

# Generation Life Lifestyle Portfolio

Fact Sheet | 31 December 2024

Performance as at 31 December 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)	-0.73	2.83	6.55	13.00	-	-	11.31
Fund 2.5% LifeBooster Return (after fees & after tax) <sup>2</sup>	-1.07	1.87	4.59	8.94	-	-	7.63
Fund 5.0% LifeBooster Return (after fees & after tax) <sup>2</sup>	-1.27	1.26	3.35	6.37	-	-	4.79
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

In December, the spotlight fell on the Federal reserve which decided to lower policy rates by 25 bps with a forecast of only two more rate cuts in 2025. The tone from the Fed was more hawkish which resulted in the second steepest day of decline in 2024 for the S&P (-2.9%). The European market was also dragged lower. The MSCI World ended the month down 2.7% and Bloomberg Global Aggregate fell 2.1% in December.

The macro picture remained soft in Europe with PMI recording 30 consecutive months of contraction in manufacturing. Political uncertainties are still lingering, with the newly appointed Prime Minister in France tasked with passing deficit reducing budget. Germany also needs more spending to kick start the economy. The ECB lowered interest rates by 25bps in December with more to come in 2025.

Elsewhere, most markets were impacted by softer currencies, political factors and concerns around tariffs. South Korean Won fell to a 16-year low, and JPY also retreated sharply as the Bank of Japan hesitated in hiking rates in December. Relatively, the CNY had a shallower decline over the month, with announcements were made for a more proactive fiscal policy and 'moderately loose' monetary policy.

In Australia, the RBA cash rate remained unchanged at 4.35%. The policy statement was more dovish, noting the board gaining confidence that inflation is sustainably moving towards target. Q3 GDP was also soft at 0.3% q-o-q, well below consensus estimates. Private investment was also weak, which fell 0.6%.

## Portfolio commentary

The Lifestyle portfolio performance has been 3.25% and 12.65% over one month and since inception respectively. This is 315bps and 934bps higher than the LCI over the same corresponding period. The biggest contributors to performance over the one-month period have been allocations to DM small caps followed by US equities. 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

We are turning cautious on risk with expectations for higher volatility. Our allocation to Australia government bonds also continues to increase. In the near term, the US economy continues to print solid jobs data and below expectation inflation prints. Earnings are going to do the heavy lifting, but more uncertainties with the PE expectation part given

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hefty valuations and continued volatilities in bond yields. The long end of the yield curve is aggressively repriced, duration is getting more attractive in multiple regions.

## Australian shares vs Global Shares

Relative signals for AU vs World have turned roughly balanced with the economic surprise index holding up better in AU. Commodities terms of trade however has come off highs and remained sluggish. Economic surprises have trended downwards. Our underweight position in AUD relative to benchmark has been maintained by reducing hedging.

## Within global equities, regional allocations

US exceptionalism remains intact as the US continues to enjoy strong fundamentals, driven by resilient US consumer driving growth, strong balance sheets, higher margins and prospects of tax cuts/deregulation. We are, however, mindful of the very demanding valuations at a time when tariff uncertainty remains high and fiscal support could be waning. Current preference is to go down the market cap spectrum and areas that are more domestic focused.

With Europe facing structural headwinds ranging from industrial weakness, to lack of fiscal headroom and weak leadership, we see limited improvements from a macro perspective and US trade policy could become an additional headache. We expect the ECB to be forced to cut rates more promptly, which could ease financial conditions and lead to a pickup in demand for loans. Regardless of this, we expect a fragile recovery. As the valuation gap continues to grow vs the US and sentiment/positioning at extreme levels, we envision a scenario where European equities enjoying a short-term relief rally. We are gravitating towards such a scenario but looking to pivot in February with German elections as a key catalyst for repricing.

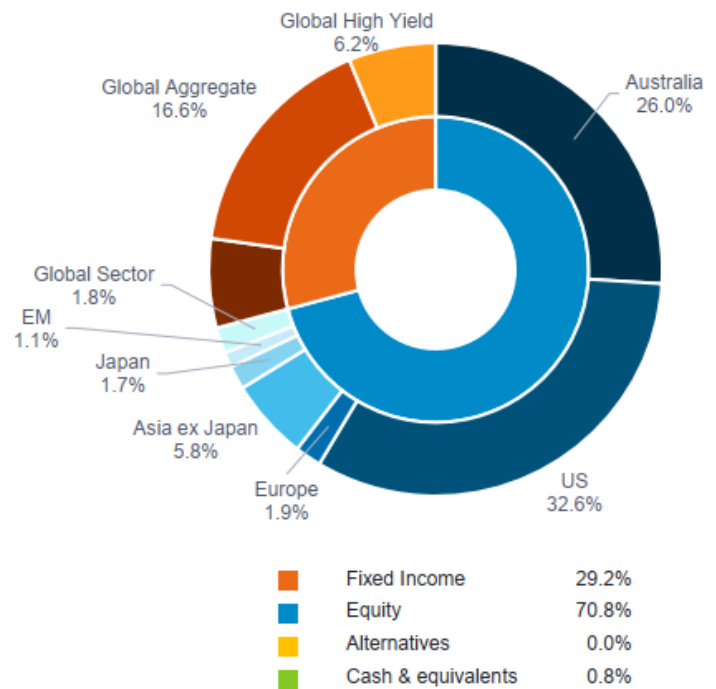
China's policy looks to stay especially with tariff uncertainties in the horizon. We have continued to observe position higher frequency data in China such as PMI new orders and stabilization of housing prices in major cities, leading us to maintain a bullish view with domestic A shares as the focus on allocation, being the segment that is less susceptible to global liquidity shocks.

## Within fixed income, duration vs. credit

The increased bond market volatility has led to high yields across most DM markets. We will remain of the view that Australian government bonds offer good value especially compared to the US given higher inflation uncertainty related to tariffs and immigration policy in the US. Inflation data in Australia continues to move in a favourable direction, supporting increased likelihood of an RBA cut in 2025.

Near term, through IG spreads are at historically tight ranges, fundamentals do not support and imminent pick up in default risks. We increase our allocation to global aggregate alongside of AU duration, as better risk-reward plays, while outlook for equities become a bit foggy.

## Portfolio Positioning



Security Name	Portfolio Weight
Sustainable Research Enhanced US Equity	14.6%
Australian Equities Fund	9.8%
MSCI USA Quality	9.2%
Future Leaders Fund	8.9%
Global Corporate Bond Fund	7.4%
ASX200 ETF	7.2%
Core Composite Bond ETF	6.4%
Global High Yield Fund	6.2%
Euro Bond Fund	5.2%
Financial Select Sector SPDR ETF	4.2%

## Investor services

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## Adviser services

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## Investment guidelines

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

## 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 as of 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.

### Investor services

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