

Pro-D Growth Fund

Fund Update
30 June 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 June 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 | 14.07 | 14.67 | 16.44 | 8.17 | 7.21 | 6.30 | 6.82 | 6.59 |
| Growth return | (12.77) | (9.05) | (4.37) | 2.64 | 2.11 | 0.81 | 0.54 | 1.40 |
| Fund total return | 1.30 | 5.62 | 12.07 | 10.81 | 9.32 | 7.11 | 7.36 | 7.99 |
| Target return | 0.60 | 1.82 | 6.06 | 7.79 | 8.17 | 7.25 | 6.92 | 6.87 |
| Excess return | 0.70 | 3.80 | 6.01 | 3.02 | 1.15 | (0.14) | 0.44 | 1.12 |

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 achieved solid gains in June. Geopolitics took centre-stage as Israel and Iran (and, toward month-end, the USA) exchanged missiles, before agreeing on a cease-fire. Locally, Australia's economy grew by 0.2% in the March quarter, lower than expected, and GDP per capita turned negative once again. Inflation eased further with Australia's CPI rising 2.1% for the year to May, down from 2.4% in the prior month and the "trimmed mean" print was the lowest since late 2021.

Australian shares gained 1.4% and A-REITs gained 1.7%. Global share markets returned 3.8% and currency-unhedged investors returned 2.5%, hindered by the AUD which rose against the US dollar and Japanese Yen. The Australian 10-year government bond yield declined by -0.10% to 4.16% and the US 10-year government bond yield fell -0.17% to 4.23% at month end.

Against this backdrop, the Fund returned 1.3% for the month. The Fund achieved positive returns on its Australian and international shares and listed property, and modest gains on its defensive asset (fixed interest, mortgage and cash) exposures. The Fund's unlisted healthcare property holding declined modestly, weighed down by falling property valuations.

The Fund's one-year return sits at +12.1%, reflecting robust returns on most growth asset holdings during this period, while its longer-term returns are strong - the five-year return, and return since inception, each sit comfortably above the Fund's objective (currently inflation + 3.75% pa), due to 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.

Distribution

The Fund declared its semi-annual distribution effective 30 June. The Fund's 19.1 cent distribution includes a material capital gains component, reflecting portfolio management activities (including migrating some exposures across to exchange traded funds, and taking profits on some investments that have increased in value in recent years), plus trading activities within underlying funds. All capital gains were "long-term" in nature, providing concessional tax treatment for individuals and superannuation funds. The distribution also includes a modest amount of income (including interest achieved on the Fund's fixed interest exposures, tax deferred distributions on property investments and franked dividends from the Australian equity funds) for the six months to June.

Fund portfolio management

The Fund trimmed its Australian share and A-REIT holdings, after market and manager gains brought these exposures above our target allocation. We also adjusted the composition of the Fund's international share exposure, enabling us to more finely target US and non-US exposures. Additionally, the Fund added to its global listed Infrastructure exposure, as we see a strong medium-term outlook for the sector.

Australian shares – The Fund expects to achieve a modest return premium versus risk-free assets over the medium-to-long term, bolstered by franking credits. We have

reduced the exposure in recent months, reflecting the lower return outlook. The Fund holds 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, with a larger 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 somewhat 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

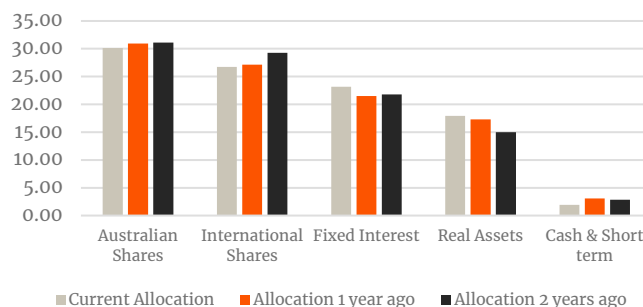
Investment markets are evaluating expectations of rate cuts amid signs of ongoing moderation in CPI inflation as well as economic growth concerns resulting from the global trade and tariff war taking shape. On a medium-to-long term view, a number of growth asset classes (especially US shares) offer a 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 | \$63.93m |
| 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 | | 71.37 |
| Australian Shares | 0-80 | | 27.28 |
| iShares | | Index | 16.00 |
| Platypus | | Large/Mid Growth | 3.12 |
| Investors Mutual | | Small Caps | 2.74 |
| Tyndall | | Large Value | 2.73 |
| Lennox | | Small Caps | 2.69 |
| International Shares | 0-80 | | 24.67 |
| Vanguard | | Index excl. USA Unhedged | 11.27 |
| iShares | | Index Global | 7.19 |
| State Street | | Value / Quality | 2.10 |
| Antipodes | | Concentrated | 2.02 |
| iShares | | Index Unhedged | 1.10 |
| iShares | | Index USA Unhedged | 0.98 |
| Real Assets | 0-80 | | 19.43 |
| iShares | | Index Global Infra. | 11.08 |
| Australian Unity | | Healthcare Property | 5.86 |
| iShares | | Index A-REITS | 2.48 |
| Defensive | 20-100 | | 28.63 |
| Fixed Interest | 0-100 | | 26.60 |
| iShares | | Index Aust Govt & IG | 8.07 |
| iShares | | Index Global Govt & IG | 5.91 |
| Australian Ethical | | Enhanced Cash | 3.93 |
| MA | | Private Credit | 2.19 |
| Bentham | | Global High Yield Loans | 2.08 |
| Barings | | Global Non-Govt IG | 1.73 |
| Pimco | | Global Non-Govt IG | 1.59 |
| Mortgages | | Mortgages | 1.10 |
| Cash & Short Term | 0-100 | | 2.03 |
| Australian Ethical and Australian Unity | | Cash & Receivables | 2.03 |

Contact us

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