

# Generation Life Lifestyle Portfolio

Fact Sheet | 31 October 2024

Performance as at 31 October 2024 <sup>1</sup>	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)	0.33	1.52	6.17	19.21	-	-	10.75
Fund 2.5% LifeBooster Return (after fees & after tax) <sup>2</sup>	0.02	0.58	4.22	15.01	-	-	7.13
Fund 5.0% LifeBooster Return (after fees & after tax) <sup>2</sup>	-0.19	-0.04	2.96	12.26	-	-	4.25
Retirement Living Index	0.10	0.29	1.47	2.76	-	-	3.31

Fund facts	
<b>Sector</b>	Diversified – real return
<b>Inception date</b>	17 July 2023
<b>Fund code</b>	LI27
<b>Generation Life APIR code – 2.5%</b>	ALL9092AU
<b>Generation Life APIR code – 5.0%</b>	ALL6533AU
<b>Investment management cost<sup>3</sup></b>	0.73% p.a.
<b>Buy/sell spread</b>	0.15%/0.15%
<b>Suggested minimum investment period</b>	5 Years
<b>Risk level</b>	5 – Medium to High

## Investment objective

To outperform the benchmark by 5.0% 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.

## Notes

- Past performance is not an indicator of future performance.
- The administration fee is deducted directly from the investment option before unit prices are declared.
- 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.

## Market commentary

The Australian equity market fell -1.3% in October (as measured by the S&P/ASX 200 Accumulation Index), ending a run of five consecutive months of gains. The key theme over the month was the major sell-off in global bond markets, with the Australian 10-year bond yield increasing by 53bps, while the AUD/USD depreciated by 5.6%. During the month, Australian economic data pushed back market expectations for an RBA rate cut, with resilience in the labour market and some persistence in inflation. AGM trading updates, which saw net downgrades, as well as ESG issues drove local markets. Growth significantly outperformed Value over the month largely due to the bond sell off. Meanwhile, the Small-Ordinaries and Emerging Companies indexes posted modest gains, reflecting early signs of a shift from large caps.

Global market confidence remains fragile following further declines in early September, particularly in the U.S. tech sector with markets remaining sensitive to economic indicators. Nvidia's share price, for instance, fell from \$130 on August 19 to \$106 in early September, impacted by weak manufacturing PMI data and a decline in job openings, raising concerns about a potential slowdown in the U.S. economy. In Australia, second-quarter GDP growth for 2024 was just 0.2%—the slowest rate of expansion since the early 1990s, excluding the COVID period—marking a sixth consecutive quarterly decline in GDP per capita.

## Portfolio commentary

The Lifestyle portfolio performance has been 0.33% and 10.75% over one month and since inception respectively. This is 23bps and 744bps higher than the LCI over the same corresponding period. The biggest contributors to performance over the one-month period have been allocations to Japanese equities with all other equity markets posting losses for the month. Over the longer-term equities still contributed the greatest alpha to overall performance.

## Asset class insights include

### Shares vs Fixed Income: risk on with a tilt to US equities

With US election behind us and a Trump presidency, the strategy is more bullish on US equities. The fundamental backdrop is consistent with a mid/late cycle environment which usually produces positive returns albeit with higher volatility.

### Australian shares vs Global Shares

Relative signals for AU vs World lately remain unfavorable with expected earnings growth heading further down in AU. Commodities Terms-of-Trade have come off highs and stabilizing at a relatively

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healthy level. Economic surprises have been a bright spot but are showing signs of fatigue. The strategies AU allocation is underweight whilst increasing its USD exposure by hedging less to AUD in October, mindful of currency headwinds in a strong USD regime.

## Within global equities, regional allocations

We are overweight US whilst remaining laser focused on growth indicators and constantly gauge the soft-landing probability. After the US election result, we added to S&P 500 Equal Weight ETF, with the view that earnings growth will have a higher chance to broaden out to more domestically exposed segments of the US market. The strategy maintains its underweight to Europe albeit election risk premia may have subsided somewhat. However ongoing uncertainty means a delay in business decisions evident in recent surveys. Moreover, implications on fiscal discipline, means French government bonds could stay elevated in the near term, putting pressure on equity multiples at a time when earnings growth outside of financials has been lackluster. One positive development though is that demand for loans has picked up for the first time in over two years, which could help support the fragile recovery.

For Japan, the structural story persists as we are getting more cautious with moderating global growth acting as a headwind for the highly cyclical and export heavy Japanese economy. The weaker JPY had helped Japan earnings but going forward the FX uncertainties are real as Bank of Japan kicks off the rates normalization process.

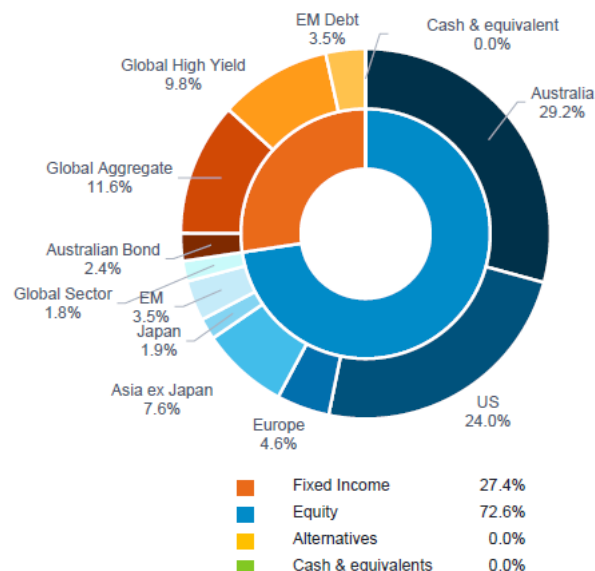
We are currently overweight China with Chinese policy makers wooing the market with a combination of monetary and fiscal stimulus which were above expectations. While we wait for further details on the fiscal front, we have observed positive higher frequency data in China over the month of October, that led us to maintain a bullish view with such a turn-around in consumer confidence and PMIs, while property markets stabilize

## Within fixed income, duration vs. credit

Inflation does not appear to be a big issue anymore and getting close enough to target for central banks to not be constrained. The US duration has sold off fast and furious by 80bps in a short period of time, on the back of better growth data and fixed income investors pricing in some Trump risk that are inflationary. It has gotten to a level that is attractive.

Growth uncertainties have increased spread risk. High yield is a space to watch closely and so far, we have been less worried about an impending default cycle as our overall tracking continued to indicate resilience with low recession probability. Spreads remain tight in many areas, but overall all-in yield look attractive especially as cash rate comes down. Technical remain strong within credit with new issues well absorbed by the market.

## Portfolio Positioning



Security Name	Portfolio Weight
Australian Equities Fund	11.7%
MSCI USA Quality	10.1%
Sustainable Research Enhanced US Equity	9.3%
Future Leaders Fund	9.0%
ASX200 ETF	8.5%
Global Short Duration Income Fund	7.9%
Asia High Yield Fund	5.0%
Global High Yield Fund	4.8%
MSCI China - A ETF	4.6%
S&P 500 Minimum Volatility Fund	3.6%

## Investment guidelines

	Range
Defensive Assets	0-60%
Growth Assets	40-100%

## Investor services

Phone 1800 806 362  
Email enquiry@genlife.com.au

## Adviser services

Phone 1800 333 657  
Email advisers@genlife.com.au

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## About the investment manager



FIL Investment Management (Australia) Limited ('Fidelity') is a member of the group of companies known as Fidelity International. The parent company of Fidelity International, FIL Limited 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\$1,275m (as at 30 June 2024) 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 \$3.6 billion invested with us to end September 2024.

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.

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### Investor services

Phone 1800 806 362  
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