Generation Life Protect Portfolio

Fact Sheet | 31 January 2025

Performance as at 31 January 2025[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)	1.19	2.51	3.03	6.61	-	-	6.27
Fund 2.5% LifeBooster Return (after fees & after tax) [2]	0.86	1.54	1.11	2.76	-	-	2.47
Fund 5.0% LifeBooster Return (after fees & after tax) [2]	0.67	0.94	-0.10	0.31	-	-	0.01
Retirement Living Index	0.10	0.29	1.47	2.76	-	-	3.31

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 cost[3]	0.75% 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 objectiuve 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

1. Past performance is not an indicator of future performance.
2. The administration fee is deducted directly from the investment option before unit prices are declared.
3. 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

It has been an exceptional start to the year with lots of market moving events. The inauguration of President Trump and a flurry of executive orders followed by a bond market sell off lifting yields to 2023 highs as well as challenges to the dominance of US AI. Overall, US equities rose in January and bonds generated positive returns. The MSCI World Index rose 3.5% and Bloomberg Global Agg returned 0.6%.

Investors had rotated towards relatively cheaper European markets as views of US exceptionalism were questioned and broader economic data was supportive. Concerns on global trade however and the rising risk of higher tariffs on Europe by the US could undermine performance. Japanese bond yields reached a decade high of 1.25% as the BoJ raised cash rate to its highest level in 17 years. Riskier parts of the bond market also performed well, with global high yield and emerging market debt both returning 1.2%. On commodities, gold prices continued to rise and crude oil up 3.1%.

In Australia, the rate story remains uncertain with arguments for both hawkishness and dovishness. Australian government bonds rose over 6bps to 4.43%. The market moved to price a February rate cut by the RBA, leading to a steeper curve. Australian equities lifted higher, with the ASX increasing by 4.6%, matching the return in small ordinaries. Almost all sectors gained other than utilities which fell by 2.4%.

Portfolio commentary

The Protect portfolio performance has been 1.19% and 6.27% over one month and since inception respectively. This is 109bps higher and 296bps higher than the LCI over the same corresponding period. The biggest contributors to performance over the one-month period have been allocations to EU ex UK equities followed by UK equities. Over the longer-term equities still contributed the greatest alpha to overall performance.

Asset class insights include

Shares vs Fixed Income: marginally positive risk asset overall

The US rally may continue with solid jobs data and below expectations inflation prints in the near term. Earnings are going to do the heavy lifting this year but will have more uncertainties with the private equity expansion part given hefty valuation and continued volatilities in bond yields driving positive relationship between equities and bonds.

The weakness in earnings, rising real yields and shrinking central bank balance sheets (withdrawal of liquidity) are negative factors while the solid growth numbers and positive momentum are positives.

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Australian shares vs Global Shares

The relative signals for Australia vs World stayed roughly balanced with expected earnings growth continuing to recover in Australia. Commodities Terms of Trade however, has come off highs and remained slow. Economic surprises have been trending down in Australia. We maintained an underweight position on AUD by leaving unhedged USD positions, as in a portfolio context USD is still a good portfolio hedge vs risk assets.

Within global equities, regional allocations

We are overweight US as the economy continues to enjoy strong fundamentals driven by resilient US consumers driving growth, strong corporate and household balance sheets, high margins, prospect of tax cuts and deregulation. We are however, mindful of the very demanding valuation at a time when tariffs uncertainty remains high and fiscal support could be waning. Our preference is for going down the market cap spectrum and areas that are more domestically focused.

Northern Europe is facing structural headwinds ranging from ongoing industrial weakness, to lack of fiscal headroom but also 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, but even then, it would be a fragile recovery. With the valuation gap vs the US and sentiment/positioning improving, European equities have enjoyed a short term relief rally. We are watching the geopolitical development and upcoming German election closely to gauge the sustainability of earnings recovery in Europe.

Among the shockwaves of DeepSeek, investors start to rethink the China discount and its technology sector. Alibaba and Tencent or the world may further re rate due to recent catalysts such as Alibaba and Apple for AI initiative, and Tencent's AI search integrating into WeChat. Sentiments in China equities have clearly improved, along with higher frequency property data showing early signs of confidence returning to one of the most beaten down sectors.

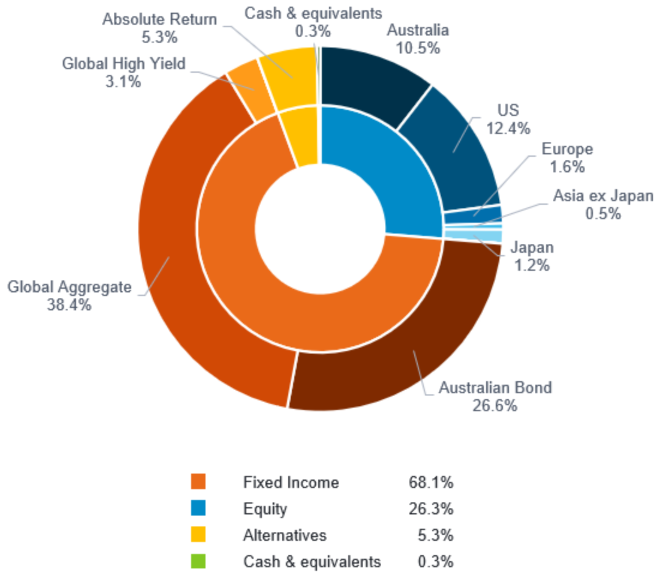
Within fixed income, duration vs. credit

We remain 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.

Higher yields (both real and nominal) plus attractive medium term expected returns are positives for long duration. The good macro environment is a detractor and technicals are neutral.

Over the near term, though credit spreads are at historic lows, fundamentals do not support an imminent pickup in default risk. Thus, we increased our allocations 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
Global Corporate Bond Fund USD	16.9%
Core Composite Bond ETF	16.0%
Australian Government Bonds ETF	10.7%
Global Bond Fund	8.5%
Sustainable Research Enhanced US Equity	7.2%
Euro Bond Fund	7.1%
Short Duration Income Fund	6.0%
Absolute Return Multi-Strategy	5.3%
Australian Equities Fund	3.9%
Future Leaders Fund	3.9%

Investor services

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Adviser services

Phone	1800 333 657
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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 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		Adviser services	
Phone	1800 806 362	Phone	1800 333 657
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