

Generation Life Protect Portfolio

Fact Sheet | 31 August 2024

Performance as at 31 August 2024 ¹	1 Month (%)	3 Month (%)	6 Month (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since Inception (% p.a.)
Fund gross return (before fees & after tax)	0.40	3.27	3.18	6.47	-	-	6.25
Fund 2.5% LifeBooster Return (after fees & after tax)	0.09	2.33	1.30	2.64	-	-	2.48
Fund 5.0% LifeBooster Return (after fees & after tax)	-0.11	1.71	0.07	0.19	-	-	0.00
Retirement Living Index	0.29	0.88	1.75	3.85	-	-	2.89

Fund facts	
Sector	Diversified – real return
Inception date	17 July 2023
Fund code	LI28
Generation Life APIR code – 2.5%	ALL7251AU
Generation Life APIR code – 5.0%	ALL9168AU
Investment management cost⁴	0.77% p.a.
Buy/sell spread	0.15%/0.15%
Suggested minimum investment period	3 Years
Risk level	3 – Low to Medium

Investment objective

To outperform the benchmark by 2.5% p.a. over rolling 5-year periods.

The benchmark is the 5-year rolling annualised change of Self-Fund Retiree Living Cost Index (LCI). The LCI is published by the Australian Bureau of Statistics.

Investment approach

The manager's approach to real return investing is to choose the portfolio that has the highest probability of achieving the required return objective over the investment horizon with a focus on capital preservation.

The portfolio has been designed to meet the needs of LifeIncome investors. In actively managing the portfolio, the Investment Manager will tactically allocate investments across asset classes and geographic areas (including emerging markets) based on their potential to generate capital growth or reduce overall risk.

Market commentary

In August, uncertainties around central bank actions and concerns about a weaker economic outlook dominated the financial landscape. This led to an initial surge in volatility and risk off trading. This was quickly reversed however with most losses being recovered by the end of the month. Quality stocks proved to be resilient experiencing a smaller relative drawdown during the period.

In the US, due to the dual mandate structure, as inflation rates have approached targets, the health of the labour market has become increasingly important. With a rise in the inflation rate, this has raised concerns about the US economy's strength and increased aggressive rate cut expectations for the Fed. Investors shifted from risk on to safe havens, with the VIX index to a high of 65. US treasury yields ended lower at 3.8% for the month.

The bond market globally outperformed equities over the month, with the Bloomberg Global Aggregate Index delivering a return of 2.4% against the MSCI World Index which produced a return of 1.7%. The Australian bond market remained relatively stable with government bond yields falling 15bps over the month to 3.97%, 1bps higher than where they started the year.

The RBA left the cash rate unchanged at 4.35% in line with expectations. The July CPI figure of 3.5% y-o-y was a little higher than expected but down overall over the prior month, driven by impacts from mid-year government subsidies and declining energy prices.

Portfolio commentary

The Protect portfolio performance has been 0.40% and 6.25% over one month and since inception respectively. This is 11bps higher and 336bps higher than the LCI over the same corresponding period. The biggest contributors to performance over the one-month period have been US and DM large cap equities. Over the longer term, a similar story with equities adding the greatest alpha.

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Asset class insights include

Shares vs Fixed Income: close to neutral on risk assets

Overall, the disinflation trend is in the making but worries about growth is surfacing. We are most likely experiencing economic normalization but not an imminent start of a recession. Fundamentally, the backdrop is consistent with a mid/late cycle environment which produces positive returns alongside higher volatility. The election headlines in the US will head into a crescendo as we head into November.

Australian shares vs Global Shares

Signals for Australia relative to the World remain less favourable with expected earnings growth turning slightly down in Australia. Terms-of-trade on commodities have held up at a relative high level but has weakened on the margin. Economic surprises have been a bright spot so we have reduced the underweight in AU equities.

Within global equities, regional allocations

With the latest earnings season progressing well we are slightly overweight on the US. Growth indicators however are the focus point current with the softer patch in data coming through. The anticipation of rate cuts and easing financial conditions have acted as a tail wind for more interest rate sensitive sectors, allowing businesses to re-rate. Within the US, sector dispersion has risen, and the quality style is favourable in a mid/late cycle environment.

We are overweight UK given its lower inflation numbers and growing backdrop with increasing consumer confidence. The BoE has commenced its easing cycle with the UK still at a wide discount. Mid-caps appear to be well positioned to benefit from any economic activity improvement moving forward.

The Structural story in Japan persists but we have overall become more cautious as moderating global growth is acting as a headwind for Japan's highly cyclical and export heavy economy. The Weaker JPY has helped Japan earnings to date but going forward FX uncertainties are real as BoJ kicks off the rates normalization process.

Within fixed income, duration vs. credit

Whilst we have become more optimistic about the disinflation trend, we are afraid that markets may have too aggressively priced in number of Fed cuts for year 2024. Within the global aggregate, we are more

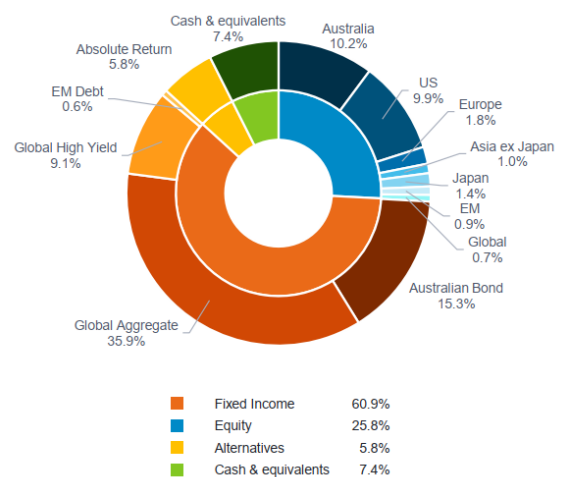
positive on the Euro duration and intend to not chase the US duration rally from here and wait for more attractive entry points.

Projecting inflation remains highly uncertain and current level of wage growth implies services inflation may remain more elevated than pre-COVID levels.

Growth and election uncertainties have increased spread risk. The high yield space is on watch although we are not overly worried about any impending default cycles given a low recession probability predicted from our tracking.

Portfolio Positioning

Protect



Security Name

Global Short Duration Income Fund	24.8%
iShares Core Composite Bond ETF	7.6%
Vanguard Australian Government Bonds ETF	7.6%
iShares Core Cash ETF	7.0%
Global Corporate Bond Fund USD	6.2%
Absolute Return Multi Strategy Fund	5.8%
Asian High Yield Fund	5.4%
Sustainable Research Enhanced US Equity	5.1%
Australian Equities Fund	4.4%
Global High Yield Fund	3.7%

Portfolio weight

Investor services

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Investment guidelines

	Range
Defensive Assets	40-100%
Growth Assets	0-50%

About the investment manager



FIL Investment Management (Australia) Limited ("Fidelity") is part of parent company Fidelity International which was founded in 1969 as the international arm of Fidelity Investments (founded in Boston, US in 1946). Fidelity International became independent of the US firm in 1980, and now invests AUD\$1,080m (as at 31 March 2023) on behalf of more than 2.8 million clients globally. Fidelity International remains a private company – predominantly owned by management and members of the founding family.

About Generation Life

As the pioneer of Australia's first truly flexible investment bond, we have been at the forefront of providing innovative tax-effective investment solutions since 2004. As an innovation led business, we constantly strive to enhance our products and processes to optimise retirement incomes and after-tax investment performance for our investors. We are a leading specialist provider of investment linked annuities and investment bond solutions – with over \$3.3 billion invested with us to date.

Generation Life is a regulated life insurance company and our parent company is listed on the Australian Securities Exchange. Our focus is to continue to provide Australians with market leading tax-effective investment solutions that provide a flexible investment alternative to meet both personal and financial goals.

Our investment solutions are designed to help you grow your wealth, meet your day-to-day investment needs and to help you plan for your future needs including the transfer of wealth to the next generation.

Notes

1. Investment management costs include investment manager's fees, estimated investment expense recoveries and other indirect investment costs as a percentage of the total average assets of the investment option based on latest available information, but excludes indirect transaction and operational costs.
2. Past performance is not an indicator of future performance.
3. The administration fee is deducted directly from the investment option before unit prices are declared.

Investor services

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