

Pro-D Growth Fund

Fund Update
30 April 2025



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 April 2025

	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	4.08	4.23	4.74	5.06	5.55	5.42
Growth return	1.52	(0.95)	5.62	2.67	4.66	1.80	1.14	2.33
Fund total return	1.52	(0.95)	9.70	6.90	9.40	6.86	6.69	7.75
Target return	0.61	1.83	6.11	7.98	7.78	7.21	6.92	6.86
Excess return	0.91	(2.78)	3.59	(1.08)	1.62	(0.35)	(0.23)	0.89

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 experienced wild swings during April. US President Donald Trump stunned markets with his announcement of “Liberation Day” tariffs on most foreign countries, including sizeable tariffs on China.

China retaliated, raising tariffs on US imports, leading to tit-for-tat ratcheting up of tariffs. As markets swooned, President Trump announced a 90-day pause on the implementation of the Liberation Day tariffs on all countries other than China, stating that a 10% flat tariff would instead apply on most items during the 90-day negotiation window (25% would still apply on steel and aluminium, vehicles and vehicle parts and goods not covered under the USMCA trade deal with Mexico and Canada). The announcement spurred a massive rally in US shares that continued throughout the month. President Trump publicly lambasted US Federal Reserve Chairman Jerome Powell for his hesitation to lower the Federal Funds rate. Later in the month, US consumer sentiment figures showed a plunge to lows not seen since the outbreak of post-covid inflation, reflecting concerns about the tariff war. A US job openings print missed expectations and US GDP growth for Q1 declined -0.3% annualised, driven by a surge in imports ahead of tariffs and cost-cutting by the Department of Government Efficiency (DOGE).

Australian shares gained 3.6% and A-REITs jumped 6.3%. Global share markets returned -0.5% and currency-unhedged investors returned -1.8%, hindered by the AUD which gained against the US dollar. The Australian 10-year government bond yield declined by -0.22% to 4.16% and the US 10-year government bond yield fell -0.04% to 4.16% at month end.

Against this backdrop, the Fund returned 1.5% for the month. The Fund’s Australian share, A-REIT and Australian diversified property exposures saw solid gains. The duration-sensitive fixed interest, private credit, mortgage and cash exposures also gained. The Fund’s international shares declined modestly in aggregate and global credit exposures were impacted by credit spreads widening during the month. The Fund’s one-year return sits at +9.7%, reflecting robust returns on most growth asset holdings during this period.

The Fund has achieved solid returns over longer periods. The return since inception is comfortably above objective (currently inflation + 3.75% pa), reflecting strong market and manager returns for much of the Fund’s history, albeit 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 Antipodes Global Fund at +15.0% pa, iShares Indexed International Equity Fund at 14.8% pa and the currency-hedged equivalent at +13.3% as well as the Investors Mutual Australian Smaller Companies Fund at 12.6% pa.

Fund portfolio management

The Fund added to its Australian share and A-REIT exposures early in the month after market declines improved prospective returns. The Fund trimmed its global listed infrastructure holding after market and manager gains reduced the prospective attractiveness of the investment. The Fund also trimmed its global credit and Australian and global duration-sensitive fixed interest holdings to meet liquidity needs.

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 – The pace of market gains has outpaced profit growth, reducing our expectation for future returns. Most global share markets are either fairly priced or fully valued, but US equities (and in particular the largest, technology-focused companies) appear expensive and risky. The Fund is significantly underweight to the US, while maintaining exposure to other markets.

Real assets – We believe the sector offers strong prospective returns for the risk being undertaken and hold a corresponding overweight position to real assets with a preference toward unlisted property (which has experienced significant downward revaluations since mid-2022) and global listed infrastructure.

Defensive assets – Currently long-dated bond yields are modestly below or in-line with the returns available on (zero-duration) cash, offering potential outperformance if central banks cut cash rates in the coming period. 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

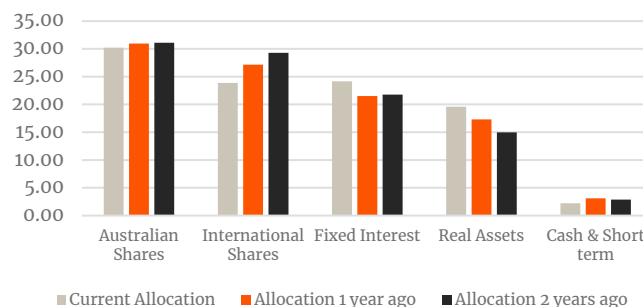
Investment markets are evaluating expectations of rate cuts amid signs of ongoing moderation in CPI inflation as well as economic growth concerns resulting from the global trade and tariff war taking shape. On a medium-to-long term view, a number of growth asset classes (especially US shares) offer a somewhat disappointing forecast return premium versus risk-free assets, leading the Fund to adopt a somewhat defensive overall risk posture.

Fund snapshot

APIR code	AUS0068AU
Funds under management	\$65.71m
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	%
Growth	0-80		73.64
Australian Shares	0-80		30.20
iShares		Index	19.47
Investors Mutual		Small Caps	2.57
Lennox		Small Caps	2.49
Platypus		Large/Mid Growth	2.83
Tyndall		Large Value	2.84
International Shares	0-80		23.88
Vanguard		Index excl. USA	10.63
iShares		Index Global	7.64
iShares		Index Unhedged	4.62
Antipodes		Concentrated	0.47
State Street		Value / Quality	0.52
Real Assets	0-80		19.56
iShares		Index Global Infra.	9.34
Australian Unity		Healthcare Property	6.42
iShares		Index A-REITS	3.73
Australian Unity		Hybrid Property	0.07
Defensive	20-100		24.07
Fixed Interest	0-100		21.87
iShares		Index Aust Govt & IG	7.77
iShares		Index Global Govt & IG	5.71
MA Financial		Private Credit	2.13
Barings		Global Non-Govt IG	1.64
Bentham		Global High Yield Loans	2
Pimco		Global Non-Govt IG	1.55
Australian Unity		Mortgages	1.07
Cash & Short Term	0-100		2.20
Australian Ethical		Cash	2.16
Australian Unity		Cash & Receivables	0.04

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