

Pro-D Balanced Fund

Fund Update
31 March 2025



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 March 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	3.60	3.36	3.65	3.87	4.31	4.36
Growth return	(0.91)	0.41	1.50	1.01	3.60	1.18	0.64	1.51
Fund total return	(0.91)	0.41	5.11	4.36	7.25	5.05	4.95	5.87
Target return	0.31	0.95	4.65	7.07	6.68	6.26	5.96	5.89
Excess return	(1.23)	(0.53)	0.45	(2.70)	0.57	(1.20)	(1.02)	(0.03)

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 extended recent losses during March. US President Donald Trump implemented tariffs on imports of goods from China, Mexico and Canada of 25% (10% on Canadian energy, and with other exclusions / adjustments). Each of the three trading partners responded with retaliatory tariffs.

US consumer sentiment plunged during the month and US retail sales disappointed. The US paused aid to Ukraine following a hostile meeting between Ukrainian President Volodymyr Zelenskyy and Trump as European nations expressed concern about America's new foreign policy and announced plans to significantly ramp-up their own military spending. As tensions eased, Trump began ceasefire negotiations with both Zelenskyy and Russian President Vladimir Putin. Australian GDP growth printed 0.6% for the December quarter and 1.3% for the year. The Australian unemployment rate remained steady at 4.1% in February even as 52,800 jobs were lost (vs expectations of a 30,000 gain).

Australian shares declined -3.3% and A-REITs fell -4.8%. Global share markets returned -5.0% and currency-unhedged investors returned -4.7%, aided by the AUD which gained against the US dollar and Japanese Yen but declined sharply against the Euro. The Australian 10-year government bond yield rose by 0.09% to 4.38% and the US 10-year government bond yield was unchanged at 4.21% at month end.

Against this backdrop, the Fund returned -0.9% for the month. The Fund's Australian unlisted healthcare property holding gained as did its global listed infrastructure holding, cash, mortgage and Australian duration-sensitive fixed interest exposures. The Fund's Australian share, international share and A-REIT allocations declined during the month. The Fund's one-year return sits at +5.1%, reflecting reasonable returns on most growth asset holdings during this period.

The Fund has achieved solid returns over longer periods. The return since inception is 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 added to its Australian unlisted healthcare property holding and its Australian share allocation in aggregate. The Fund trimmed its other Australian unlisted property holdings, A-REIT and global share exposures as part of a broad portfolio rebalance.

Australian shares - The Fund projects Australian shares will generate a reasonable 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 despite the recent pull-back has outpaced profit growth, reducing our expectation for future returns. Most countries' share markets are fairly priced, 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 have seen some equalisation of relative value between listed assets (which have generally decreased in price recently from elevated levels) and unlisted property assets which experienced significant downward revaluations from mid-2022 to current. We believe the sector offers strong prospective returns for the risk being undertaken and hold an overweight position to Real assets.

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. Notwithstanding the recent pull-back in markets, 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	\$89.05m
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		47.86
Australian Shares	0-55		15.87
iShares		Index	11.55
Lennox		Small Caps	1.43
Investors Mutual		Small Caps	1.53
Platypus		Large/Mid Growth	0.93
Tyndall		Large Value	0.41
International Shares	0-55		13.75
Vanguard		Index excl. USA	5.33
iShares		Index Global	4.29
iShares		Index Unhedged	3.18
State Street		Value / Quality	0.50
Antipodes		Concentrated	0.44
Real Assets	0-55		18.24
iShares		Index Global Infra.	10.00
Australian Unity		Healthcare Property	6.28
iShares		Index A-REITS	1.91
Australian Unity		Hybrid Property	0.04
Defensive	45-100		52.12
Fixed Interest	0-100		50.18
iShares		Index Aust Govt & IG	17.69
iShares		Index Global Govt & IG	14.59
Pimco		Global Non-Govt IG	5.16
Barings		Global Non-Govt IG	4.04
Bentham		Global High Yield Loans	3.57
MA Financial		Private Credit	2.05
Australian Unity		Mortgages	1.72
Australian Ethical		Enhanced Cash	1.36
Cash & Short Term	0-100		1.94
Australian Ethical		Cash	1.32
Australian Unity		Cash and Receivables	0.62

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