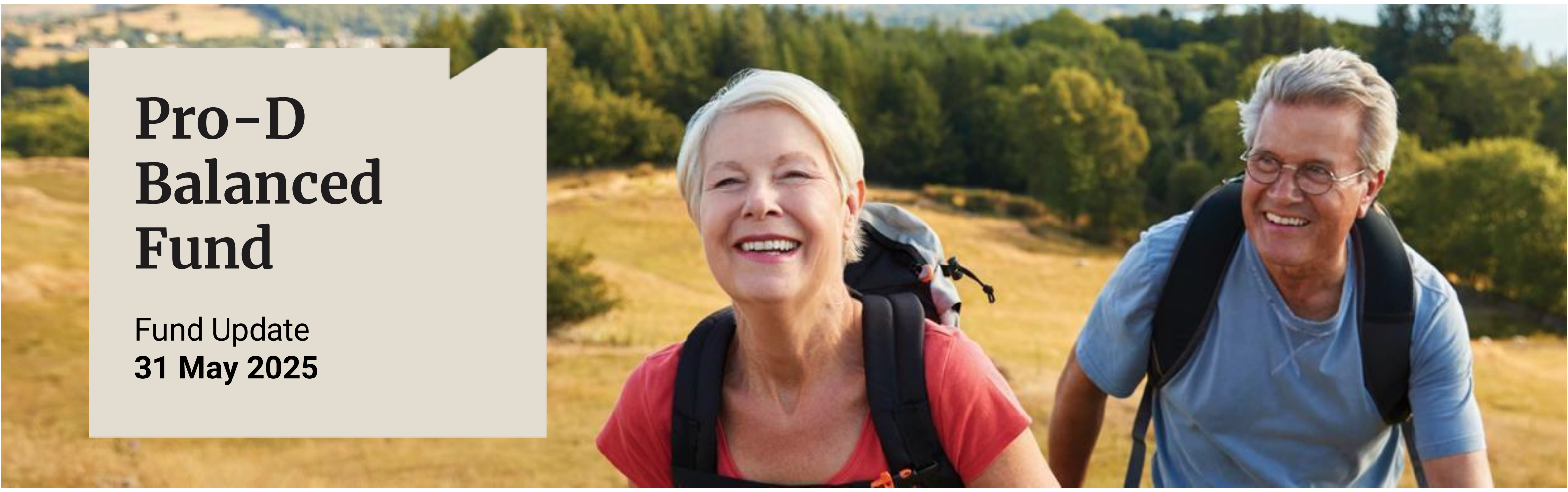
Australian Unity
Real Wellbeing



Pro-D Balanced Fund

Fund Update
31 May 2025

The Pro-D Balanced Fund is a cost-effective and diversified investment solution with a strategic asset allocation of 50% Growth assets and 50% 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 31 May 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	3.74	3.41	3.62	3.88	4.32	4.30
Growth return	1.68	1.96	5.13	2.89	2.78	1.29	0.83	1.73
Fund total return	1.68	1.96	8.87	6.30	6.40	5.17	5.15	6.03
Target return	0.55	1.65	5.34	7.13	7.22	6.42	6.05	5.97
Excess return	1.13	0.31	3.53	(0.83)	(0.82)	(1.25)	(0.90)	0.06

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 saw solid gains in May. US President Donald Trump agreed to reduce the “Liberation Day” tariff on Chinese imports to 30% for 90 days and China agreed to lower its “retaliatory tariff” to 10% for the same period. China and the US flagged that a potential purchase agreement may follow, in order to lower the trade deficit between the two nations. President Trump later announced a trade deal had been struck with the UK.

President Trump later announced tariffs on imported steel and aluminium would rise from 25% to 50% from June. US inflation came in lower than expected for April and investors shrugged off Moody’s announced downgrade of the credit rating on US Government debt from AAA to AA1. The US House of Representatives narrowly passed President Trump’s “Big Beautiful Bill” (containing an extension of the 2017 tax cuts, reductions in non-military Government spending, increased military spending, elimination of taxes on overtime and tips, and other measures), sending it to the Senate for deliberation. India and Pakistan traded missile and drone strikes before agreeing to an uneasy ceasefire. Locally, a landslide election victory saw Anthony Albanese’s Labor party return to power, the RBA cut interest rates by 0.25% to 3.85% and Australian employment gained strongly in April.

Australian shares gained 4.2% and A-REITs gained 4.9%. Global share markets returned 6.0% and currency-unhedged investors returned 5.3%, hindered by the AUD which rose against key peers. The Australian Composite Bond index posted 0.2%, impacted by rising bond yields. The Australian 10-year government bond yield rose by 0.09% to 4.26% and the US 10-year government bond yield rose by 0.24% to 4.40% at month end.

Against this backdrop, the Fund returned 1.7% for the month. The Fund’s Australian share, A-REIT and global share exposures saw solid gains. The private credit, mortgage, global credit and cash exposures also added to returns. The Fund’s Australian unlisted healthcare property holding declined modestly, as did the duration-sensitive fixed interest exposures in aggregate. The Fund’s one-year return sits at +8.9%, 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 broadly in-line with the objective (currently inflation + 3.0% 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.

Fund portfolio management

The Fund trimmed its Australian share and global share exposures after flows and market movements pushed the holdings ahead of target. The Fund also trimmed its Australian mortgage exposure, bolstering cash reserves. The Fund added token holdings in three new ETFs (Australian shares, US shares and global shares) in preparation for larger/more significant allocations to take place.

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

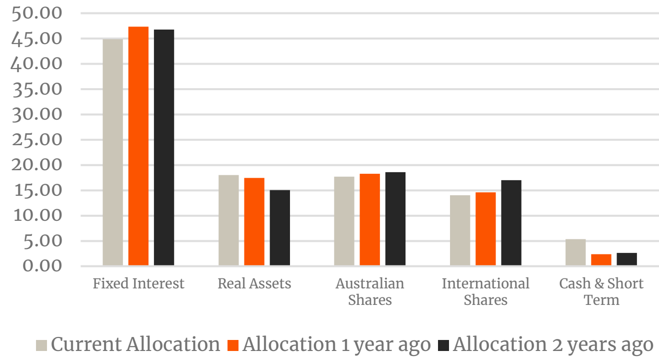
Investment markets are evaluating expectations of rate cuts amid signs of ongoing moderation in CPI inflation as well as economic growth concerns resulting from the global trade and tariff war taking shape. On a medium-to-long term view, a number of growth asset classes (especially US shares) offer a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

Fund snapshot

APIR code	AUS0066AU
Funds under management	$85.36m
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		49.76
Australian Shares	0-55		17.72
iShares		Index	11.73
Investors Mutual		Small Caps	1.61
Lennox		Small Caps	1.57
Platypus		Large/Mid Growth	1.45
Tyndall		Large Value	1.36
International Shares	0-55		14.04
Vanguard		Index excl. USA	5.54
iShares		Index Global	4.26
iShares		Index Unhedged	3.22
State Street		Value / Quality	0.53
Antipodes		Concentrated	0.47
iShares		Index USA Unhedged	0.01
Real Assets	0-55		18.00
iShares		Index Global Infra.	8.52
Australian Unity		Healthcare Property	6.45
iShares		Index A-REITS	2.99
Australian Unity		Hybrid Property	0.05
Defensive	45-100		50.24
Fixed Interest	0-100		44.90
iShares		Index Aust Govt & IG	15.38
iShares		Index Global Govt & IG	13.24
Pimco		Global Non-Govt IG	5.31
Barings		Global Non-Govt IG	4.19
Bentham		Global High Yield Loans	3.67
MA Financial		Private Credit	2.11
Australian Unity		Mortgages	1.00
Australian Ethical		Enhanced Cash	0.02
Cash & Short Term	0-100		5.34
Australian Ethical and Australian Unity		Cash and Receivables	5.34

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