Australian Unity
Real Wellbeing

Pro-D High Growth Fund

Fund Update
31 March 2024

The Pro-D High Growth Fund is a cost-effective and diversified investment solution with a strategic asset allocation of 95% Growth assets and 5% 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 4.25% per annum over rolling five-year periods.

Performance as at 31 March 2024

	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	5.94	7.61	6.19	7.21	7.42	7.12
Growth return	3.28	7.37	10.33	0.81	2.52	1.44	1.02	2.13
Fund total return	3.28	7.37	16.27	8.42	8.71	8.65	8.44	9.25
Target return	0.53	1.61	7.47	9.36	8.12	7.68	7.35	7.39
Excess return	2.75	5.76	8.80	(0.94)	0.59	0.97	1.09	1.86

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 5% p.a., until 31 March 2020 and 4.25% 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 gained in March with broad sector participation as US Fed Chairman Jerome Powell acknowledged strength in the US economy and labour market while also noting that recent inflation readings have been in line with expectations. Powell also indicated that three rate cuts remain anticipated in 2024. The Westpac Consumer Sentiment index dipped modestly on renewed concerns about the short-term economic outlook in Australia. Major global central banks kept interest rates on hold during March.

Australian shares gained 3.3% in March, led by the Energy, Utilities and Financials sectors. A-REITs surged 9.6%. Currency-hedged international equities gained 3.4% while unhedged international equities returned 3.0%, curbed by a rising Australian dollar.

The Australian 10-year government bond yield declined -0.17% to 3.96% pa and the US 10-year government bond yield fell by -0.05% to close at 4.20% pa.

Against this backdrop, the Fund returned +3.3% for the month. The Fund achieved gains on its Australian share, international share, Australian listed property, global listed infrastructure, cash, and inflation-linked bond exposures. The Fund achieved gains on its Australian property, Australian share, international share, global listed infrastructure, Australian bonds, global bonds, credit and cash exposures. There were no asset classes that declined during the month. The Fund's one-year return sits at +16.3%, reflecting double-digit returns on its Australian listed property, international share and Australian shareholdings during the past year.

The Fund has achieved strong returns over longer periods, with returns for five years and beyond comfortably above objective (currently inflation + 4.25% pa). This reflects 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 incurred in calendar 2022. Over the past five years, the Fund's strongest contributors include the iShares Indexed International Equity Fund (Unhedged) at +14.4% pa, Australian Unity Healthcare Property Trust at +12.3% pa and the Antipodes Global Fund at +11.9% pa.

Fund portfolio management

The Fund trimmed a number of holdings to meet client redemption requests.

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

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 – Even after recent gains, we believe most global share markets offer reasonable long-term returns for the risk being adopted. US equities (and in particular the largest companies) appear expensive and may deliver poor performance in coming years - the Fund is significantly underweight to the US, while maintaining significant exposure to other markets.

Real assets – The different return drivers for real assets versus listed equities provide diversification benefits for investors. We currently prefer listed assets, particularly infrastructure, as these trade at a discount to direct/unlisted holdings, have greater liquidity, and offer robust prospective returns. Accordingly, we hold an overweight position to these assets.

Defensive assets – 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 in 2024 amid signs of moderating CPI inflation and mixed economic data. Investors remain keenly focused on global central banks' efforts to control inflation through tight monetary policy and are watching to see whether this sends economies and vulnerable industries into recession or a "soft landing" materialises. We believe most central banks are near or at the end of their current tightening cycles.

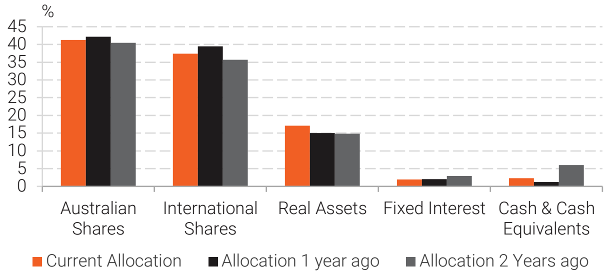
On a medium-to-long-term view most growth assets (with the exception of US shares) continue to offer a reasonable return premium versus risk-free assets, leading the Fund to adopt a "neutral" overall risk position.

Fund snapshot

APIR code	AUS0064AU
Funds under management	$21.70m
Distribution frequency	Half yearly
Minimum initial investment	$5,000
Entry/exit fee	Nil
Management fee*	0.75%
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	0-100		95.75
Australian Shares	0-100		41.23
iShares		Index	29.50
Investors Mutual		Small Caps	4.04
Lennox		Small Caps	3.99
Platypus		Large/Mid Growth	2.03
Tyndall		Large Value	1.68
International Shares	0-100		37.38
iShares		Index Global	11.57
Vanguard		Index excl. USA	11.39
iShares		Index Unhedged	9.66
Antipodes		Concentrated	2.43
State Street		Value / Quality	2.34
Real Assets	0-100		17.13
iShares		Index Global Infra.	9.15
iShares		Index A-REITS	3.90
Australian Unity		Healthcare Property	2.93
Australian Unity		Hybrid Property	1.14
Defensive	0-100		4.25
Fixed Interest	0-100		1.97
Barings		Global Non-Govt IG	0.80
Pimco		Global Non-Govt IG	0.61
Bentham		Global High Yield Loans	0.56
Cash & Cash Equivalents	0-100		2.28
Australian Unity		Cash	2.28

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