

Fund Update

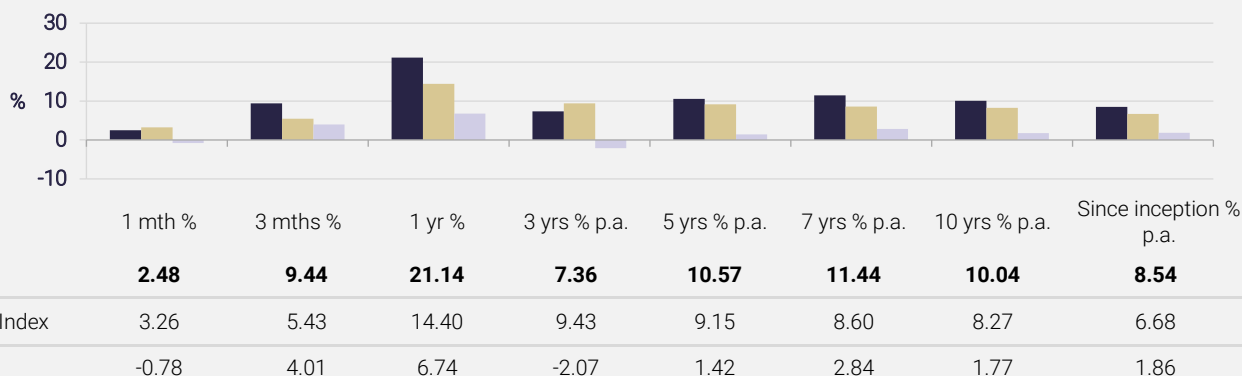
PLATYPUS
ASSET MANAGEMENT



Platypus Australian Equities Fund

31 March 2024
QUARTERLY

Performance as at 31 March 2024



Performance returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance. Inception date for performance calculations is 30 April 2006.

Quarter in Review

The portfolio returned 9.44% in the March quarter, outperforming the benchmark by 4.01%.

At the stock level, the main contributors were Reece Limited (+1.03%), Goodman Group (+0.92%), and Netwealth (+0.85%). All three stocks are long-term holdings and delivered solid interim results in February. The notable detractors were Mineral Resources (-0.54%), Wesfarmers (-0.45%), a stock not held, and IDP Education (-0.43%). The share price of Mineral Resources came under pressure due to sharply lower prices for its key commodities. We have since divested the position due to our assessment of specific governance matters. Wesfarmers produced a solid interim result with a positive surprise coming from K-Mart. IDP Education is facing tougher operating conditions in its key destination markets of Australia, Canada and the UK, where respective governments have announced policies to reduce the intake of temporary migrants including international students. We believe that these are short-term headwinds stemming partly from electioneering which should dissipate, and we maintain a positive view on IDP Education.

At the sector level Information Technology (+1.32%), Industrials (+1.11%) and Real Estate (+1.05%) were strong contributors to the quarter's relative performance, whereas our underweight stance in Financials (-0.31%) was a drag. The big four banks have had a strong run post-February reporting season, where the street had to upgrade earnings estimates from lower bad debt charge and stronger net interest margin. It was also notable that the banking sector enjoyed a strong re-rating (expansion of price-earnings ratio) during the quarter. Consumer Discretionary (-0.19%) was the other sector that detracted from performance.

It was another busy quarter with four divestments and four initiations. The divestments included Mineral Resources for the reasons noted above. We like Endeavor Group's business over the longer term but took a decision to divest the position to fund purchases of more prospective opportunities in

the near term. We booked profits and exited the two gold juniors held - Gold Road Resources and De Grey Mining - for bottom-up stock-specific reasons. Initiations include Pilbara Minerals, a low-cost lithium miner with a strong balance sheet and an expanding production base. Car Group (nee carsales.com) whose domestic business has proven to be far more resilient, bearing closer semblance to REA Group's business which has been a long-term holding. What is even more impressive about Car Group is that their management has deployed capital overseas with much greater success than REA. Domino's Pizza Enterprises returned to the portfolio as the share price pulled back meaningfully, and evidence of stabilised operations in Australia emerged. With these "green shoots" in their largest business, the pressure on Domino's balance sheet eased, although execution risks in other geographies like Japan still exist. Finally, ResMed didn't leave the portfolio for long. We were impressed by the strong topline growth and the emergence of operating leverage from the restructured cost base in the December quarter results. The threat from weight loss drugs to ResMed's total addressable market in the long term may come back into focus in the coming weeks, as the pharma giant Eli Lilly reports results of a trial where their weight loss drug will be compared to a combination therapy of the weight loss drug and ResMed's continuous positive airway pressure (CPAP) to treat obstructive sleep apnoea.

The remainder of our trading activity in the quarter included topping and tailing of existing positions with notable reductions in BHP Group and CSL. Proceeds from BHP were invested in Rio Tinto.

Sector in Review

The S&P/ASX300 index returned 5.43% in the quarter as the "risk on" sentiment supported equities globally - Japan's Nikkei even took out its old high set some 30+ years ago!

Macroeconomic data has been generally strong, suggesting resilience in activity that was not widely expected given the significant tightening of monetary policy in all major economies. At the same time, inflation is

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heading lower giving central banks the room to pivot to an easing policy stance if needed. This combination of stronger growth and potentially easier monetary policy was highly potent and drove risk assets higher. US corporate results for the fourth quarter of 2023 were better than feared and the same was true in Australia with the February FY24 interim reporting season. As investors contemplated bearish outlooks for the economy in terms of a hard or soft landing, the adage that "the stock market tends to climb the wall of worry" rang true.

In terms of absolute returns by sector, Information Technology (23.62%), Real Estate (+14.89%) and Consumer Discretionary (+13.43%) were at the top of the table with Materials (-6.30%) the only sector to finish the quarter in the red.

Outlook

Following on from 2023, strength in the major economies has continued to surprise to the upside versus expectations. The higher interest rate environment that has been in place for the last 18-24 months has had minimal impact on the unemployment rate whilst having the desired effect of moderating the inflation rate back towards the target 2-3% range.

The February reporting season in Australia was benign with no downward revisions to the market EPS growth, this is versus the historical average of negative 70bps. It should be noted that leading into reporting season the market had the lowest growth expectations since Platypus started tracking estimates in 2002. Sector-wise earnings upgrades in financials were offset by negative revisions in the materials sector.

Due to persistent economic strength, the timing expectations of a rate cut have continued to push out. Unless real pain materialises (raising the unemployment rate, moderating growth, rapid deflation) and the economy ceases its slow grind higher it is likely that the current expectations for rate cuts are too optimistic.

As we head into the second half of 2024, the question on investors' minds has turned from 'how deep will this downturn be' to 'will there be a downturn at all?'. As positive data points continue to print, we are becoming more constructive in the near-term economic and earnings outlook. Following on from August 2023, the February 2024 reporting season continued to demonstrate that investors punish stocks with negative earnings surprises irrespective of their starting valuation. With this backdrop in mind, our ever-present focus on the earnings outlook and balance sheet strength will continue to be our top priority going forward.

Portfolio Strategy

The strong performance of global equity markets has been fuelled by the view that monetary tightening is close to its peak and the economy has remained resilient. While this definitely provides a more positive backdrop for earnings outlook, two risks remain:

- Inflation is still above the target range, albeit heading in the right direction; therefore, expectations of easing may prove to be too optimistic.
- The impact on the broader economy from the tightening delivered to date and eventually on company earnings may still be coming but with a lag and further downward revisions cannot be

discounted.

We remain as always, extremely focused on the earnings outlook of companies we invest in. The ability to meet or exceed earnings expectations has always been of crucial importance to our investment process and is of particular importance now as we head into a period of heightened uncertainty.

For most of last year, our short list of potential new investment ideas was very active and contained both defensive and high-quality cyclical companies. This is still the case and our focus for both sets of companies continues to be on (a) businesses with bulletproof balance sheets (b) pricing power and (c) reasonable valuations. We have added stocks to the portfolio from this shortlist when we felt that both earnings forecasts have been sufficiently downgraded, and valuations corrected materially to capture the more challenging outlook. We will continue to seek similar opportunities over the balance of 2024 as our shortlist remains full.

ESG Update

Developments during the quarter

The Global Reporting Initiative (GRI) launched its revised global biodiversity reporting standard on the 25th of January 2024. The standard assists organisations with best practices on disclosure and management of biodiversity issues. It can be used by any organisation regardless of size, location, sector, and type. The main revisions of the standard included identification and management of biodiversity impacts (i.e. increased transparency, detailed reports of site exposure, and supply chain risks), additional reporting on direct drivers of biodiversity loss from products and services and updating the state of biodiversity in organisations controlled sites.

The Australian Energy Market Commission (AEMC) officially incorporates emissions reduction targets into the national energy rules. The new rules came into effect on the 1st of February and are an important milestone in the regulatory shift towards net zero. The new rules aid electricity networks in providing investment clarity and certainty through the energy transition. They allow networks and gas pipeline operators to propose expenditures that would contribute to meeting emissions reduction targets, which previously was not possible. For reference, the electricity sector makes up ~33% of total emissions in Australia.

The Right to Disconnect law passed on the 8th of February 2024, which introduces the right for employees to ignore calls, emails, or messages from employers outside of employee hours, within reason. This law is one of the new provisions in the recent Closing Loopholes No. 2 legislation, and grants employees enforceable workplace rights to refuse contact from an employer. The refusal of contact must be within reason and is dependent on employees salary, responsibility, and role. If the employer contact after hours in deemed unreasonable, an employee can reach out to the Fair Work Commission (FWC), who will place a stop order on the employer's behaviour. It is unknown how these rules will play out in practice and the impact on listed businesses remains to be seen.

New mandatory ESG reporting requirements announced by three of China's stock exchanges. On February 8th 2024, three of China's major exchanges, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, and the Beijing Stock Exchange, announced new sustainability reporting guidelines for listed companies. Disclosure requirements

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largely mirror the EU CSRD, the US SEC, and AUS CRFD, focusing mostly on sustainability risks impacting financial performance, and how investment decisions impact sustainability factors such as governance, strategy, and risk and opportunity management. There are three important factors to note: The Beijing exchange will introduce guidelines on a voluntary basis, Scope 3 value chain GHG emissions are included (unlike in the US), and the reporting will be required for FY2026.

For the first time in Australia, on the 27th of February 2024, the Workplace Gender Equality Agency (WGEA) released median gender pay gap data for employers with 100 or more employees. Across the ASX100 and ASX200, the median total remuneration gender pay gap was around 18%. Sectors with the highest median pay gap were oil and gas, and real estate, whilst the sector with the lowest median pay gap was consumer staples. The data highlights the growing importance of strategic workforce planning and designated strategies to close gender pay gaps as part of company policy.

The European Union has agreed to ban the entrance of products into its markets made by forced labour by 2027. Countries will have three years to incorporate the new rules and during this time, the European Commission will establish a database of high-risk geographies, sectors, and product groups that is to be regularly updated. Failure to abide by the new rules will have consequences as the member state will either ban the sale or export of the product or order the operator to withdraw or dispose of the product from the EU market. These products will be allowed to re-enter the market once the source of forced labour has been eliminated from the supply chain.

February Reporting Season Key Themes:

- **Environment:** Companies have made progress on decarbonisation across the board, with renewable energy, Scope 3 emissions, and decarbonisation capex all standouts. There was less focus on nature this reporting season, likely due to the upcoming climate reporting in June.
- **Social:** In regard to physical safety, results were mixed but generally better. Psychosocial safety has been gaining interest and commentary due to the new amendments to the Respect at Work Act. We also saw Industrial Relations reforms continuing to attract criticism from companies.
- **Governance:** There was a significant increase in cybersecurity investment and losses, particularly in the financial services industry. Mentions of AI and the responsibility and ethics surrounding its use also increased.

Trends:

ASX300 Director and Executive Remuneration:

- Median total CEO remuneration increased by 2.9% due to LTI increases of 8.5%, TFR increased by 3.1%, but STIs declined by 3.8%.
- CEO fixed remuneration increases were lower than the general population (ABS wage price index rose by 4.0%).
- The energy sector saw the largest median increase, and real estate was the only sector with a decrease largely due to a median STI decrease of 16.9%.

Electric vehicles:

- Emissions restrictions on new cars sold in Australia were finalised. While less than originally proposed due to a change in the classification of SUVs, the legislation brings Australia closer to international standards.

Upcoming Items of Interest:

- Climate reporting in-line with ISSB (International Sustainability Standards Board) two international IFRS (International Financial Reporting Standards) is delayed and is now due to start on the 1st January 2025.
- Following the Safeguard mechanism reforms last year, we will see the first-year impact in the June quarter.
- The UK CBAM consultation period has been launched. Following the consultation period, the CBAM is looking to be implemented from 2027 onwards for carbon-intensive sectors including aluminium, cement, ceramics, fertilizer, glass, hydrogen, iron and steel.

How do these developments relate to your portfolio?

Key points for our holdings are as follows:

- Companies have more time to collect and audit climate data. We do not expect any of our holdings to miss the January 2025 deadline.
- We do not think that the emissions regulation around new car sales will impact the aftermarket. Supply will adapt and the EV segment will continue to be in demand with consumers.
- For gender pay gaps, we will continue to monitor the companies we own, and ask questions of management to understand the context of the data. High gender pay gaps vs peers that we own include: IEL, RMD, TLS, WTC, and low gender pay gap vs peers include: ALL, CAR, CSL, JHX, and REH.

Flagship Fund Proxy Voting Overview

There were 2 shareholder meetings during the quarter and Platypus voted in favour of 7 proposals.

ESG Engagement Updates

We classify our engagements as either thematic or company-specific. Thematic engagements serve the purpose of allowing us to delve deeper into specific ESG focus areas, whilst company engagements are those held with the intent of furthering progress on identified ESG issues or objectives for specific companies within the Flagship portfolio. During the quarter we had 50 thematic engagements and 23 company engagements amounting to a total of 73 engagements.

Certain engagements may also take the form of collaborative engagements. The below provides an indication of the number of collaborative engagements held during the quarter per organisation.

Organisation, Number of Engagements

Australian Council of Superannuation Investors (ACSI), 1
 Investors Against Slavery and Trafficking Asia Pacific (IAST APAC), 4
 Responsible Investment Association Australasia (RIAA), 2
 Investors Group on Climate Change (IGCC), 4

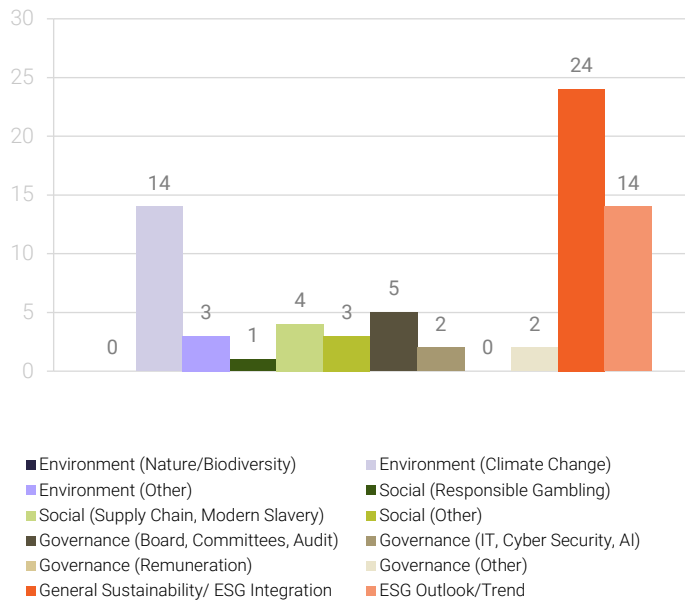
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Mixed Engagements with IAST and ACSI, 2

The pie chart provides a summary of engagements by category held during the quarter. In line with what we saw last quarter, the majority of our engagements were focused on ESG from a more holistic view. In terms of environmental issues, climate change was a prominent theme due to the incoming climate reporting, with nature being slightly deprioritised. The social issues we engaged on were focused on responsible AI, modern slavery disclosure, and safety (psychosocial and physical). Lastly, in terms of governance, we spent our time engaging on AI and with individual companies on items of interest.

ESG engagements by category

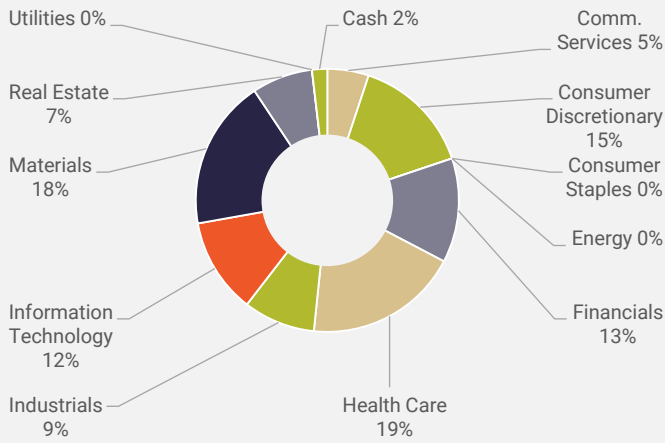


Commentary courtesy of Platypus Asset Management Pty Limited
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Sector Allocation



| GICS Sector | Portfolio% | Benchmark% | Active% |
|------------------------|------------|------------|---------|
| Communication Services | 5.09 | 3.77 | 1.33 |
| Consumer Discretionary | 14.75 | 7.48 | 7.27 |
| Consumer Staples | 0.00 | 3.99 | -3.99 |
| Energy | 0.00 | 4.97 | -4.97 |
| Financials | 12.84 | 29.73 | -16.90 |
| Health Care | 18.96 | 9.62 | 9.34 |
| Industrials | 8.83 | 6.96 | 1.87 |
| Information Technology | 11.72 | 3.11 | 8.61 |
| Materials | 18.47 | 22.05 | -3.58 |
| Real Estate | 7.47 | 7.00 | 0.47 |
| Utilities | 0.00 | 1.31 | -1.31 |
| Cash | 1.87 | 0.00 | 1.87 |

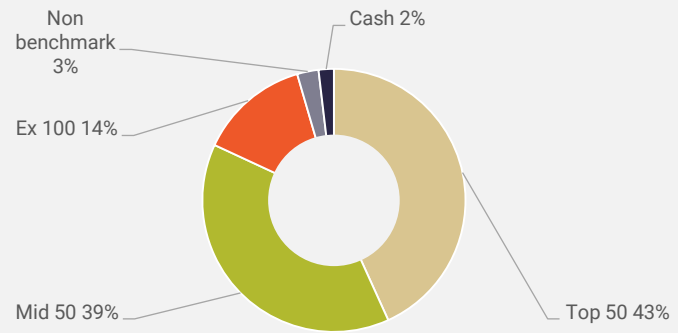
Asset Allocation

| Asset Class | Portfolio% |
|-------------------|------------|
| Australian Shares | 98.13 |
| Cash | 1.87 |

Top 5 Holdings

| Company | Portfolio% | Benchmark% | Active% |
|-------------------|------------|------------|---------|
| CSL Limited | 6.06 | 5.76 | 0.31 |
| Reece Limited | 5.91 | 0.25 | 5.66 |
| BHP Group Limited | 5.42 | 9.29 | -3.87 |
| Rio Tinto Limited | 5.21 | 1.87 | 3.34 |
| Block, Inc. | 5.03 | 0.18 | 4.85 |

Market Capitalisation



| Market Cap Band | Portfolio% | Benchmark% | Active% |
|-----------------|------------|------------|---------|
| Top 50 | 43.22 | 76.75 | -33.52 |
| Mid 50 | 38.69 | 12.07 | 26.62 |
| Ex 100 | 13.58 | 11.18 | 2.40 |
| Non benchmark | 2.63 | 0.00 | 2.63 |
| Cash | 1.87 | 0.00 | 1.87 |

Fund Snapshot

| Wholesale Units | |
|--------------------------------|--|
| APIR Code | AUS0030AU |
| Inception date | 30 April 2006 |
| Fund size (net asset value) | \$377 m |
| Minimum initial investment | \$5,000 |
| Management Fees | 0.76% p.a. |
| Estimated Recoverable Expenses | 0.12% of net asset value of the Fund for each financial year ending 30 June. |
| Performance Fees | 15.375% of the excess performance over the relevant Index [^] |
| Buy/Sell spread | 0.20%/0.20% |
| Distributions | Half yearly |
| Advice fee | Available |

[^] Refer to the PDS for more information about the Performance Fee.

Important Information

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