

# Fund Update

31 July 2017

## Platypus Australian Equities Fund

Platypus Asset Management (Platypus) is a leading growth-oriented, Australian equities investment manager. The Platypus Australian Equities Fund (Fund) invests in a concentrated number of Australian equity securities. It aims to deliver strong returns over the medium to long term by identifying high quality Australian companies with strong future growth prospects.

### Performance as at 31 July 2017

	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.	Since inception <sup>1</sup> % p.a.
<b>Total Return on Retail Units</b>	<b>-2.43</b>	<b>0.89</b>	<b>-2.11</b>	<b>6.74</b>	<b>12.05</b>	<b>8.50</b>	<b>3.73</b>	<b>6.22</b>
S&P/ASX 300 Accumulation Index	0.01	-2.51	7.03	5.12	10.71	8.11	3.65	5.16
Active Return	-2.44	3.41	-9.14	1.63	1.33	0.39	-0.08	1.06
<b>Total Return on Wholesale Units</b>	<b>-2.48</b>	<b>0.93</b>	<b>-1.61</b>	<b>7.35</b>	<b>12.71</b>	<b>9.08</b>	<b>4.27</b>	<b>6.73</b>
S&P/ASX 300 Accumulation Index	0.01	-2.51	7.03	5.12	10.71	8.11	3.65	5.16
Active Return	-2.49	3.44	-8.64	2.23	1.99	0.97	0.62	1.57

Total Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

<sup>1</sup>Inception date for performance calculations is 30 April 2006. Retail Units are closed to new investors.

### How the Australian equity market performed

The S&P/ASX 300 index generated a flat return in July. Macroeconomic data was strong from most major economic regions in line with the recent trend. Most of the action however was in the foreign exchange markets with the weakening of the USD resulting from a dovish Federal Reserve and a weaker than expected inflation print in the US. The flow on impact from price action in the currency markets was seen in the commodity complex where prices were broadly well bid. The Australian dollar broke above the 78.50 US cent level after the reference to a 3.5% neutral cash rate in the Reserve Bank of Australia minutes was taken as a hawkish signal by the market. Subsequent attempts by RBA Governors to talk the currency down have failed to have a lasting impact.

From a sector perspective, Materials (+3.5%), Financials (+1.3%) and Consumer Staples (+1.0%) performed strongly but outsized losses in Health Care (-7.5%), Utilities (-5.3%) and Telecommunication Services (-4.2%) kept the equity market more broadly from making gains.

### How the Fund performed

The month of July was tough for the portfolio resulting in a -2.43% return against a flat result from S&P/ASX 300. The current portfolio is overweight offshore earners who exhibit stronger long-term earnings growth, but these stocks came under market selling pressure as the Australian Dollar finally broke out of the range it had traded for over two years. Looking at the main detractors, our nil weighting in BHP

Billiton cost -0.52% and not owning Westpac for most of the month cost -0.44%. Other positions producing negative outcomes were in Aristocrat -0.41%, CSL -0.33% and Macquarie Group -0.23%. On the positive side, we saw Beach Energy +0.34%, OZ Minerals +0.22%, Rio Tinto +0.19%, and Eclix Group +0.13% all contributing.

At the sector level, our underweight position in Financials -0.96% and overweight in Healthcare -0.89%, were a drag on performance. Whereas Industrials +0.33%, Energy +0.27% and our nil exposure to Telecommunications Services +0.16% and Utilities +0.12%, achieved positive contributions. In terms of notable trades, we reintroduced Westpac into the portfolio at the end of the month, after APRA announced its definition of 'unquestionably strong' capital requirements for the Australian banks. The announcement was benign and removed the risk of large equity raisings by the major banks. The dividends for the sector are also 'safe' now in the absence of a bad debt cycle, which is not a concern in the near term. Out of cycle repricing of residential investor and interest only loans are likely to support banking sector earnings in the near term and with a quality franchise like Westpac trading in the middle of its valuation range, the risk return trade-off has become favourable once again. The other notable transaction in the month was adding to our Super Retail Group position following their announcement that results were tracking at the top end of guidance. The business is also merging the two sports retailing brands A-Mart and Rebel. In addition we partially monetised gains in a number of stocks that were trading towards the top of their respective valuation ranges, including Aristocrat Leisure, Cochlear, CSL, Macquarie Group, OZ Minerals, Ramsay Health Care & Treasury Wine Estates.

### Contact Details

#### Address

Australian Unity Wealth  
114 Albert Road  
South Melbourne VIC 3205

#### Website

[australianunity.com.au/wealth](http://australianunity.com.au/wealth)

#### Email

[investments@australianunity.com.au](mailto:investments@australianunity.com.au)

#### Investor Services

T 13 29 39 F 03 8682 5057

#### Adviser Services

T 1800 649 033 F 03 8682 5057

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## Outlook

The focus in the near term for investors in Australian equities is the upcoming reporting season and the accompanying outlook commentary. A positive reporting season with better than expected results for FY17, and/or a more constructive outlook commentary, would be supportive of upward earnings revisions for FY18 and a strong market performance in the second half of calendar of 2017. The 'Confession season' has been relatively benign thus far and we expect the FY17 numbers will be delivered largely in line with market expectations. The recent strength in the Australian Dollar could dampen the outlook comments from some offshore industrial firms whereas the recent strength in commodity prices (if sustained) would support FY18 earnings.

*Commentary courtesy of Platypus Asset Management Pty Limited  
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## Asset allocation<sup>2</sup>

Asset class	Portfolio Average Weight %
Australian Shares	98.14
Cash	1.86
Total	100.00

## Sector allocation<sup>3</sup>

Sector	Portfolio Average Weight %
Financials	30.12
Healthcare	22.53
Materials	15.40
Consumer discretionary	11.48
Energy	9.37
Consumer staples	4.80
Industrials	3.75
Information technology	0.72
Telecommunication Services	0.00
Real Estate	0.00
Utilities	0.00
Cash	1.86

<sup>2,3</sup>Asset and Sector allocations are calculated on the average holdings of the portfolio for the month

## Top 5 holdings

Company	Portfolio Holding %
Commonwealth Bank of Australia	10.34
Westpac Banking Corporation	7.92
Rio Tinto Limited	6.69
CSL Limited	5.61
Macquarie Group Limited	5.53

## Fund snapshot

	Retail Units <sup>4</sup>	Wholesale Units
APIR Code	AUS0029AU	AUS0030AU
Inception date	30 April 2006	
Fund size (net asset value)	\$ 3.14m	\$ 84.64m
Minimum initial investment	N/A <sup>5</sup>	\$5,000
Management Fees	1.5176% p.a.	0.9569% p.a.
Estimated Recoverable Expenses	0.1045% of net asset value of the Fund for each financial year ending 30 June.	
Performance Fee	15.375% of the excess performance over the relevant Index <sup>6</sup>	
Buy/Sell spread	0.20%/0.20%	
Distributions	Half yearly	
Advice fee	Available	

<sup>4,5</sup> Retail Units are closed to new investors.

<sup>6</sup> Refer to the PDS for more information about the Performance Fee.

## Important Information

Wholesale Units and Retail Units in the Platypus Australian Equities Fund are issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454. The information in this document is general information and it does not take into account the financial objectives, situation or needs of any particular investor. In deciding whether to acquire, hold or dispose of this product you should refer to the current Product Disclosure Statement (PDS) and consider whether the product is appropriate for you. Retail Units are closed to new investors. A copy of the PDS is available at [australianunity.com.au/wealth](http://australianunity.com.au/wealth) or by calling our Investor Services team on 13 29 39. Investment decisions should not be made upon the basis of its past performance or distribution rate, or any ratings given by a rating agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the rating agency itself. The information provided in the document is current at the time of publication.