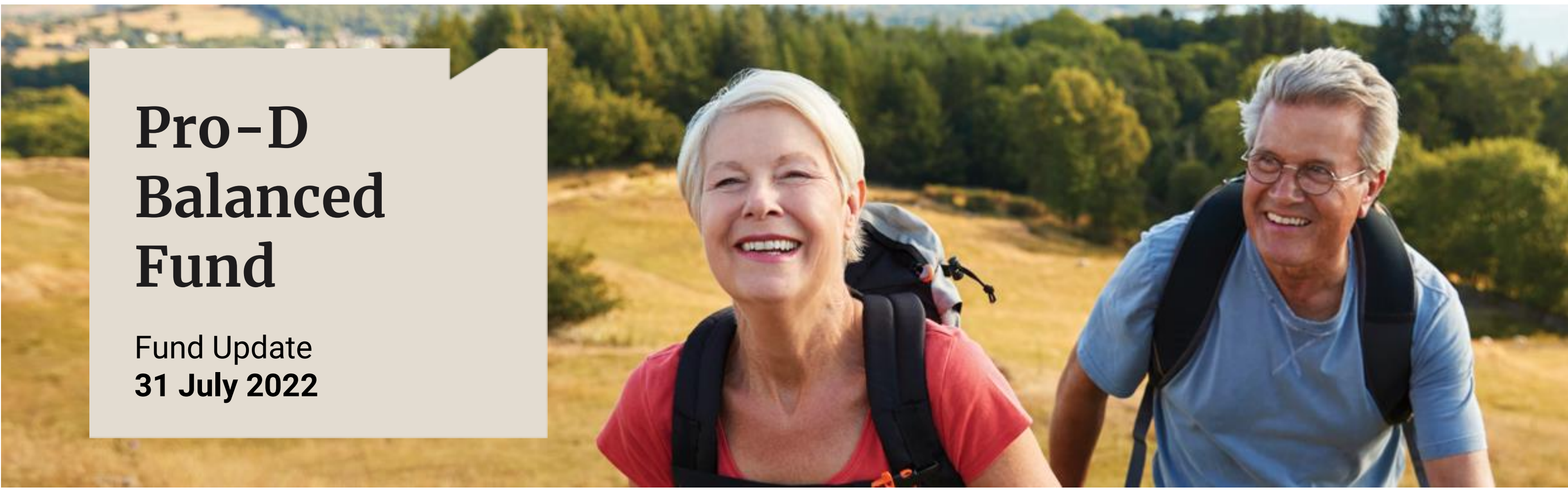


Pro-D Balanced Fund

Fund Update
31 July 2022

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 31 July 2022

	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	Since inception % p.a.
Distribution return	0.00	2.67	3.44	3.76	4.22	4.73	4.80
Growth return	3.07	(4.78)	(7.07)	(0.86)	0.35	(0.17)	0.97
Fund total return	3.07	(2.11)	(3.63)	2.90	4.57	4.56	5.77
Target return	0.84	2.47	9.51	6.44	5.98	5.70	5.68
Excess return	2.23	(4.58)	(13.14)	(3.54)	(1.41)	(1.14)	0.09

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.
Inception date for performance calculations is 31 December 2012.

Fund returns

In July markets rebounded strongly, recouping most of the losses that were incurred in June. Central banks globally continued to hike interest rates as they continue to grapple with rising inflation numbers. The US has entered a technical recession with their two last quarters printing negative GDP growth though unemployment, wage growth and household balance sheets (home equity and savings) remain robust.

The European Central bank raised the cash rate for the first time in 11 years by 0.50%, taking the European cash rate get back to zero. The US Federal Reserve (Fed) raised cash rates by a further 0.75% in July and the US target cash rate now sits at 2.25-2.50%. As the Fed attempts to arrest inflation that rose by 9.1% in the 12 months to the end of June. Fed Chairman Jerome Powell suggested in a press conference that future rate rises will be very data-dependent as the cash rate has reached a neutral level. The Reserve Bank of Australia followed June's 0.50% rate rise with a further 0.50% rate hike in July, taking the cash rate to 1.35% as Australian inflation printed 6.1% in the 12 months to the end of June.

Australian large-cap shares rose by 5.3% in the month alongside international share markets which jumped 8.0%. A rising Australian dollar was a drag on unhedged investors, who still enjoyed a 6.4% return for the month. Australian bond investors gained 3.4% in June as bond yields fell.

Against this backdrop the Fund returned 3.1% for the month. Returns for the past year remain negative, reflecting the difficult environment seen since January 2022 with sharply-lower bond and share prices more-than offsetting gains on the Fund's unlisted property and listed infrastructure investments.

The Fund has achieved solid returns over longer periods, with returns since inception a little above its inflation-relative investment objective. Over the past five years the Fund's strongest contributors include investments in the Australian Unity Healthcare Property Trust +17.5% pa, iShares Indexed International Equity Fund +12.2% pa and Platypus Australian Equity Fund +11.3% pa.

Fund portfolio management

The Fund increased currency hedging within its international share exposures following a 10+% decline in the value of the Australian dollar vs US dollar over the past year. We exited the sold S&P500 short futures contracts and trimmed iShares International Equity Index fund exposures.

At month-end, the Fund's asset allocation can be summarised as:

Australian shares – The Fund expects to generate a solid return premium versus risk-free assets over the medium-to-long term, bolstered by franking credits, and therefore maintains a full exposure to this asset class. The Fund holds a blend of underlying managers providing diversification across company size, industry exposure and investment styles, to improve the consistency of returns.

International shares – We believe most global share markets offer good medium-to-long term value for the risk being adopted. US equities remain the exception (even after recent draw downs) and the Fund retains a significant underweight exposure to US shares.

Real assets – The different return drivers for real assets versus listed equities provide useful diversification and improved consistency of returns, as seen by gains in these assets over the past 12 months versus losses across other asset classes.

Defensive assets – Prospective bond returns offer a significant pickup relative to current cash rates (noting that cash yields and returns are expected to increase in coming months). Accordingly, we have added to duration in recent months.

Outlook

Investors are keenly focused on global central banks' efforts to control inflation through tighter monetary policy while at the same time avoiding sending economies into recession.

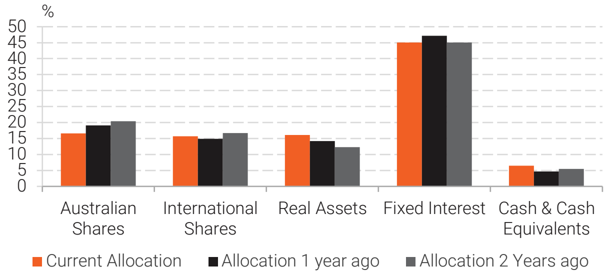
We expect the Reserve Bank of Australia and many other central banks will continue to raise interest rate increases in coming months. This is priced-in to bond and share markets on a medium-to-long term view most growth assets (with the notable exception of US equities) offer an appropriate return premium versus risk-free assets, leading the Fund to adopt a slightly-below-neutral overall risk position.

Fund snapshot

APIR code	AUS0066AU
Funds under management	$89.83m
Distribution frequency	Half yearly
Minimum initial investment	$5,000
Entry/exit fee	Nil
Management fee*	0.65%
Buy/Sell spread	0.20%/0.20%
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		48.52
Australian Shares	0-55		16.64
iShares		Index	9.87
Platypus		Large/Mid Growth	1.83
Lennox		Small Caps	1.78
Investors Mutual		Small Caps	1.59
Tyndall		Large Value	1.57
International Shares	0-55		15.72
iShares		Index Global	4.70
Vanguard		Index excl. USA	3.91
iShares		Index Unhedged	3.53
Antipodes		Concentrated	1.87
State Street		Value / Quality	1.71
Real Assets	0-55		16.15
Australian Unity		Healthcare Property	5.09
Vanguard		Index Global Infra.	4.66
Australian Unity		Hybrid Property	3.30
iShares		Index A-REITS	3.10
Defensive	45-100		51.48
Fixed Interest	0-100		45.04
Australian Unity		Enhanced Cash	11.16
iShares		Index Aust Govt & IG	8.17
iShares		Index Global Govt & IG	8.00
Barings		Global Non-Govt IG	7.76
Pimco		Global Non-Govt IG	6.18
Bentham		Global High Yield Loans	3.77
Cash & Cash Equivalents	0-100		6.44
Australian Unity		Cash	6.37
Futures associated cash		Hedge	0.07

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