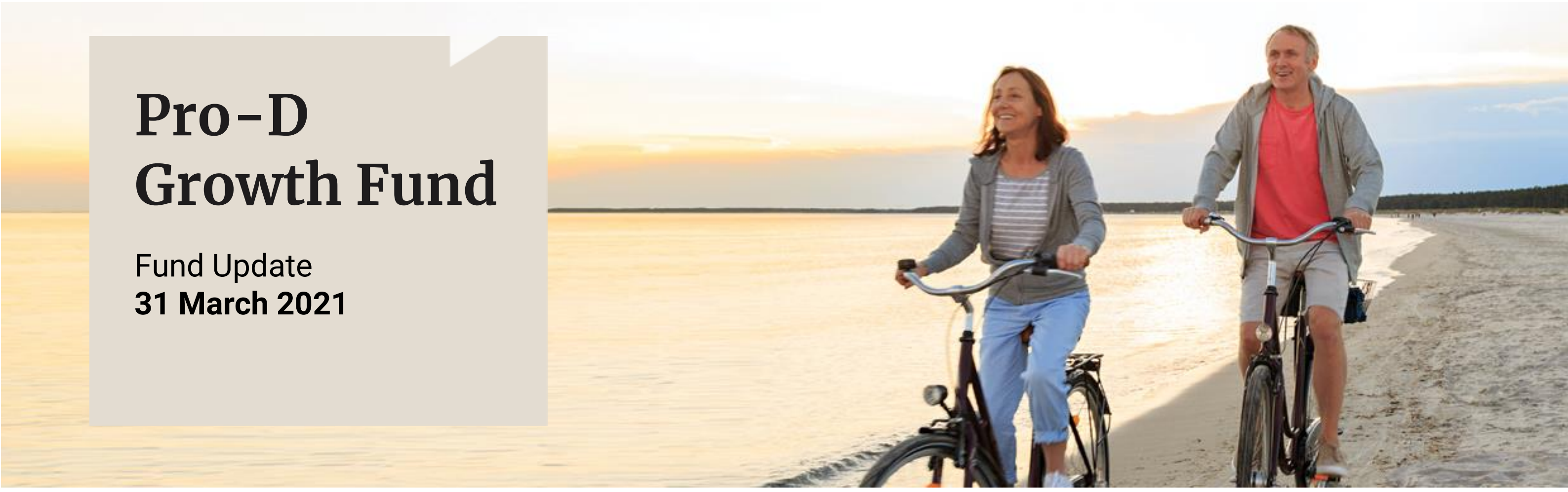
180 YEARS Australian Unity Real Wellbeing



Pro-D Growth Fund

Fund Update
31 March 2021

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 31 March 2021

	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	0.00	4.50	5.40	6.55	6.07	5.77
Growth return	2.81	3.70	23.97	2.43	2.07	1.41	2.56
Fund total return	2.81	3.70	28.47	7.83	8.62	7.48	8.33
Target return	0.58	1.75	5.15	5.87	6.13	6.04	6.21
Excess return	2.23	1.95	23.32	1.96	2.49	1.44	2.12

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.
Inception date for performance calculations is 31 December 2012.

Fund returns

Share markets enjoyed strong gains during March. The US and UK's success in rolling out COVID-19 vaccines, and a slowdown in infection rates, have enabled these economies to re-open to a degree, with increasing employment and improved consumer and investor sentiment.

Global shares gained 4.3% for the month. Currency-unhedged investors benefited from a slightly weaker Australian dollar, achieving a 5.1% return. The Australian share market achieved a relatively modest 2.3% gain. Australian bond yields unwound part of late February's increase, while global bond yields generally increased a little.

Against this backdrop the Fund achieved a 2.81% gain in March, with strong contributions across most holdings. Standouts include a 9.1% price gain for the Fund's listed infrastructure, and strong gains on international equity managers State Street (+7.5%) and Antipodes (+5.7%). International fixed interest achieved a flat result as global bond yields rose a little. The Fund's one-year return sits at +19.4%, a large jump from last month as we roll-out March 2020's global share market declines.

Pleasingly, returns over all periods are comfortably above the Fund's investment objective (inflation plus 3% p.a.). Australian shares, international equities and property have all achieved double-digit returns over the past three years, with Platypus' large-cap Australian share exposure (+16.1% p.a.) and the Australian Unity Healthcare Property Trust (+13.9% p.a.) among the strongest contributors.

Fund portfolio management

The Fund maintained existing exposures during March.

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

Australian shares – The Fund retains a significant allocation to Australian shares, based on our view that this asset class offers an appropriate return pick-up versus risk-free assets over the medium-to-long term, particularly once franking credits are incorporated into valuations. The blend of underlying managers provides diversification across company size, industry exposure and investment styles, to improve the consistency of returns – we have observed this in recent months, with value-style Nikko and Investors Mutual achieving particularly strong returns in recent months, following a period of below-index returns.

International shares – Similar to Australian shares, we believe that most global share markets are fairly priced and offer attractive returns for the risk being adopted. We still view US valuations (particularly to the largest technology names) as stretched and vulnerable to disappointments on activity or earnings, and the Fund maintains an underweight exposure to this market.

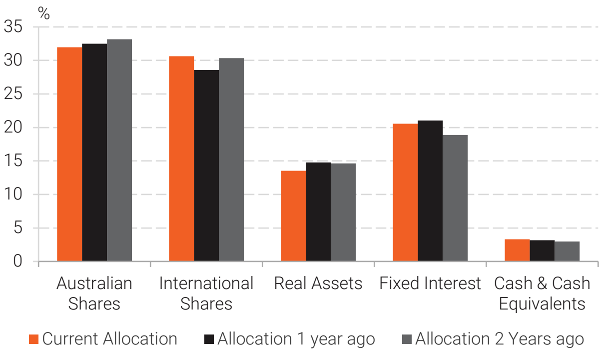
Real assets – The different return drivers for real assets versus listed equities provide the Fund with useful diversification and improved consistency of returns, and the sector remains attractively priced on a long-term basis, supported by low risk-free yields and solid long-term demand for real estate and infrastructure. We currently prefer listed real assets to direct/unlisted assets based on valuation/capitalisation rate metrics, although recent listed market gains close this valuation gap.

Fixed interest & cash –10-year Australian and US government bond yields are a little below 2% p.a., as bond markets have started to anticipate inflation, reductions to central bank stimulus and eventual increases to policy rates. The steepness of these bond curves (with near-term rates anchored near zero) provides an attractive return pickup, and the Fund has added a little to its duration in recent months, anticipating this pickup. Additionally, historically duration has generally exhibited minimal to negative correlation to equity returns, and so the Fund's additional duration provides improved diversification benefits. Credit spreads have tightened appreciably in the past six months, but still offer a reasonable return pickup for the risk being undertaken.

Outlook

In recent months the global economic narrative has moved from "vaccine development" to "vaccine rollout". The US and UK are well-progressed with vaccinations and economic activity is starting to recover (notably US unemployment is decreasing rapidly). Current share and bond market pricing factor-in a relatively smooth rollout, and markets may pull-back in the face of any interruptions. However, on a medium-to-long term view most growth assets still offer a reasonable return pick-up versus defensive assets, and so the Fund remains fully invested.

Asset allocation over time



Fund snapshot

APIR code	AUS0068AU
Funds under management	$62.61m
Distribution frequency	Half yearly
Minimum initial investment	$5,000
Entry/exit fee	Nil
Management fee*	0.70%
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.

Manager allocation

Fund Manager	Range %	Approach	%
Growth	0-80		76.08
Australian Shares	0-80		31.88
iShares		Index	15.44
Nikko		Value	5.46
Platypus		Growth	4.97
Investors Mutual		Small Caps	3.14
Lennox		Small Caps	2.87
International Shares	0-80		30.69
iShares		Index	17.17
Vanguard		Index excl USA	6.51
Antipodes		Concentrated	3.54
State Street		Value / Quality	3.47
Real Assets	0-80		13.51
Vanguard		Index Global Infra.	4.21
Australian Unity		Hybrid Property	3.16
Australian Unity		Healthcare Property	3.15
iShares		Index A-REITS	2.99
Defensive	20-100		23.92
Fixed Interest	0-100		20.66
Barings		Global Investment Grade Credit	5.80
Bentham		Global High Yield Loans	3.94
iShares		Index Aust Govt & Invest. Grade	3.49
Australian Unity		Enhanced Cash	3.02
Pimco		Global Investment Grade Credit	2.83
iShares		Index Global Govt & Invest. Grade	1.59
Cash & Cash Equivalents	0-100		3.25
Australian Unity		Cash	3.25

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