US Federal Reserve that it expects to cut interest rates three times in 2024, as US economic and inflation data releases show signs of slowing. US job openings retreated in October to 2021 levels, US personal consumption expenditures showed consumer prices declined -0.1% during November and US annual headline CPI printed 3.1% in November, down from 3.2% in the prior month. Major global central banks kept interest rates on hold during the month.

Australian shares gained 7.2% in December, led by the Healthcare, Materials, Real Estate and Technology sectors. Currency-hedged international equities gained 3.9% and unhedged international equities returned 1.8%, blunted by the Australian dollar which appreciated in value against the US dollar and Euro.

The Australian 10-year government bond yield tumbled by (-0.46%) to 3.96% pa and the US 10-year government bond yield fell by (-0.45%) to close at 3.88% pa.

Against this backdrop, the Fund returned +4.6% for the month. The Fund achieved gains on almost all holdings, with the Australian Unity Healthcare Property Trust the only investment to decline materially. The Fund's one-year return sits at +13.2%, reflecting returns above +20% on various Australian and international share investments in the past year.

The Fund has achieved strong returns over longer periods, with returns for five years and beyond comfortably above objective (currently inflation + 4.25% pa). This reflects strong market and manager returns for much of the Fund's history, albeit impacted

by COVID's emergence in 2020 and the share market losses incurred in calendar 2022. Over the past five years, the Fund's strongest contributors include the iShares Indexed International Equity Fund (Unhedged) at +13.9% pa, Australian Unity Healthcare Property Trust at +13.6% pa, and the Platypus Australian Equity Fund at +11.8% pa.

Distribution

The Fund declared its semi-annual distribution effective 31 December. The 0.7 cent distribution primarily comprises rent and similar income from the Fund's real asset exposures and franked dividends achieved within underlying Australian equity funds for the six months to December.

Consistent with prior years, the Fund will distribute net capital gains within its end-June distribution.

Fund portfolio management

The Fund trimmed its global share holdings after recent months' strong global share market rally 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 – Even after recent gains, we believe most

global share markets offer reasonable long-term returns for the risk being adopted. US equities (and in particular the largest companies) appear expensive and may deliver poor performance in coming years - 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 infrastructure, as these trade at a significant discount to direct/unlisted holdings, have greater liquidity, and offer robust prospective returns. Accordingly, we hold 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 or at the end of their current tightening cycles, however, investment markets now expect rapid rate cuts – a pace that may not eventuate.

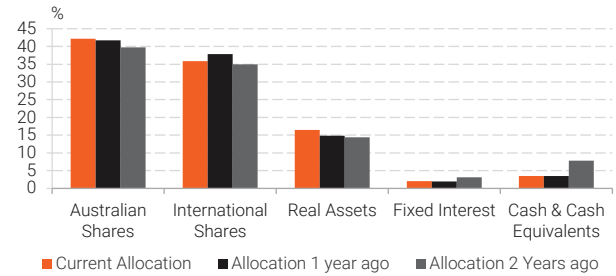
On a medium-to-long-term view most growth assets (with the exception of US shares) continue to offer a reasonable or attractive return premium versus risk-free assets, leading the Fund to adopt a "neutral" overall risk position.

Fund snapshot

APIR code	AUS0064AU
Funds under management	\$20.85m
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		94.48
Australian Shares	0-100		42.19
iShares		Index	29.55
Investors Mutual		Small Caps	4.34
Lennox		Small Caps	4.16
Tyndall		Large Value	2.21
Platypus		Large/Mid Growth	1.93
International Shares	0-100		35.83
iShares		Index Global	11.33
Vanguard		Index excl. USA	10.85
iShares		Index Unhedged	9.19
Antipodes		Concentrated	2.26
State Street		Value / Quality	2.19
Real Assets	0-100		16.46
iShares		Index Global Infra.	8.41
iShares		Index A-REITS	3.52
Australian Unity		Healthcare Property	3.13
Australian Unity		Hybrid Property	1.41
Defensive	0-100		5.52
Fixed Interest	0-100		2.04
Barings		Global Non-Govt IG	0.82
Pimco		Global Non-Govt IG	0.64
Bentham		Global High Yield Loans	0.58
Cash & Cash Equivalents	0-100		3.48
Australian Unity		Cash	3.48

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

Investor Services
 T 1300 997 774

Adviser Services
 T 1300 997 774

Important Information

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