

## Platypus Systematic Growth Fund

Platypus Asset Management (Platypus) is a leading Australian equity investment manager. The Platypus Systematic Growth Fund's (Fund) objective is to outperform the S&P/ASX 300 Accumulation Index (Benchmark) over an investment cycle with less downside risk over a three-year period.

Performance as at 31 May 2017

	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	Since inception <sup>1</sup> p.a. %
<b>Total Return</b>	<b>-2.70</b>	<b>0.91</b>	<b>4.75</b>	<b>8.30</b>	<b>13.09</b>	<b>9.50</b>	<b>8.17</b>
S&P/ASX 300 Accumulation Index	-2.74	1.43	10.80	6.04	11.70	8.34	7.14
Active Return	0.05	-0.52	-6.05	2.26	1.39	1.16	1.03

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 November 2009.

### How the Australian equity market performed

The S&P/ASX 300 index returned -2.74% in the May underperforming global benchmarks.

The month kicked off with the 2017 Australian Federal Budget. Large Australian banks were the main losers from the budget this year as the government announced a new 6 bps Bank Levy to be applied on banks' liabilities (excluding deposits of \$250k or less). The Levy is to be introduced from 1 July and aims to raise \$6.2b over the next year. Early estimates by analysts indicate it will have a negative impact of between 3-5% on the banks' net profits. In addition to this, the banks face further regulatory uncertainty as APRA is yet to announce its final capital requirements. We expect this announcement to come in June with the ultimate prudential objective to get capital levels that make banks "unquestionably strong".

A few other sectors enjoyed some relief from the Budget this year. Namely, Healthcare, a usual target for funding cuts, should benefit from the removal of the freeze on the indexation of the Medicare Benefits Schedule and the reintroduction of the bulk billing incentive for diagnostic imaging and pathology services. The government also demonstrated its support for infrastructure investments is not diminishing and outlined commitment for a number of large infrastructure projects in this year's budget such as Western Sydney Airport.

The news out of the US this month was dominated by a lack of progress on tax cuts. Much like the unwind of 'Obamacare' tax cuts are proving hard to implement by the Trump government with the Republican party failing to reach consensus on what the plan should look like – if it should be revenue neutral or not.

OPEC & non-OPEC producers extended the so-called 'Algiers Accord' by nine months but that did little to support the crude markets. Iron ore correction gathered further momentum with benchmark prices going below the \$60/t level on concerns that tighter property policy was being implemented more broadly in China.

From a sector perspective, Financials (-7.7%) led the market down followed by Health Care (-2.38%) whereas Industrials (+4.69%) and

Telecommunication Services (+3.38%) provided the market with some support.

### How the Fund performed

*(Performance numbers in this section are returns relative to the Benchmark unless otherwise stated.)*

The Platypus Systematic portfolio decreased by 2.70% during May, outperforming the ASX/S&P300 Index by 0.05%.

The top contributors to performance came from positions in Commonwealth Bank (+0.29%) and Graincorp (+0.07%). Detractors included a nil position in Telstra (-0.22%) and a position in Sigma Healthcare (-0.13%).

At the sector level, Financials (+0.25%) and Real estate (+0.21%) contributed to performance while Telecommunication Services (-0.20%) and Health Care (-0.14%) were the main detractors.

### Outlook

Absolute performance of our equities market will be affected by short-term headwinds facing our two large sectors – banks and materials. The banks reported lacklustre results, in line with our expectations. This combined with an unexpected budget levy and the uncertainty on capital requirements has soured the sentiment on the sector. However, one could argue that the banks were expensive at the start of the month and now are closer to fair valuation.

In addition, having seen the Chinese government reach its objectives to stabilising growth, we believe the focus has shifted to reform objectives, which is unlikely to provide stimulatory support needed for the Materials sector to outperform in the near term.

With banks and materials capped in the near term and a seasonally weak period for risk assets generally, we would expect our market to remain range bound until the August reporting season. We remain constructive on markets beyond this seasonal and short-term softness.

*Commentary courtesy of Platypus Asset Management Pty Limited  
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## Platypus Systematic Growth Fund

Asset allocation<sup>2</sup>

Asset class	Portfolio average weight %
Australian Shares	99.28
Cash	0.72
<b>Total</b>	<b>100.00</b>

Sector allocation<sup>3</sup>

Sector	Portfolio average weight %
Financials	40.32
Materials	17.28
Real Estate	10.62
Consumer Staples	7.75
Health Care	5.62
Industrials	4.72
Consumer discretionary	4.42
Energy	4.25
Utilities	2.58
Information technology	1.45
Telecommunication services	0.25
Cash	0.72

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

## Top 5 stocks

Company	Fund %
Australia and New Zealand Banking Group	6.16
National Australia Bank	6.00
Westpac Banking Corporation	5.64
BHP Billiton	5.37
CSL	3.48

## Fund snapshot

APIR Code	AUS0036AU
Inception date	24 November 2009
Fund size (net asset value)	\$29.85m
Minimum initial investment	\$5,000
Management Fees	0.4124% 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>4</sup>
Buy/Sell spread	0.20%/0.20%
Distributions	Half yearly
Advice fee	Available

<sup>4</sup> Refer to the PDS for more information about the Performance Fee.

## Important information

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