Fund Update

30 June 2018

Platypus Australian Equities Fund

Platypus Asset Management (Platypus) is a leading growth-oriented Australian equity investment manager. The Platypus Australian Equities 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 30 June 2018

Performance (annualised)	1 mth	3 mths	1 yr	3 yrs	5 yrs	7 yrs	10 yrs	Since inception[1] % p.a.
Total Return on Retail Units	**3.27**	**13.52**	**25.41**	**14.41**	**14.13**	**11.61**	**7.84**	**7.94**
S&P/ASX 300 Accumulation Index	3.19	8.36	13.24	9.14	9.99	8.97	6.28	5.84
Active Return	0.08	5.16	12.17	5.27	4.14	2.64	1.56	2.10
Total Return on Wholesale Units	**3.30**	**13.65**	**25.89**	**15.02**	**14.78**	**12.20**	**8.40**	**8.46**
S&P/ASX 300 Accumulation Index	3.19	8.36	13.24	9.14	9.99	8.97	6.28	5.84
Active Return	0.11	5.29	12.65	5.88	4.79	3.23	2.12	2.62

Total Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance
[1]Inception date for performance calculations is 30 April 2006. Retail Units are closed to new investors.

Quarter in Review

The portfolio gained 15.29 percent over the June quarter and outperformed the benchmark by 6.92 percent. Holdings in Aristocrat Leisure (+0.89%), Macquarie Group (+0.85%) and Reliance Worldwide (+0.82%) contributed meaningfully to relative performance, while Eclipx Group (-0.40%), Ramsay Healthcare (-0.28%) and nil weighting in Wesfarmers (-0.29%) were the main detractors.

At the sector level, our underweight positioning in Financials (+2.01%) and Industrials (+1.00%), as well as our overweight positioning in Consumer Discretionary (+1.86%) contributed, while our nil weight in Real Estate (-0.12%) was the only detractor from performance this quarter.

We introduced a number of new positions into the portfolio in this quarter:

- Costa Group, following our research trip in China that suggested a bigger addressable market is opening up for Australian horticulture products.
- Galaxy Resources to provide exposure to current production and a pipeline of wholly owned development assets which will enable the company to capitalise on the near term market tightness and significant interest from strategic investors.
- Metals X to provide exposure to an asset turnaround and the associated increased production profile combined with a constructive outlook for Copper and Tin.
- Reece late in the quarter. This is a company with a strong domestic franchise and long track record of delivering profit growth. Following its recent acquisition in the US and capital raising that followed, liquidity in the stock improved which enabled us to initiate a position.
- Worley Parsons, on a more positive outlook on capital investments in oil and gas industry driven by higher commodity prices. We expect this thematic to have a material positive impact on the company's earnings growth.
- Xero, where we initiated in the quarter. Xero has also delivered strong strategic execution to date aided by significant industry tailwinds and we believe the company will continue to execute in international markets.

We participated in capital raisings for Nextdc and Reliance Worldwide Corp. The Nextdc raising to be used in funding the development of the next round of data centres. While Reliance Worldwide raised funds for the acquisition of John Guest.

The remainder of trading activity involved topping up existing positions in Afterpay Touch, Gold Road, Gascoyne and Wagners Holding.

Positions that we exited were:

- Aurelia Metals in the quarter as it reached our valuation target
- Updater as the company reached all the short term milestones
- Eclipx in the quarter on a lack of identifiable re-rating catalyst;

Contact Details

Address
Australian Unity Wealth
114 Albert Road
South Melbourne VIC 3205

Website
australianunity.com.au/wealth

Email
investments@australianunity.com.au

Adviser Services
T 1800 649 033

Investor Services
T 13 29 39

Signatory of: PRI Principles for Responsible Investment

STRENGTHENED BY Australian Unity

- Observance of our strict capital management rules saw us exit Ramsay Healthcare late in the quarter as it announced an FY18 profit downgrade.
- Partial profits were taken in Netwealth Group, Treasury Wine Estates and Resmed.

Finally, we sold part of our position in Westpac Banking Corp to fund purchases during the quarter.

Sector in Review

The June quarter was strong for equity investors, despite geopolitical news flow. Macroeconomic data remains broadly supportive of the synchronised growth thematic, although Europe has come off the breakneck speed off late 2017. The labour markets continue to tighten across all major economies and inflation remains benign in most markets, with the exception of the US economy, where headline inflation has moved to the 2 percent target, being the most progressed in the economic recovery.

The S&P/ASX300 returned 8.36 percent in this quarter. From a sector perspective, Energy (+19.49%), Health Care (15.86%) and Consumer Staples (+12.02%) were the largest contributors, while Telecommunication Services (-13.34%) was the largest detractor.

The US reporting season has been stellar with a bigger proportion of companies exceeding consensus expectations (vs. history), and encouraging trends for top line outcomes. However, management commentary in some instances (Caterpillar as an example) was a bit more circumspect, with rising costs cited as a handbrake on earnings for the remainder of 2018. Nevertheless, 2018 earnings expectations for the S&P 500 companies have been revised up meaningfully following the Q1 reporting season (even excluding the tax benefit), providing further support to the synchronised growth theme.

Central bankers remain accommodative, however the tone from the US and European Central Bank ('ECB') has somewhat changed throughout this quarter. The Federal Reserve increased the target federal funds rate to 1.75-2.00 percent on 13 June, in line with expectation, but noted that labour market continues to tighten and household expenditure and business investment have grown strongly. With all three trends resulting in inflationary pressures, the consensus expectation moved to four instead of three 'fed fund' rate increases for this calendar year. The ECB has stated that the key interest rate in the region will be held at the current level until at least mid-2019, however it also noted that monthly net asset purchases would reduce from €30 billion to €15 billion in September 2018, and fully cease at the end of the year. Both central banks explicitly committed to accommodating monetary policies into the foreseeable future, with the ECB stating that the principal payments from maturing securities purchased under the asset purchase programme will be reinvested for 'as long as necessary'. The Peoples Bank of China cut the reserve requirement ratio by 50bps in the quarter and committed to a further cut in second half, and more flexible monetary policy. The Bank of Japan and our own Reserve Bank held monetary policy steady at accommodative levels. The RBA noted that APRA's supervisory measures have been successful in capping the build-up of risk from household debt, therefore alluding that additional stringent lending rules may not be needed. Locally, news flow from the Royal Commission into Financial Services dominated, with a significant negative impact on the performance of the Financials sector for most of the quarter. Fears that much tighter lending rules would materially impede the potential for future earnings growth in this sector saw multiples de-rate until the last two weeks of the quarter when banks recovered back into their old trading range on no major news.

In Australia, the Federal Budget was in the news early in the quarter but had a relatively limited impact on our market given that the main news was the Treasurer's projection that the budget would return to surplus from FY20, and therefore proposed modest tax cuts to lower income earners in future years.

Geopolitical developments have not been constructive with the US-China trade tensions broadening into US disputes with NAFTA countries and EU. The markets have largely ignored the developments to date with consensus view being that broader trade war is unlikely to develop, although the market are more sensitive to the issue as the rhetoric ratchets higher. European political developments were watched closely with a coalition of Euro-sceptic parties forming government in Italy and the Spanish PM losing confidence of his Parliament. Concerns that Italy may push for a Brexit-type situation eased later in the quarter, when the new minister of finance confirmed that Italy had no intention to leave the Eurozone, and was committed to reducing its debt levels. The most positive geopolitical development in the quarter concerned the Korean peninsula, following a meeting between the US and North Korean leaders. The meeting ended with a commitment to a peaceful denuclearization of the peninsula, but this is yet to play out.

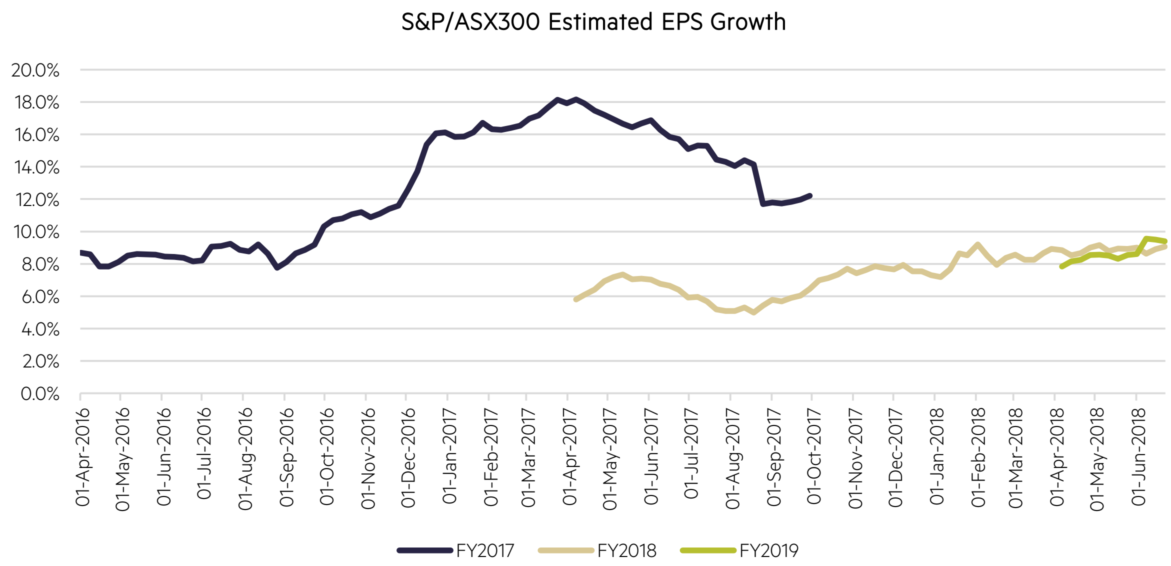
US Government bonds sold off early in the quarter with the yields on the 10 Year bond reaching 3.1 percent intra-month, before peeling back below 3 percent. The USD rallied during the quarter reflecting diverging US monetary policy vs. other economies; this strength put further pressure on sentiment towards Emerging Markets.

Crude oil was the best performing commodity over the quarter. Concerns around Iranian supply later this calendar year on the back of US decision to withdraw from the nuclear accord, along with sharply deteriorating Venezuelan production, sent crude prices higher in the early part of the quarter. News flow regarding concerns that OPEC and non-OPEC allies may agree to an increase of production as high as 1.5mbpd saw the commodity price correct later in the quarter. However, those concerns eased once the meeting concluded with a commitment to limit an increase of production to 1mbpd and analysts noting that production constraints would cap the actual increase well below that level.

US sanctions on Russian business interests saw increased volatility in the prices of alumina and nickel. The firmer USD was also a head wind for the gold price and the AUD appears to have broken down decisively.

Outlook

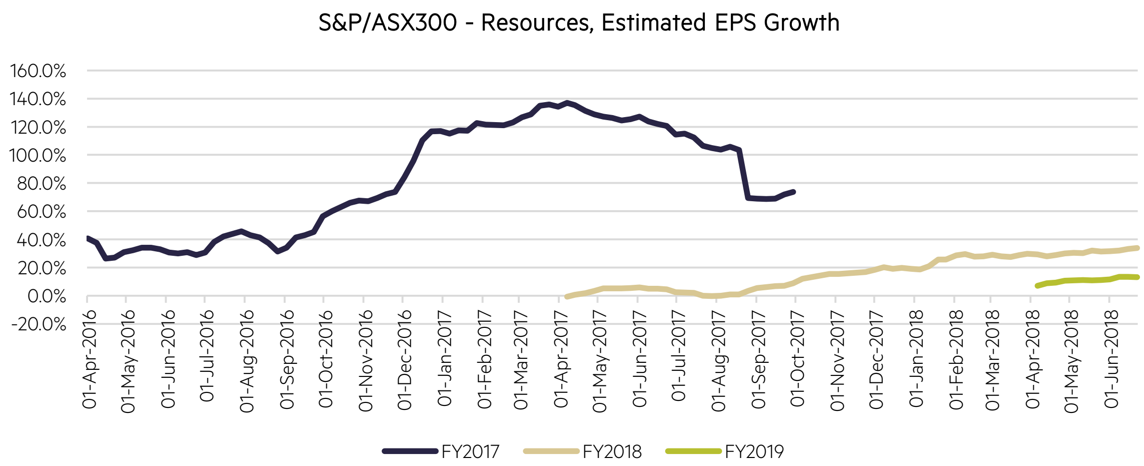
The earnings picture in Australia has remained healthy with the estimated earnings 'growth worm' for FY18 remaining in the uptrend, unlike the estimates of previous years, which have slithered down as the years progressed. While early days, the expectations for FY19 are looking sprightlier than we saw in FY15 and FY16:



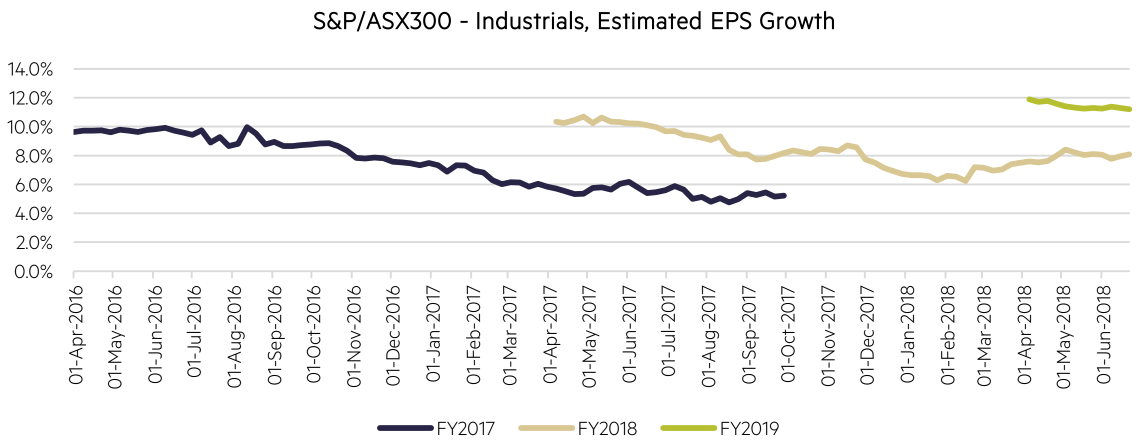
Source: FactSet, Platypus

Note: FY19 data excludes TLS estimates

As can be seen in the charts below, Resources (Metals & Energy) have been a material source of earnings support for the market with underlying commodity prices recovering from the wreckage of 2015. However, it is also worth noting that the broad Industrials (Market ex-Banks, Resources & REITs) have held up well for a number of years now (as seen in chart lower down,) reflecting a recovery in the economic conditions following the 2008 crisis and the problems stemming out of Europe that followed:

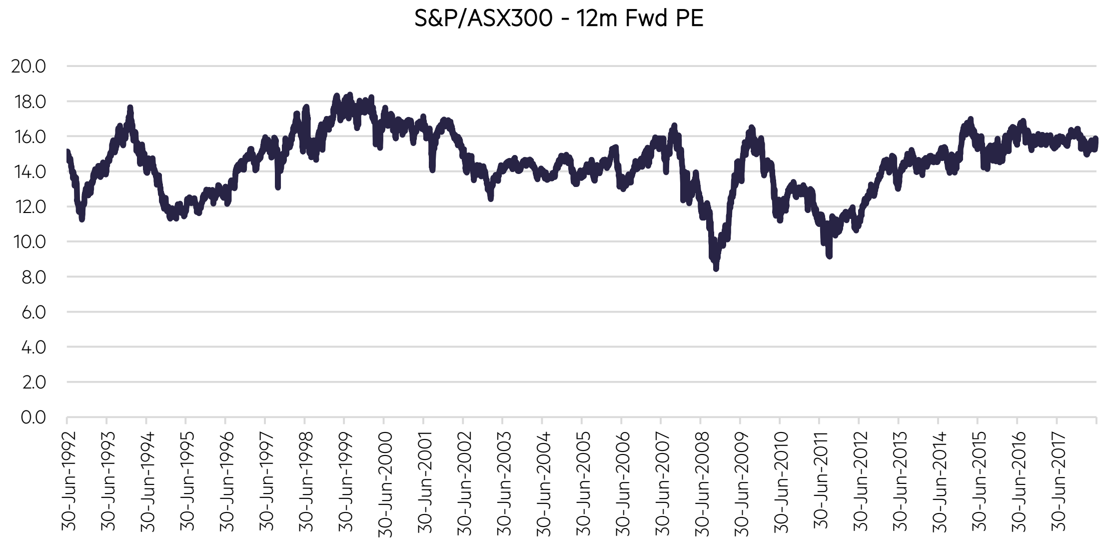


Source: FactSet, Platypus



Source: FactSet, Platypus
Note: FY19 data excludes TLS estimates

If we accept the consensus view that the global economic backdrop remains healthy for a further 12-18 months, driven by the strength in the US, steady Chinese economy and continued recovery in Europe and Japan, it is very likely that the earnings environment will remain robust. With that in mind, at 15.7x 12-month forward PE the overall market is not expensive in the historical context (see chart below), and so we have a positive view on the performance of equities in the near future:

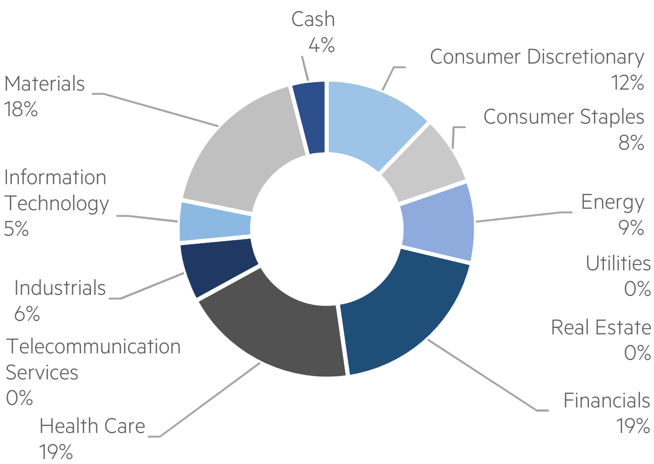


Source: FactSet, Platypus

There are several possible risks to the economic outlook – macroeconomic, with the current expansion in a mature phase - and geopolitical, with further deterioration in the US - China trade relationship possibly affecting the earnings outlook negatively. Likewise, there are pockets in the market where valuations appear stretched, where caution should be exercised when assessing their future earnings potential. On balance, we remain optimistic on the outcomes in markets and opportunities for stock pickers to add value for investors over the remainder of 2018.

Commentary courtesy of Platypus Asset Management Pty Limited
ABN 33 118 016 087, AFS Licence No. 3012

Sector Allocation



GICS Sector	Portfolio%	Benchmark%	Active%
Consumer Discretionary	12.19	4.95	7.23
Consumer Staples	7.56	8.12	-0.56
Energy	8.96	5.75	3.22
Financials	19.00	32.58	-13.59
Health Care	19.34	8.43	10.90
Industrials	6.43	7.23	-0.80
Information Technology	4.66	2.51	2.15
Materials	17.88	18.49	-0.61
Real Estate	0.00	7.71	-7.71
Telecommunication Services	0.00	2.23	-2.23
Utilities	0.00	1.99	-1.99
Cash	3.99	0.00	3.99

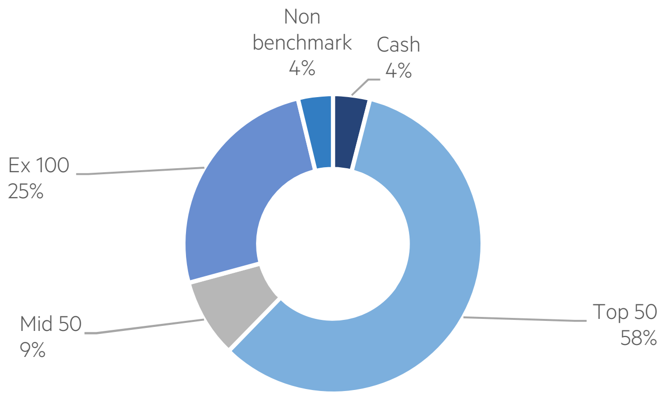
Asset Allocation

Asset class	Portfolio%
Australian Shares	96.01
Cash	3.99
Total	100.00

Top 5 Holdings

Company	Portfolio%	Benchmark%	Active%
CSL Limited	9.42	5.12	4.30
BHP Billiton Limited	8.58	6.39	2.18
Macquarie Group Limited	8.33	2.30	6.03
Aristocrat Leisure Limited	5.97	1.16	4.82
Westpac Banking Corporation	5.19	5.89	-0.70

Market Capitalisation



Market Cap Band	Portfolio%	Benchmark%	Active%
Cash	3.99	0.00	3.99
Top 50	58.32	76.44	-18.12
Mid 50	8.49	12.62	-4.13
Ex 100	25.42	10.93	14.48
Non benchmark	3.78	0.00	3.78

Fund Snapshot

	Retail Units[2]	Wholesale Units
APIR Code	AUS0029AU	AUS0030AU
Inception date	30 April 2006	
Fund size (net asset value)	$ 3.83 m	$ 108.04 m
Minimum initial investment	N/A[3]	$5,000
Management Fees	1.5176% p.a.	0.9569% 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[4]	
Buy/Sell spread	0.20%/0.20%	
Distributions	Half yearly	
Advice fee	Available	

[2,3] Retail Units are closed to new investors.

[4] 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 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.