Fund Update

31 August 2017

PLATYPUS
ASSET MANAGEMENT

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 August 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	**2.44**	**1.98**	**2.84**	**7.53**	**12.14**	**9.66**	**8.17**
S&P/ASX 300 Accumulation Index	0.75	0.99	9.54	5.16	10.41	8.40	7.04
Active Return	1.69	1.00	-6.70	2.37	1.73	1.26	1.13

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 November 2009.

How the Australian equity market performed

The S&P/ASX 300 index generated a healthy return of +0.75% in August.

Macroeconomic data from the major economies maintained its recent strong momentum. Central bankers did not give much away at the Jackson Hole Symposium, despite anticipation of major announcements that have historically occurred at the conference. Geopolitical tensions out of North Korea and natural disasters like Hurricane Harvey failed to have much of an impact on the markets. Base metals, gold and bulk commodities rallied strongly in response to the strong data and a weaker US dollar. While crude prices finished relatively flat, the prices of refined petroleum products firmed in response to the Texan refinery 'shut ins' caused by the Hurricane.

Domestically, the financial year 2017 reporting season was the area of focus for investors. Market participants will return to watching macroeconomic and geopolitical headlines until the AGM season in October.

The start of reporting season was particularly poor with a number of prominent industrials disappointing versus expectations. Retailers with strong franchises delivered good results but did not rally despite the sector correcting materially leading into the reporting season. Higher quality companies provided positive trading updates, but overall outlook statements were conservative and resulted in downward revisions to FY18 earnings expectations for the sector. Both earnings results and outlook commentary across this sector were very inconsistent and therefore companies with stronger business models fared better.

One of the themes that emerged this reporting season was a lack of organic growth across weaker consumer franchises and their reliance on acquisitions and further store roll out to support future earnings growth.

Bank trading updates and CBA's result were generally positive. Stable to improving NIM across the sector indicated a less competitive environment in the last quarter/half and benign asset quality did not point to any looming stress in the economy. Coupled with reduced regulatory pressure, this provides a more positive outlook for the sector. Share buybacks were a source of surprise this reporting season with some unexpected buyback announcements from growth companies like Domino's Pizza Enterprises and Treasury Wines and some unexpected suspensions of existing programs like those announced by AMP and AGL.

From a sector perspective, Energy (+5.18%), Consumer Staples (+5.17%) and Industrials (+4.57%) led the market higher whereas Telecommunication Services (-7.2%), Financials (-2.12%) and Consumer Discretionary (-1.54%) finished the month with losses.

How the Fund performed

The Platypus Systematic Growth Fund increased by 2.44% during August, outperforming the ASX/S&P300 Index by 1.69%.

The top contributor to performance was a position in Commonwealth Bank (+0.42%). Nil positions in Telstra (+0.23%) and Westpac (0.13%) also contributed. Detractors included nil positions in Newcrest Mining (-0.11%), Sydney Airport (-0.09%) and Transurban Group (-0.09%).
At the sector level, Real Estate (+0.66%), Financials (+0.54%) and Telecommunications (+0.28%) contributed to performance while there was no meaningful detractors from performance for the month.

Contact Details

Address
Australian Unity Wealth
114 Albert Road
South Melbourne VIC 3205

Website
australianunity.com.au/wealth
Email
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

From a top down perspective, the macroeconomic recovery that was triggered by Chinese stimulus in late 2015, broadened in 2016 and appears to be holding up well this year, driven by Europe and the United States. A supportive global macro environment and early signs that the Australian economy may be recovering (led by recovery in capital expenditure surveys, employment data and better commodity price environment) gives us reason to remain constructive on the earnings outlook for FY2018 and the market itself.

From a bottom-up perspective, this August reporting season, much like last year's, triggered an upward albeit smaller revision to earnings expectations driven by Energy, Materials and Consumer Staples. From the start of the reporting season to now, FY18 estimated EPS growth has increased from 5.1% to 5.4%. Earnings expectations have held up and could provide support for the market in the near term.

Commentary courtesy of Platypus Asset Management Pty Limited ABN 33 118 016 087, AFS Licence No. 301294

Asset allocation[2]

Asset class	Portfolio average weight %
Australian Shares	99.44
Cash	0.56
Total	**100.00**

Sector allocation[3]

Sector	Portfolio average weight %
Financials	32.20
Materials	19.46
Real Estate	14.14
Consumer Staples	9.17
Health Care	6.80
Industrials	6.40
Energy	4.66
Consumer discretionary	2.70
Utilities	2.77
Information technology	0.81
Telecommunication services	0.32
Cash	0.59

[2 3] Asset and Sector allocations are calculated on the average holdings of the portfolio for the month.

Top 5 stocks

Company	Fund %
BHP Billiton	6.21
National Australia Bank	6.16
Commonwealth bank of Australia	4.67
CSL	4.48
Australia and New Zealand Banking Group	3.08

Fund snapshot

APIR Code	AUS0036AU
Inception date	24 November 2009
Fund size (net asset value)	$28.26m
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[4]
Buy/Sell spread	0.20%/0.20%
Distributions	Half yearly
Advice fee	Available

[4] Refer to the PDS for more information about the Performance Fee.