

# 2024 Annual Investment Update

## Lifeline



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Outthinking today.

## On reflection

### Financial year 2024 investment market summary

This investment market commentary relates to the performance of investment markets (not the performance of the investment options) for the financial year ended 30 June 2024).

The 2024 financial year was a strong year for investors exposed to growth investments or defensive assets that benefited from higher interest rate levels. The combination of strengthening economic conditions in the United States, slowing inflation in many parts of the world and positive sentiment towards technology and artificial intelligence sectors saw investment markets brush off the uncertainty in the previous three years to deliver strong returns.

Australia's economic environment contrasted markedly with other developed nations, with persistently higher inflation present in our market. With global markets starting to discuss when interest rates might be cut in 2025, the Reserve Bank of Australia (RBA) is grappling with how to deal with persistently high inflation levels. The official cash rate at 4.35% by year end remained broadly steady throughout the year. Housing supply deteriorated further with knock on impacts to rents and housing affordability, leaving Australia with one of the most expensive housing markets globally.

Globally, the seven largest companies in the world led strongly in terms of returns, with a significant 57.0% gain for the year on a market weighted basis, over double that of the global index return. Microsoft alone now has a market capitalisation value that is nearly twice as large as all Australian sharemarket companies combined.



### The economy, interest rates and currencies

The RBA cash rate for the most part stabilised over the last financial year, marginally increasing from 4.10% to the current 4.35% as of June 2024. The RBA's tightening bias was based on persisting inflationary pressures. As a result, the RBA expects to maintain a higher cash rate for some time with further increase in interest rates not being ruled out.

The persistent higher interest rates have had varying impacts on different asset classes. In Australia, higher interest rates mean higher returns for investors with variable interest rate investments. Whilst fixed income securities have benefitted from the higher levels of yield over the year, spreads have overall widened over the year, which has impacted the capital value of these investments.

On the other side of the ledger, much of the cash rate increases were passed onto borrowers, slowing overall demand as evidenced by slowing household spending. Households overall saved more and spent less on discretionary items. Business growth, public sector spending and international spending however remained strong.

With various global central banks easing cash rates, global inflation appeared to have reached its peak and stabilise. Australian core inflation finished the year at 4.1% (above the RBA's target band of 2-3%), while in the U.S., core inflation finished at 3.4% in June 2024.

The different speed in central bank responses to inflation globally contributed to higher volatility in currency markets. The Australian dollar remained relatively strong, appreciating marginally against the Euro and stable against the US Dollar, finishing the year at \$0.66 USD.

### Australian shares

Australian equities values remained close to their all-time highs and continue to exhibit overall buoyancy. The Australian sharemarket as measured by the S&P/ASX300 Index experienced a strong 11.9% return for the financial year on a pre-tax basis.

This financial year highlighted the two-speed economy with earnings downgraded for interest rate sensitive sectors such as Consumer Discretionary and Financials, yet a strong structural outlook for companies exposed to disruptive sectors such as artificial intelligence and digitisation. This year also saw the resources sector significantly outperform the broader small cap market, largely driven by base metals, gold and uranium stocks.

The largest annual gains for the year were in the Information Technology sector (28.2%), while the Financial and Consumer Discretionary sectors delivered strong gains of 29% and 22.3% respectively, despite the challenge of higher inflation and interest rates. The clear standouts were the major banks, with NAB leading the charge with a 34.5% gain for the year. At the other end of the spectrum the Resources sector delivered a negative return of -3.2% given concerns over China's growth prospects.

Australian small companies performed well, returning 9.3% as measured by the S&P/ASX Small Ordinaries Index on a pre-tax basis.

### International shares

The international sharemarket, represented by the MSCI World Ex Australia Index, returned 19.9% (unhedged) and 20.2% (hedged) on a pre-tax basis for the 12 months to 30 June 2024.

Global shares experienced considerable turbulence during the financial year but still managed to climb the 'wall of worries'. Inflation concerns, rising interest rates, as well as the Russia-Ukraine and Hamas-Israel conflicts have provided significant headwinds to global share markets. Encouragingly, global share returns have been very strong for the past year. Optimism over the promise of 'artificial intelligence', modest progress towards lower global inflation and the encouraging resilience of the US economy have been the major drivers of global share market returns.

All sectors in the MSCI World Index barring real estate had positive returns, with Information Technology, Communication Services, and Financials leading the way, up 38.1%, 37.2%, 23.7% in USD terms respectively. The Consumer Discretionary, Consumer Staples, Energy, Health Care, Materials, Utilities and Industrials sectors were all up, but underperformed the MSCI World Index overall. Real estate was the only laggard over the year down 5.5% in USD terms for the financial year.

Investors' enthusiasm for technology has been the key positive driver of global share returns. The US equity market saw a strong rally in the S&P 500 posting a 24.2% return for the year in AUD. This performance was based on stronger US corporate earning results and hopes of lower interest rates later this year. However, this gain was concentrated in a few large technology stocks, with the broader market remaining sluggish.

The largest artificial intelligence chipmaker, Nvidia led the charge with a 192% price gain for the year. Notably, Nvidia briefly achieved the title of the 'world's most valuable company' in June 2024, before Microsoft regathered the title to end the year with a 31% annual.

International small companies lagged their larger peers during the period, with the MSCI World ex Australia Small Cap Index returning 8.8%. This highlighted the strength of the mega cap technology stocks such as Microsoft, Apple and Alphabet, dubbed the 'magnificent seven' which drove much of the positive global sentiment.

#### **Fixed interest & Cash**

With broad global inflation on a downward trend, we have seen a stabilisation of overall yields for fixed interest assets, supported by the higher coupon rates (price of debt from issuers) and interest rates.

Higher interest rates have proven to be beneficial for floating rate securities (where income payments are linked to movements in interest rates) with the Bloomberg AusBond Credit FRN 0+ Yr Index and Bloomberg AusBond Inflation Treasury 1+ Yr Index returning 5.6% and 3.5% respectively for the year.

The slowdown in interest rate rises has been beneficial for fixed interest securities resulting in minimal capital movement losses whilst benefiting from higher interest rates on new issuances. Locally, the AusBond Composite 0+ Yr Index returned 3.7% for the financial year, whilst globally the Bloomberg Barclays Global Aggregate Index hedged into AUD returned 2.7%.

Global fixed rate credit markets performed stronger towards the back end of the year with inflationary pressures in certain geographies easing and providing an overall downward pressure on short term rates. The Bloomberg Global Aggregate ex Treasury Index hedged into AUD rose by 3.6%.

The Bloomberg Ausbond Bank Bill Index returned 4.4%, which was somewhat in line with the official cash rate of 4.35%.

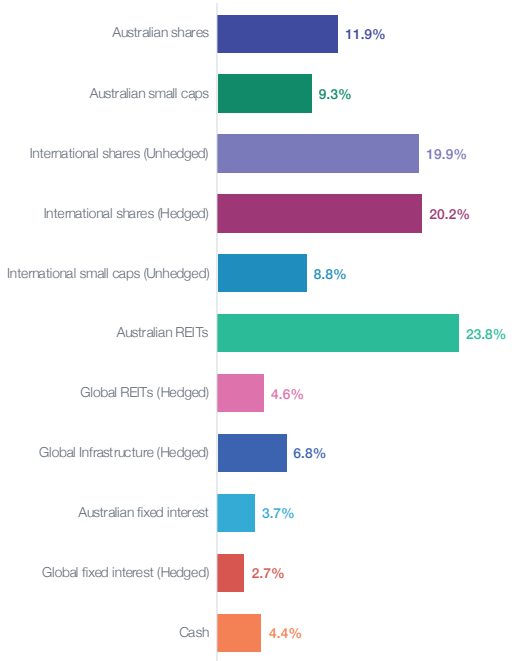
#### **Property**

The global listed REIT market delivered a modest return with the FTSE EPRA NAREIT Developed Hedged to AUD Index delivering 4.6% for investors over the financial year. While the year was a relatively stable year for interest rates, it was the volatile expectations of where interest rates and borrowing costs could sit in the future that drove the REIT market during the year. At an industry level, the Retail sector was a highlight over the year. After a tough period off the back of the pandemic and the rise of online shopping, the industry bounced back on strong consumer spending and foot traffic, producing an 11.0% return for the year.

The Australian REIT market produced a strong return for investors during the financial year with the S&P/ASX 300 A-REIT Index returning 23.8%, driven by a record year for the largest Australian REIT, Goodman Group.

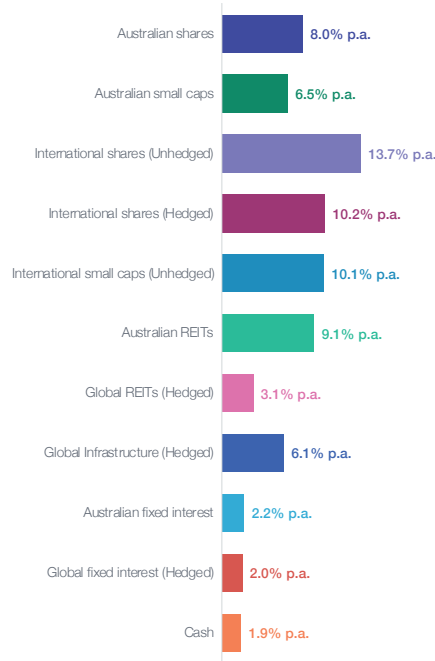
**Asset class market returns**

The following graph shows the asset class returns for the 2023 - 2024 financial year.



**Asset class market returns over 10-year period**

The following graph shows the historical asset class returns for the 10-years to 30 June 2024.



Sources: S&P/ASX300 Total Return Index (Australian shares), S&P/ASX Small Ordinaries Total Return Index (Aust small cap), MSCI World Ex Australia Total Return Index (International shares, unhedged), MSCI World Ex Australia Total Return Index Hedged to AUD (International shares, hedged), MSCI World ex Australia Small Cap Total Return Index AUD (International small cap), Bloomberg AusBond Bank Bill Index (Cash), S&P/ASX 300 A-REIT Total Return Index (Aust REITs), FTSE EPRA NAREIT Developed Index Hedged AUD (Global REITs, hedged), S&P Global Infrastructure Total Return Index hedged (Global Infrastructure, hedged), AusBond Composite 0+ Yr Index (Aust fixed interest), Bloomberg Barclays Global Aggregate Index hedged into AUD (Global fixed interest, hedged). Past performance is not a reliable indicator or guarantee of future performance.





## Outlook

Whilst some uncertainty remains on how hard the elevated interest rates of the last couple of years will impact the macroeconomic settings and the financial conditions of global consumers, company balance sheets remain strong and current global GDP growth rates remain resilient.

A return to increased market volatility after almost 20 years of stimulatory conditions may mean that portfolio diversification may be a consideration going forward. We recommend you consult with your financial adviser if you are considering any changes to your portfolio allocation.

### Investment strategies

With 29 investment options to choose from, from a range of leading Australian and international investment managers, investors have the flexibility to change and switch investment options at almost<sup>1</sup> any time. We recommend that you speak to your financial adviser regarding your portfolio allocation.

### Investment option performance

The following table shows the performance of our investment options over the longer term and the last financial year.

The following table shows the performance of our investment options over the longer term and the last financial year. Returns shown are after all fees and taxes, as at 30 June 2024. The actual returns relating to your investment will be influenced by the timing of payments into and out of the investment, allowing for contributions, taxes, fees, switches between investment options and withdrawals.

1. Switches cannot be made between midday on the third last Business Day of the Financial year and the end of the Financial year.

Investment option	Fund Code	Description	Inception date	Performance as at 30 June 2024					
				1 month	3 months	6 months	1 year	Since Inception (p.a.) 2.5% LifeBooster	Since Inception (p.a.) 5% LifeBooster
PIMCO Wholesale Global Bond Fund	1	Gross return		0.60%	0.66%	1.00%	5.24%	4.86%	3.43%
		2.5% LifeBooster	Jun 2023	0.29%	-0.27%	-0.85%	1.44%	0.97%	-
		5% LifeBooster	Dec 2022	0.09%	-0.87%	-2.03%	-0.99%	-	-2.68%
iShares Wholesale Australian Equity Index Fund	2	Gross return		0.85%	-1.13%	4.67%	12.83%	6.91%	10.49%
		2.5% LifeBooster	Mar 2022	0.54%	-2.04%	2.76%	8.81%	3.05%	-
		5% LifeBooster	Jun 2022	0.35%	-2.62%	1.55%	6.22%	-	4.01%
iShares Wholesale International Equity Index Fund	3	Gross return		1.68%	0.42%	14.46%	20.04%	15.41%	19.39%
		2.5% LifeBooster	Mar 2022	1.37%	-0.51%	12.42%	15.81%	11.32%	-
		5% LifeBooster	Jun 2022	1.18%	-1.10%	11.08%	13.05%	-	12.46%
iShares Hedged International Equity Index Fund	4	Gross return		2.23%	2.69%	13.05%	19.89%	8.28%	15.47%
		2.5% LifeBooster	Mar 2022	1.92%	1.74%	11.02%	15.65%	4.38%	-
		5% LifeBooster	May 2022	1.72%	1.13%	9.70%	12.91%	-	8.73%
iShares Wholesale Australian Listed Property Index Fund	5	Gross return		0.22%	-5.64%	9.13%	23.37%	3.87%	19.02%
		2.5% LifeBooster	Mar 2022	-0.09%	-6.53%	7.15%	19.04%	0.10%	-
		5% LifeBooster	Oct 2022	-0.29%	-7.08%	5.88%	16.20%	-	12.10%
iShares Wholesale Australian Bond Index Fund	6	Gross return		0.74%	-0.86%	0.14%	3.70%	0.13%	1.46%
		2.5% LifeBooster	Mar 2022	0.45%	-1.77%	-1.70%	-0.08%	-3.54%	-
		5% LifeBooster	Dec 2022	0.25%	-2.35%	-2.87%	-2.44%	-	-4.56%
Vanguard Conservative Portfolio	7	Gross return		0.82%	-0.21%	2.48%	6.56%	4.00%	3.52%
		2.5% LifeBooster	May 2022	0.51%	-1.14%	0.60%	2.71%	0.17%	-
		5% LifeBooster	May 2022	0.32%	-1.73%	-0.59%	0.27%	-	-2.62%
Vanguard Balanced Portfolio	8	Gross return		0.98%	-0.21%	4.17%	8.93%	9.53%	6.28%
		2.5% LifeBooster	Jun 2022	0.67%	-1.13%	2.26%	5.02%	5.55%	-
		5% LifeBooster	May 2022	0.47%	-1.72%	1.05%	2.51%	-	0.15%
Vanguard Growth Portfolio	9	Gross return		1.08%	-0.03%	6.28%	11.84%	12.81%	6.25%
		2.5% LifeBooster	Jun 2022	0.78%	-0.95%	4.36%	7.83%	8.74%	-
		5% LifeBooster	Mar 2022	0.58%	-1.55%	3.13%	5.29%	-	-0.01%
Dimensional World 50/50 Portfolio	10	Gross return		0.50%	-0.19%	4.50%	9.86%	9.99%	10.76%
		2.5% LifeBooster	Oct 2022	0.20%	-1.11%	2.58%	5.91%	6.05%	-
		5% LifeBooster	Oct 2022	-0.01%	-1.70%	1.36%	3.38%	-	4.26%
Dimensional World 70/30 Portfolio	11	Gross return		0.57%	-0.56%	5.56%	12.01%	12.35%	5.07%
		2.5% LifeBooster	May 2023	0.27%	-1.47%	3.64%	7.99%	8.35%	-
		5% LifeBooster	Mar 2022	0.07%	-2.07%	2.41%	5.42%	-	-1.14%
Schroder Real Return Fund	12	Gross return		1.05%	1.13%	5.10%	9.86%	8.12%	7.97%
		2.5% LifeBooster	May 2023	0.74%	0.19%	3.18%	5.91%	4.23%	-
		5% LifeBooster	Sep 2022	0.55%	-0.40%	1.95%	3.39%	-	1.61%

Investment option	Fund Code	Description	Inception date	Performance as at 30 June 2024					
				1 month	3 months	6 months	1 year	Since Inception (p.a.) 2.5% LifeBooster	Since Inception (p.a.) 5% LifeBooster
Vanguard High Growth Portfolio	13	Gross return		1.19%	0.07%	8.24%	14.50%	-0.02%	12.47%
		2.5% LifeBooster	Jun 2024	-	-	-	-	-0.24%	-
		5% LifeBooster	Aug 2022	0.68%	-1.45%	5.01%	7.80%	-	5.88%
Dimensional World 30/70 Portfolio	14	Gross return		0.41%	0.46%	3.70%	7.90%	7.22%	7.52%
		2.5% LifeBooster	Apr 2023	0.11%	-0.47%	1.81%	4.02%	3.35%	-
		5% LifeBooster	Oct 2022	-0.10%	-1.06%	0.59%	1.54%	-	1.28%
Dimensional World Equity Portfolio	15	Gross return		0.40%	-0.64%	8.17%	-	-	11.87%
		5% LifeBooster	Jul 2023	-0.11%	-2.15%	4.94%	-	-	6.34%
AB Managed Volatility Equities Fund	16	Gross return		2.34%	-1.86%	2.37%	2.05%	0.40%	7.35%
		2.5% LifeBooster	Apr 2023	2.03%	-2.77%	0.49%	-1.68%	-3.28%	-
		5% LifeBooster	Oct 2022	1.83%	-3.36%	-0.70%	-4.02%	-	1.02%
Bennelong Concentrated Australian Equities Fund	17	Gross return		0.29%	-7.16%	-1.19%	13.81%	-	-1.53%
		5% LifeBooster	Mar 2022	-0.23%	-8.59%	-4.19%	7.12%	-	-7.41%
Hyperion Global Growth Companies Fund	18	Gross return		7.38%	-0.54%	13.07%	25.61%	1.55%	13.42%
		2.5% LifeBooster	Jun 2024	-	-	-	-	1.41%	-
		5% LifeBooster	Mar 2022	6.86%	-2.04%	9.72%	18.35%	-	6.79%
Barrow Hanley Global Share Fund	19	Gross return		-3.59%	-3.64%	4.44%	-	-	5.16%
		5% LifeBooster	Nov 2023	-4.08%	-5.11%	1.31%	-	-	1.38%
Magellan Infrastructure Fund	20	Gross return		-2.19%	-2.68%	-1.22%	-0.26%	-1.17%	-1.41%
		2.5% LifeBooster	Mar 2022	-2.49%	-3.59%	-3.05%	-3.93%	-4.80%	-
		5% LifeBooster	May 2022	-2.68%	-4.16%	-4.20%	-6.22%	-	-7.28%
Ardea Real Outcome Fund	21	Gross return		0.10%	0.55%	0.09%	0.32%	1.88%	2.25%
		2.5% LifeBooster	Jul 2022	-0.22%	-0.38%	-1.76%	-3.38%	-1.84%	-
		5% LifeBooster	Sep 2022	-0.42%	-0.98%	-2.93%	-5.67%	-	-3.82%
Pandal Sustainable Balanced Fund	22	Gross return		0.10%	-1.64%	3.35%	8.00%	7.12%	7.13%
		2.5% LifeBooster	Jul 2022	-0.21%	-2.55%	1.46%	4.12%	3.26%	-
		5% LifeBooster	Nov 2022	-0.41%	-3.14%	0.25%	1.63%	-	0.82%
Dimensional Global Bond Sustainability Trust	23	Gross return		0.69%	-0.50%	-0.61%	5.33%	-	2.82%
		5% LifeBooster	Dec 2022	0.17%	-2.01%	-3.61%	-0.93%	-	-3.28%
Stewart Investors Worldwide Sustainability Fund	24	Gross return		0.16%	-3.48%	2.58%	1.82%	8.80%	9.12%
		2.5% LifeBooster	Jul 2022	-0.15%	-4.37%	0.71%	-1.90%	4.89%	-
		5% LifeBooster	Jan 2023	-0.34%	-4.95%	-0.58%	-4.31%	-	2.64%
Investors Mutual Australian Share Fund	25	Gross return		2.39%	-2.14%	2.64%	-	-	9.41%
		5% LifeBooster	Oct 2023	1.88%	-3.63%	-0.44%	-	-	4.62%
Generation Life Cash & Deposits Portfolio	26	Gross return		0.38%	1.23%	2.43%	-	2.55%	4.69%
		2.5% LifeBooster	Dec 2023	0.07%	0.30%	0.56%	-	0.57%	-
		5% LifeBooster	Jul 2023	-0.13%	-0.30%	-0.64%	-	-	-1.29%



Investment option	Fund Code	Description	Inception date	Performance as at 30 June 2024					
				1 month	3 months	6 months	1 year	Since Inception (p.a.) 2.5% LifeBooster	Since Inception (p.a.) 5% LifeBooster
Generation Life Lifestyle Portfolio	27	Gross return		1.43%	-0.49%	6.11%	-	9.78%	9.78%
		2.5% LifeBooster	Jul 2023	1.11%	-1.43%	4.16%	-	6.00%	-
		5% LifeBooster	Jul 2023	0.90%	-2.02%	2.92%	-	-	3.59%
Generation Life Protect Portfolio	28	Gross return		1.21%	-0.36%	2.07%	-	4.94%	4.94%
		2.5% LifeBooster	Jul 2023	0.91%	-1.28%	0.21%	-	1.32%	-
		5% LifeBooster	Jul 2023	0.69%	-1.88%	-1.00%	-	-	-1.00%
MCP Wholesale Investments Trust	30	Gross return		0.70%	2.21%	4.57%	-	-	7.33%
		5% LifeBooster	Sep 2023	0.19%	0.66%	1.44%	-	-	2.10%

Notes

- Past performance is not indicative of future performance.
- Gross return is the performance net of investment management fees and transactional and operational costs, excluding the insurance expense.
- 2.5% LifeBooster and 5% LifeBooster is the gross return less investment management fee, administration fee and insurance expense, discounted by the relevant LifeBooster rate and the Lifetime Income Protection Provision.
- The inception dates of 2.5% and 5% can be different to the gross return inception dates to reflect when client money was first invested into the investment option.
- Returns are not annualised for periods of less than one year.



# 2024 Annual Investment Update

## LifeIncome



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