

## Platypus Australian Equities Fund

Platypus Asset Management (Platypus) is a leading growth-oriented, Australian equity investment manager. The Platypus Australian Equities Fund's (Fund) invests in a concentrated Australian equity portfolio. 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 October 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>4.20</b>	<b>7.76</b>	<b>15.13</b>	<b>9.80</b>	<b>11.68</b>	<b>8.94</b>	<b>3.44</b>	<b>6.77</b>
S&P/ASX 300 Accumulation Index	4.02	4.83	15.92	7.03	10.18	8.01	3.05	5.48
Active Return	0.18	2.93	-0.78	2.76	1.50	0.93	0.39	1.29
<b>Total Return on Wholesale Units</b>	<b>4.25</b>	<b>7.92</b>	<b>15.71</b>	<b>10.41</b>	<b>12.34</b>	<b>9.53</b>	<b>3.98</b>	<b>7.29</b>
S&P/ASX 300 Accumulation Index	4.02	4.83	15.92	7.03	10.18	8.01	3.05	5.48
Active Return	0.24	3.09	-0.21	3.38	2.16	1.52	0.93	1.81

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 accumulation index generated a stellar 4.02% return in October significantly outperforming the global benchmarks in local currency terms. A two cent fall in the AUD against the USD from 78.5 cents was a major contributor to the AUD return for our market. In USD terms, the ASX returned 1.65% vs. the MSCI World at 1.92%.

Macroeconomic data flow indicated continuation of strong momentum in the global economy. As has become customary in recent times, central banks were not far from headlines, with market speculation on the nominee for the next Chair of Federal Open Market Committee approaching a climax. Over the Atlantic, the ECB announced its version of QE taper (from €60bn per month to €30bn but extending this program into 2018). Distinct dovishness of this announcement sent the Euro lower this month.

Geopolitical news flow such as that from Catalonia or President Trump's aggravations around the Iranian Nuclear accord appeared not to affect strong market sentiment. The Chinese Communist Party Congress was perhaps the most closely watched event in the month that ended with the unveiling of the new Standing Committee of the Politburo. Consensus amongst political commentators has landed on the view that President Xi has achieved his ambition of consolidating power and now has a pathway to staying at the helm of government beyond his second five-year term ending in 2022. Over in Japan, Prime Minister Abe's gamble of calling a snap general election paid off with his Liberal Democratic Party and allies winning two-thirds majority in the lower house of parliament. Political developments were less happy for our Prime Minister whose majority of one in the lower house has come into

jeopardy with Deputy Prime Minister Joyce's election to parliament held invalid by the High Court.

Crude prices took off with a 6.7% rally in the month and Base Metals were strong with a 2.8% gain. Iron ore corrected 5.7% in the month as winter production curtailments in China took effect. The yield on the US 10 Year Bond touched 2.4% again during the month, without being able to break through this level that some technical analysts regard as key resistance.

From a sector perspective, the strong performance of the market in October was broad based with Information Technology (+8.44%) leading the charge, followed by Energy (+6.41%) and Health Care (+5.48%). At the bottom of the ladder albeit with positive returns were Real Estate (+1.32%) and Telecommunication Services (+2.35%).

### How the Fund performed

The Platypus portfolio returned + 4.20% in October outperforming the S&P/ASX 300 accumulation index by 18 basis points. At the stock level, contributions came from Beach Energy (+0.34%), Treasury Wine Estates (+0.22%) and Aristocrat Leisure (+0.20%) whereas Reliance Worldwide (-0.23%), BT Investment Management (-0.20%) and Bingo Industries (-0.20%) were notable detractors.

At the sector level, our overweight stance in both Energy (+0.38%) and Health Care (+0.28%) were strong generators of outperformance but Industrials (-0.46%) and Materials (-0.25%) were a drag.

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Notable trades in the month included exiting the position in James Hardie Industries for a small loss. We initiated the position as the business was resolving serious supply chain problems and were expecting two tough quarterly results. However, whilst the company has substantially overcome these problems now, the task of winning back lost customers appears to be somewhat of a bigger challenge than originally anticipated, and that may delay the recovery in margins for a while longer. Hurricanes in the US have delayed the recovery further and we decided to step out until a clearer picture emerges.

In terms of initiations, we bought back a small position in Domino's Pizza Enterprises – the investment thesis is relatively unchanged from when we exited the position in June, but the large share price pull-back means the risk reward is much more compelling at current levels. We have participated (albeit only obtained a modest allocation) in the initial public offering of Netwealth Group, the provider of a leading information technology platform to independent financial advisors.

We booked partial profits in Beach Energy, Rio Tinto, Bingo Industries and Eclix using the proceeds to add to BT Investment Management, Woolworths, Westpac Banking Corporation and BHP Billiton.

### Outlook

The path of least resistance for the markets in the near term appears to be up. Economic activity is strong and broadening. The loose monetary policy is changing course, but central bankers are being very slow and cautious in withdrawing the extraordinary stimulus that they had to provide following the Global Financial Crisis, and the multiple European crises that followed. These conditions are well suited for positive earnings revisions, and for healthy equity market performance. This narrative is playing out in fiscal 2018 earnings growth estimates for the S&P/ASX 300, that have been revised up through the August reporting season, from 5.1% to 5.8% (always a positive sign) and since then to stand at 7.7% currently.

We remain constructive on markets heading into the end of the calendar year and into early 2018.

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

Asset class	Portfolio Average Weight %
Australian Shares	98.23
Cash	1.77
Total	100.00

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

Sector	Portfolio Average Weight %
Financials	32.60%
Healthcare	18.32%
Materials	15.75%
Consumer discretionary	11.98%
Energy	9.88%
Consumer staples	5.05%
Industrials	3.83%
Information technology	0.82%
Telecommunication Services	-
Real Estate	-
Utilities	-
Cash	1.77%

<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 %
Westpac Banking Corporation	8.96%
BHP Billiton Limited	7.26%
Commonwealth Bank of Australia	6.78%
Macquarie Group Limited	5.89%
CSL Limited	5.74%

**Index weightings – end of month**

Index	Portfolio Weight %
Cash	0.92%
Top 50	60.75%
Mid 50	15.74%
Ex 100	20.80%
Non Benchmark	1.78%

**Fund snapshot**

	Retail Units <sup>4</sup>	Wholesale Units
APIR Code	AUS0029AU	AUS0030AU
Inception date	30 April 2006	
Fund size (net asset value)	\$ 3.34m	\$ 90.55m
Minimum initial investment	N/A <sup>5</sup>	\$5,000
Management Fees <sup>6</sup>	1.52% p.a.	0.96% p.a.
Performance Fee	15.38% of the excess performance over the relevant Index <sup>7</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 Fund's product Disclosure Document for more details on the Fund's Management Costs which also include recoverable expenses and indirect costs. Total Management Costs may vary.

<sup>7</sup> Refer to the PDS for more information about the Performance Fee.

**Important Information**

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