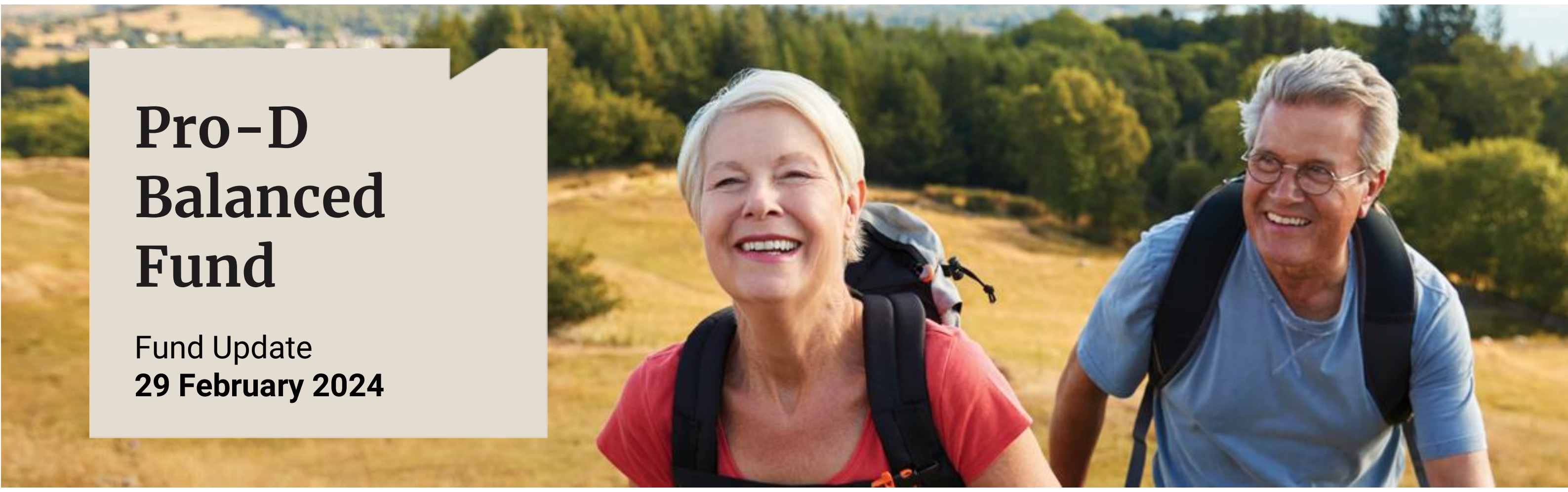
Australian Unity
Real Wellbeing



Pro-D Balanced Fund

Fund Update
29 February 2024

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 29 February 2024

	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	0.78	2.81	3.78	3.53	4.16	4.52	4.46
Growth return	1.05	4.30	5.61	0.34	1.00	0.81	0.70	1.33
Fund total return	1.05	5.08	8.42	4.12	4.53	4.97	5.22	5.79
Target return	0.44	1.31	6.49	8.11	6.79	6.32	5.95	5.98
Excess return	0.61	3.77	1.93	(3.99)	(2.26)	(1.35)	(0.73)	(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 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 gained in February, led by US technology stocks as NVIDIA's earnings demonstrated huge AI-driven revenue growth. The US CPI inflation print to the end of January surprised the upside, due largely to an increase in housing/shelter costs. This reading suggested several interest rate cuts remain probable in 2024, though perhaps less than investors were expecting prior. Locally, the Westpac Consumer Sentiment index rebounded, albeit remaining at relatively low levels. Major global central banks held interest rates steady during the month.

Australian shares gained 1.0% in February, led by the Technology, Consumer Discretionary and Financials sectors. Currency-hedged international equities gained 4.7% while unhedged international equities returned 5.9%, benefitting from the weaker Australian dollar which declined in value against the US dollar and Euro.

The Australian 10-year government bond yield rose by 0.12% to 4.14% pa and the US 10-year government bond yield rose by 0.34% to close at 4.25% pa.

Against this backdrop, the Fund returned +1.1% for the month. The Fund achieved gains on its Australian share, international share, Australian listed property, global listed infrastructure, cash, and inflation-linked bond exposures. The Fund's Australian healthcare property, Australian unlisted diversified property, duration-sensitive long-term Australian and global bond exposures, and global credit holdings declined in value. The Fund's one-year return sits at +8.4%, reflecting double-digit returns on its international shareholdings and Australian shareholdings during the past year.

The Fund has achieved robust returns over longer periods. The return since inception is slightly below objective (currently inflation + 3.0% pa), impacted by COVID's emergence in 2020 and the share and bond market losses in calendar 2022. Over the past five years, the Fund's strongest contributors include the iShares Indexed International Equity Fund (Unhedged) at +14.1% pa, Australian Unity Healthcare Property Trust at +12.4% pa, and the Platypus Wholesale Australian Share Fund at +11.4% pa.

Fund portfolio management

Following continued strong returns on Australian and international share markets, the Fund trimmed these exposures to bring holdings back to our target allocation. We added to the Fund's global listed infrastructure exposure, which we see as more attractive at current valuations.

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 discount to direct/unlisted holdings, have greater liquidity, and offer robust prospective returns. Accordingly, we hold an overweight position to these assets.

Defensive assets – Currently long-dated bond yields are somewhat below or in line with 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 tight 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 several rate cuts – a pace that may not eventuate if inflation does not decline to levels targeted by central banks.

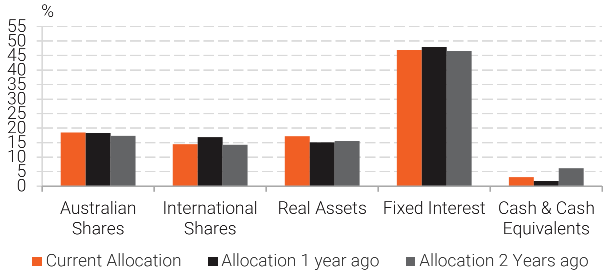
On a medium-to-long-term view, most growth assets (with the exception of US shares) continue to offer a reasonable or attractive return premium versus risk-free assets, leading the Fund to adopt a "neutral" overall risk position.

Fund snapshot

APIR code	AUS0066AU
Funds under management	$84.20m
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		50.14
Australian Shares	0-55		18.53
iShares		Index	14.12
Lennox		Small Caps	1.77
Investors Mutual		Small Caps	1.70
Platypus		Large/Mid Growth	0.82
Tyndall		Large Value	0.11
International Shares	0-55		14.45
Vanguard		Index excl. USA	5.49
iShares		Index Global	4.46
iShares		Index Unhedged	3.51
State Street		Value / Quality	0.53
Antipodes		Concentrated	0.47
Real Assets	0-55		17.16
iShares		Index Global Infra.	8.29
iShares		Index A-REITS	3.99
Australian Unity		Healthcare Property	3.44
Australian Unity		Hybrid Property	1.44
Defensive	45-100		49.86
Fixed Interest	0-100		46.86
iShares		Index Global Govt & IG	11.41
Barings		Global Non-Govt IG	8.90
iShares		Index Aust Govt & IG	8.37
Pimco		Global Non-Govt IG	6.40
Australian Unity		Aust Govt Inflation-Linked Bonds	5.24
Bentham		Global High Yield Loans	3.57
Australian Unity		Enhanced Cash	2.97
Cash & Cash Equivalents	0-100		3.00
Australian Unity		Cash	3.00

Contact us

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

Investor Services
T 1300 997 774

Adviser Services
T 1300 997 774