

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 October 2017

	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	Since inception ¹ p.a. %
Total Return	4.49	7.18	13.87	9.39	12.00	9.37	8.61
S&P/ASX 300 Accumulation Index	4.02	4.83	15.92	7.03	10.18	8.01	7.42
Active Return	0.48	2.34	-2.05	2.36	1.83	1.36	1.19

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

¹Inception date for performance calculations is 30 November 2009.

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 Systematic Growth Fund increased by 4.49% during October, outperforming the ASX/S&P300 Index by 0.48%.

Contributors to performance included positions in a2 Milk Company (+0.10%) and ANZ Bank (+0.07). A nil position in Wesfarmers added 0.08%. Detractors for the month included positions in Lendlease Group (-0.12%) and Perpetual (-0.07%). A nil position in Aristocrat Leisure (-0.07%) also detracted from performance.

At the sector level, Consumer Staples added 0.21% to performance. Detractors included Real Estate (-0.09%) and Materials (-0.08%).

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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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Fund snapshot

APIR Code	AUS0036AU
Inception date	24 November 2009
Fund size (net asset value)	\$27.21m
Minimum initial investment	\$5,000
Management Fee ⁴	0.4124% p.a.
Performance Fee ⁴	15.38% of the excess performance over the relevant Index ⁵
Buy/Sell spread	0.20%/0.20%
Distributions	Half yearly
Advice fee	Available

⁴ Refer to the Fund's Product Disclosure Statement for more details on the Fund's Management Costs which also include recoverable expenses and indirect costs. Total management costs may vary.

Important information

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Asset allocation²

Asset class	Portfolio average weight %
Australian Shares	99.23
Cash	0.77
Total	100.00

Sector allocation³

Sector	Portfolio average weight %
Financials	36.05%
Materials	20.02%
Real Estate	12.25%
Industrials	7.59%
Consumer Staples	7.03%
Health Care	5.81%
Energy	3.83%
Consumer discretionary	2.69%
Utilities	2.07%
Information technology	1.36%
Telecommunication services	0.52%
Cash	0.77%

^{2,3} Asset and Sector allocations are calculated on the average holdings of the portfolio for the month.

Top 5 stocks

Company	Fund %
Commonwealth Bank of Australia	7.04
National Australia Bank	6.47
BHP Billiton Limited	5.93
CSL Limited	3.70
Australia and New Zealand Banking Group Limited	3.00