Generation Fund

Quarterly Investment Report - September 2017

Asset Class

Multi-Manager

Investment Objective

To invest in a broad range of asset classes in order to provide a positive return net of fees and before taxes in excess of the Morningstar Australian Multi-Sector Growth Index over 3 to 5 years

APIR Code

DAM4177AU

ARSN

618 473 126

Fund Inception Date

29 June 2017

Benchmark

Morningstar Australian Multi-Sector Growth Index

Buy/Sell Spread

+0.20%/-0.20%

Management Costs

1.69% p.a.[1]

Distribution Frequency

Quarterly

Minimum Investment

$15,000

Fund Size

$25.7m

Exit Price

$1.0080

Market Review

Over the quarter, with low inflation and ongoing accommodative monetary policies, the global economy continued to expand, providing steady returns for asset markets worldwide. Since Trump's election win, markets have continued on their seemingly endless upward move. The low volatility that has been witnessed for the past year has continued.

However, notable tensions between North Korea and other world forces flared throughout the quarter and have continued on with both sides threatening war.

Aside from this divergence, the quarter was dominated by domestic earnings report which showed some lack of conviction. Many companies who did not live up to expectations were punished. Overseas, earnings came in flat. The technology sector again, proved it's the sector to be in with many of the largest names leading the way in both earnings results and share price gains.

Elsewhere, the bond market continued to march slowly and credit spreads further contracted, providing support to fixed interest asset prices.

Performance Review

The Generation Fund (the 'Fund') returned 1.00% (net) for the quarter, underperforming the benchmark's return of 1.05% by 0.05%.

Not surprisingly, the largest contributors came from the global equity funds despite the strengthening Australian dollar throughout the quarter. The Fund's 50% hedged stance helped to mitigate the stubbornly high Australian dollar. The domestic equity funds also contributed towards the end of September.

Allocation to REITs, alternatives and fixed income was flat during the quarter.

Performance (NET of fees)

	Growth Return (net) (%)	Income Return (net) (%)	Total Return (net) (%)	Benchmark Return (%)	Active Return (%)
1 month	0.48	0.00	0.48	1.06	-0.58
3 months	1.00	0.00	1.00	1.05	-0.05
1 year	N/a	N/a	N/a	N/a	N/a
3 years (pa)	N/a	N/a	N/a	N/a	N/a
Since inception[2] (pa)	1.00	0.00	1.00	1.05	-0.05

Past performance is not an indication of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Retail investors should refer to net returns. If investing through an IDPS Provider, the total after fees performance return of your investment in the Fund may be different from the information in this report.

[1] For full breakdown of management costs, refer to the PDS dated 30 September 2017.

[2] This figure represents the annualised performance of the Fund since inception.

Contact Details

T: 1800 034 402 | **E:** client.services@ironbarkam.com | **W:** www.generationfund.com.au

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Outlook

Lurking underneath the synchronised expansion of the world economy and the Price to Earnings of companies, is the notion that the low volatility is giving way to complacency as shown by the VIX reading (volatility index) staying at historical lows. Political tensions with China, US and North Korea should continue to make front page news, providing some political noise to markets.

With the domestic reporting period almost over, attention is now back to the US. So far, earnings have met expectations and therefore have supported valuations. The question often raised is whether the market has become overvalued. While valuations in many companies are looking fair or full, the current and likely persistent low interest rates support valuations at current levels. The more important question surrounds the speed by which rates are likely to be raised. The rising rate cycle is only at the first inning and any normalisation of rates will take many years. Even then, the investment manager believes that the level of normalisation is likely to plateau at lower than historical levels.

Over the coming months and years, the investment manager anticipates that the rapid change in technology will continue to make headways. The investment manager is excited about what the digital age can offer current and future generations. The ongoing rise of Amazon will impact some industries and that investment manager suggests it will be a case of survival of the fittest. Yet, in all of this, companies that are or will be impacted by the likes of Amazon, can co-exist however with slightly altered business models. While investor focus has primarily been on the equity markets of late, it must not be forgotten that the Fund is diversified across many strategies, sectors and regions. Some of these strategies are uncorrelated with the equity markets and that is a function of the Fund's objectives, outlook and portfolio construction process. In just three months, the investment manager has witnessed the Fund perform exactly as expected in different market conditions. When markets are weaker, the investment manager expects the Fund to outperform. In a flattish or slightly positive market, the investment manager expects to either outperform or stay in line with the benchmark. However, when markets are very strong, the investment manager believes the Fund could potentially underperform.

The investment manager reiterates that all investments take time to truly reap the rewards. While the investment manager is pleased with the positive start, it is the compounding return of investors' hard earned money that will make a difference in the long term.

Manager Allocation (%)

Australian Equities	**26.01%**
Bennelong Ex 20 Australian Share	7.86%
Allan Gray Australian Equity- Class B	8.46%
Ausbil 130/30 Focus	5.19%
Vanguard Australian Shares Index	4.50%
Global Equities	**26.08%**
Capital Group New Perspective- Hedged	5.51%
Antipodes Global	3.91%
BT Concentrated Global Share	7.05%
Ironbark LHP Global Long/Short – Wholesale	2.59%
Perpetual Wholesale Global Share- Hedged- Class A	7.02%
Infrastructure	**2.71%**
MBA Global Listed Infrastructure Fund- Hedged	2.71%

Australian Fixed Interest	**7.51%**
Macquarie True Index Australian Fixed Interest	7.51%
Global Fixed Interest	**7.52%**
T Rowe Price Dynamic Global Bond	4.51%
Payden Global Income Opportunities	3.01%
Property	**5.29%**
Vanguard Australian Property Securities Index	5.29%
Alternatives	**19.92%**
Invesco Wholesale Global Targeted Returns	7.47%
Ironbark LHP Diversified Investments	5.00%
Man AHL Alpha (AUD)- Class B	7.45%
Cash	**4.96%**
SSAL Bank Account	4.96%

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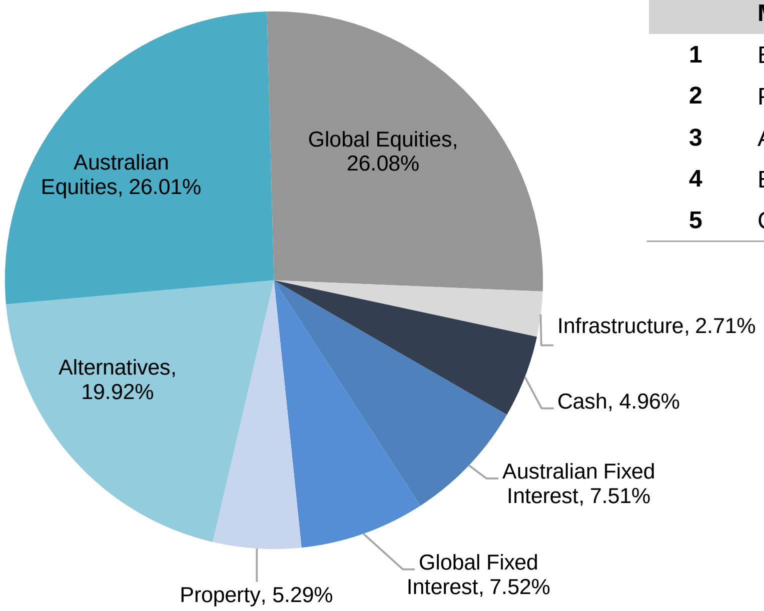
Portfolio Summary

Asset Allocation



Top 5 Contributors

	Manager Name
1	BT Concentrated Global Share Fund
2	Perpetual Wholesale Global Share- Hedged- Class A
3	Antipodes Global Fund
4	Bennelong Ex 20 Australian Share Fund
5	Capital Group New Perspective- Hedged

Important Information

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