

Income Generator delivers sustainable income

A unique feature of the Income Generator is its aim to support the delivery of a sustainable and regular income stream that grows with inflation over time – like a ‘wage in retirement’. The Fund has been doing this successfully for 14 years. In an environment of higher costs of living, we believe this strategy is well placed to continue to help investors grow their retirement income and maintain spending power.

For the 2023/2024 financial year, total income distributed was 4.19%. Franking credits added an additional 0.73%, to provide a **total income yield of 4.92% (based on the unit price as at 30 June 2023)**.

Over the 2023/2024 financial year, the Income Generator made monthly distributions of 0.37 cents per unit (CPU) based on the income estimate for the financial year. The Fund also made a 13th distribution of approximately 5.40%, a larger-than-normal amount due to high realised capital gains, that was automatically reinvested into the Fund.

Distributions for 2023/2024

| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|------------|------|------|------|------|------|------|------|------|------|------|------|------|
| CPU | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 |

The distribution strategy for the Income Generator is a unique feature of the portfolio. To be consistent with the objective of delivering income that can grow with inflation over time we reinvest the 13th distribution, resulting in new units for investors. This means, for an investor who had a hypothetical 100,000 units, that investor will receive approximately 5,675 new units for the start of the 2024/25 financial year. Investors will see an increase in their number of units reflected in their July statement.

The table below outlines the contributors of income for the 2023/24 financial year based on an investment at the start of the period.

| Income return summary | % per annum |
|---------------------------|--------------|
| Regular Income (0.37 CPU) | 4.19% |
| Franking credits* | 0.73% |
| Total Income | 4.92% |

Alongside capital growth over the 2023/24 financial year, the total return for investors, including franking credits and after fees is **8.43%**.

* Estimated figure and available post the lodgement of relevant tax returns.

Forward distribution estimates

- The Fund's monthly distributions for the financial year 2024-2025 will be higher than last year, as interest rates remain higher and strategies have been adjusted to reflect relative market movements.
- The economic environment has challenges remaining, notably in terms of generating renewed earnings growth in Australia. We believe the Fund's strategies, that tend to emphasise earnings quality and resilience, place it in a relatively strong position.
- Australian inflation remains somewhat above Reserve Bank targets, creating some additional risks of more rate increases. This is however likely to be a temporary phenomenon. The Fund has maintained higher fixed income exposure throughout most of the last year, reflecting shifts in relative yields and anticipating eventual softness in inflation, followed by eventual rate cuts.
- The Fund continues to seek out other attractive income sources and has recently diversified into a small but attractive alternative asset income strategy.

Targets for 2024-2025 Financial Year:

- **Forecast monthly CPU: 0.368982**
- **Forecast tax benefit of franking credits: 0.55%**
- **Forecast income yield for 2024/2025 financial year (Including franking and after fees): 5.0%**

It is important to note that the final annualised distribution yield will not be known until the end of the financial year, that the distribution yield estimate is not guaranteed, and that it may change due to market movements in the Fund's unit price. We base our estimate on assumptions set out at the end of this document, and you should be aware that if facts differ from our assumptions, the final distribution yield may differ from the estimate.



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Estimated Distribution Assumptions: The estimate is based on the amount of income we expect to receive into the Fund over the period from 1 July 2024 to 30 June 2025, based on the current investments held by the Fund, the level of coupons, dividends and other income expected to be earned from investments held in the Fund. If the companies whose securities we hold in the Fund do not pay the coupons, dividends or income they have forecast, or if the Fund portfolio changes materially over the period, this may impact on our estimated distribution amount.

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