



Generation Fund

Quarterly Investment Report as at 30 June 2018

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

\$35.3m

Exit Price

\$1.0466

Market Review

After a volatile first quarter, the market appears to be jumping the hurdles of uncertainty in the second quarter of 2018, with US earnings and macro economic data continuing to point towards reasonable growth for most of the major economies. The US 10-year treasury yields stabilised just below 3% which also supported markets.

The domestic market, as represented by the All Ordinaries Index, saw positive gains, with both the banking and mining sector contributing to the rise in the index to well above the 6,000 mark. Despite all the headwinds surrounding the banks, value investors looked to have bought back some exposure to the sector as the price pullback meant that dividends yields rose to very attractive levels. Likewise, other ASX 20 companies also contributed strongly to the index with companies such as Macquarie Bank, CSL, Woolworths and Wesfarmers all running strongly during the quarter.

Performance Review

For the month of June, the Generation Fund ('the Fund') returned 1.51% (net), underperforming the benchmark's return of 1.98%. Meanwhile over the quarter, the Fund made returned 4.24% (net) against the benchmark's return of 5.17%. In a rising market, as observed since the Fund's inception, the investment manager is pleased to have captured a (net) return of over 80% of the benchmark.

The majority of managers held by the Fund contributed to performance over the quarter.

As the investment manager alluded to in the May monthly report, several changes are in the process of being executed. The investment committee agreed that going forward, having a passive investment over the ASX may not be in the best interest of unit holders as the banking and mining sector may struggle to provide sustainable performances over time. As such, a change to an active manager was warranted.

The investment manager is also making adjustments and re-weightings to the alternatives sector due to some underperformance over the past year. These changes are targeted to close the underperformance gap.

Outlook

The recent month and quarter was marked by a continuation of the "risk-on" trade as investors bet on equities to keep running, despite potential trade wars that could occur between the US and China.

Performance (NET of fees)

	Growth Return (net) (%)	Income Return (net) (%)	Total Return (net) (%)	Benchmark Return (%)	Active Return (%)
1 month	-1.52	3.04	1.51	1.98	-0.47
3 months	0.89	3.35	4.24	5.17	-0.93
1 year	5.08	3.50	8.58	10.43	-1.85
3 years (p.a.)	N/a	N/a	N/a	N/a	N/a
Since inception ² (p.a.)	5.05	3.48	8.53	10.37	-1.84

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. Returns are rounded to two decimal places. Slight variations to actual calculations in the above table may occur.

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

Top and Bottom Contributors over the month

Top 5 Contributors

Manager Name
Ausbil 130/30 Focus Fund
Allan Gray Australia Equity Fund
Vanguard Australian Shares Index Fund
Antipodes Global Fund
Bennelong Ex 20 Australian Share Fund

Top 5 Detractors

Manager Name
Perpetual Wholesale Global Share Fund
Capital Group New Perspective Fund Hedged
Payden Global Income Opportunities Fund
Invesco Wholesale Global Targeted Returns
Macquarie True Index Australian Fixed Interest

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Outlook (cont'd)

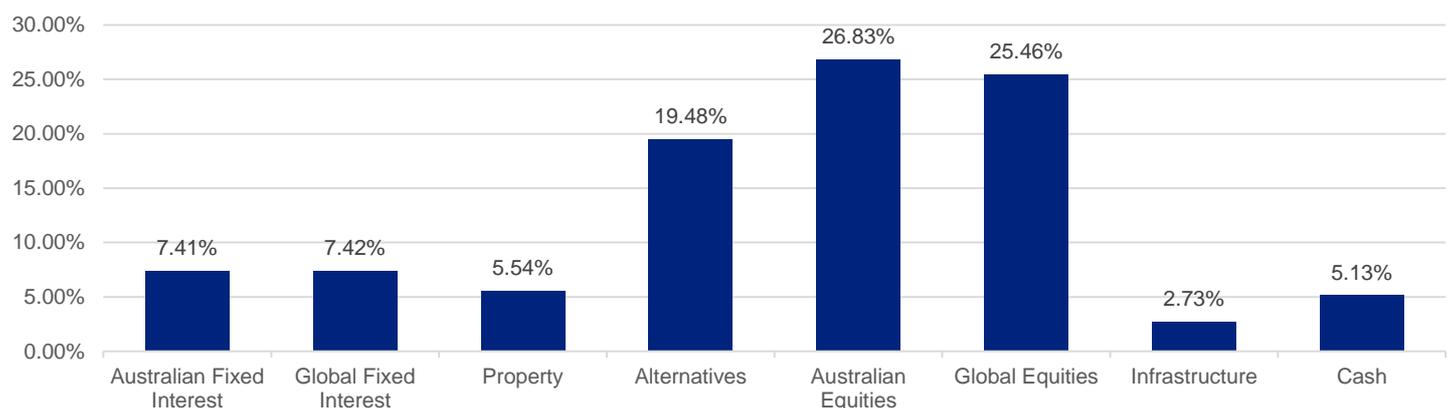
Globally, the news regarding trade tensions between the US and the rest of the world, most notably, China has dominated the last quarter, and will continue this quarter. President Trump seems to be writing his own playbook by giving a strong hint that his thinking and dialogue is what matters and not what his advisers recommend. This was evident in the historical meeting between President Trump and North Korean dictator Kim Jong Un. Ironically, President Trump seems to also be giving out concessions without the US getting much in return despite the seemingly hard stance he is showing in the media. China is of course watching this very closely.

The investment manager continues to expect more volatile periods ahead. It is probable that the market has yet to fully price in the possibility of an escalating trade war rift between the US and China. Furthermore, US corporate earnings could plateau as the massive tax cuts early in the year fully feeds through.

As such, the investment manager continues to take a more conservative stance. While individual fund changes were made, there were no changes to the sector weightings in the overall portfolio.

Portfolio Allocation (%)

Australian Equities	26.83	Australian Fixed Interest	7.41
Bennelong Ex 20 Australian Share	8.35	Macquarie True Index Australian Fixed Interest	7.41
Allan Gray Australian Equity- Class B	8.67	Global Fixed Interest	7.42
Ausbil 130/30 Focus	5.25	T Rowe Price Dynamic Global Bond	4.46
Vanguard Australian Shares Index	4.56	Payden Global Income Opportunities	2.96
Global Equities	25.46	Property	5.54
Capital Group New Perspective- Hedged	5.33	Vanguard Australian Property Securities Index	5.54
Antipodes Global	3.86	Alternatives	19.48
Perpetual Wholesale Global Share- Hedged- Class A	6.79	Invesco Wholesale Global Targeted Returns	7.38
Ironbark LHP Global Long/Short – Wholesale	2.58	Ironbark LHP Diversified Investments	4.87
Pendal Concentrated Global Share Fund	6.90	Man AHL Alpha (AUD)- Class B	7.23
Infrastructure	2.73	Cash	5.13
MBA Global Listed Infrastructure Fund- Hedged	2.73	SSAL Bank Account	5.13



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