



# Generation Fund

## Quarterly Investment Report as at 31 December 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<sup>th</sup> June 2017

### Benchmark

Morningstar Australian Multi-Sector Growth Index

### Buy/Sell Spread

+0.20%/-0.20%

### Management Costs

1.69% p.a.<sup>1</sup>

### Distribution Frequency

Quarterly

### Minimum Investment

\$15,000

### Fund Size

\$30.7 million

### Exit Price

1.0528

### Market Review

Last quarter marked a year since President Trump won the US Election. After a solid run in the first three quarters of 2017, surprisingly there was an acceleration in equity returns throughout the December quarter. With so much doubt about the rally at the beginning of the year, the market continued to climb despite continued geopolitical tensions with North Korea.

International markets were fuelled by the expectation that the US will help drive growth with their tax reform bill, which has subsequently been passed. Elsewhere, Europe seems to also be coming through with steadier growth after several years of struggle and quantitative easing.

The domestic market, as represented by the All Ordinaries Index, finally broke through the 6,000 barrier level mid-way through the quarter as the large banking and resources sector rallied.

### Performance Review

The Fund had a pleasingly positive quarter, rising by 0.74% (net) for the month of December and a strong 4.60% (net) over the quarter, slightly below its relative benchmark return of 4.98% over the quarter.

Equities dominated the quarter and not surprisingly, the Fund's equity exposure did most of the heavy lifting throughout the December quarter. Many of the Fund's managers in the equity sector contributed to returns, especially the Fund's Australian equity managers. Exposure to the cyclical resources sector assisted returns as commodity prices rose throughout December.

With rates in the US rising and bond yields rising, the investment manager was not surprised by the flat returns provided by the REITs, alternatives and fixed income sectors during the quarter.

### Outlook

Over the past twelve months, markets have seemingly been on a one way street with tailwinds from solid global growth, earnings growth, low inflation and the expectation of a tax overhaul in the US. With the tax reform bill now passed in the US, the market is now pricing in the effects of the new tax code on earnings and sentiment going forward. Indeed, it is possible that the markets may even take on a new upward trajectory if the outlook for earnings strengthens with these tax initiatives. Moving into 2018, there are a few notable points the investment manager is monitoring closely,

- Firstly, after a three year hiatus, oil price seems to be making somewhat of a comeback and could settle at a level that would see a better balance between demand and supply. Oil prices aside, the general tone of the resource and commodity landscape seems to be positive as 2018 begins.
- Secondly, the Australian dollar is staying stubbornly high, in part, due to good Chinese data and rally in commodity prices. However, the weakness in the US dollar against most major currencies would be the main culprit even though the US cash rate is now equal to the Australian interest rate at 1.50%.

Unless an unforeseen event occurs, the investment manager's final and probably most important observations going into 2018 are three key risks that could derail this synchronised global rally. These being earnings disappointment, a more aggressive Federal Reserve rate hike stance which would lead to a spike in long term bond yields.

At this stage, the investment manager is still cautiously optimistic on the shorter term market fundamentals despite valuations which no longer appear cheap.

### Performance (NET of fees)

	Growth Return (net) (%)	Income Return (net) (%)	Total Return (net) (%)	Benchmark Return (%)	Active Return (%)
1 month	0.74	0.00	0.74	0.03	0.71
3 months	4.45	0.15	4.60	4.98	-0.38
6 months	5.50	0.15	5.64	6.08	-0.44
1 year	N/a	N/a	N/a	N/a	N/a
Since inception <sup>2</sup> (p.a.)	5.50	0.15	5.64	6.08	-0.44

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.

<sup>1</sup> For a full breakdown of management costs, refer to the PDS dated 30 September 2017.

<sup>2</sup> This figure represents the annualised performance of the Fund since inception.

### Contact Details

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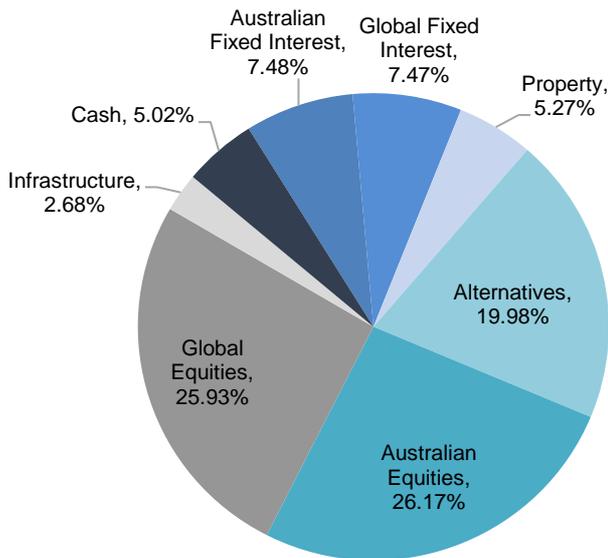
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## Manager Allocation (%)

<b>Australian Fixed Interest</b>	<b>7.48</b>	<b>Australian Equities</b>	<b>26.17</b>
Macquarie True Index Australian Fixed Interest Fund	7.48	Bennelong Ex 20 Australian Share Fund	7.83
<b>Global Fixed Interest</b>	<b>7.47</b>	Allan Gray Australian Equity Fund	8.61
T Rowe Price Dynamic Global Bond Fund	4.52	Ausbil 130/30 Focus Fund	5.25
Payden Global Income Opportunities Fund	2.95	Vanguard Australian Shares Index Fund	4.48
<b>Property</b>	<b>5.27</b>	<b>Global Equities</b>	<b>25.93</b>
Vanguard Australian Property Securities Index Fund	5.27	Capital Group New Perspective Fund (Hedged)	5.48
<b>Alternatives</b>	<b>19.98</b>	Antipodes Global Fund	3.87
Man AHL Alpha (AUD) Class B	7.48	Perpetual Wholesale Global Share Fund (Hedged)	7.00
Invesco Wholesale Global Targeted Returns Fund	7.45	Ironbark LHP Global Long/Short Fund	2.65
Ironbark LHP Diversified Investments Fund	5.05	BT Concentrated Global Share Fund	6.93
<b>Infrastructure</b>	<b>2.68</b>	<b>Cash</b>	<b>5.02</b>
Maple-Brown Abbott Global Listed Infrastructure Fund (Hedged)	2.68	SSAL Bank Account	5.02

## Portfolio Summary

### Asset Allocation



### Top 5 Contributors

Manager Name	
1	Allan Gray Australian Equity Fund
2	Perpetual Wholesale Global Share Fund (Hedged)
3	Bennelong Ex 20 Australian Share Fund
4	Ausbil 130/30 Focus Fund
5	Vanguard Australian Share Index Fund

## Important Information

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