


Generation Life Tax Effective Growth Fund

Fact Sheet | 31 October 2023

Performance as at 31 October 2023 ¹	1 Month (%)	3 Month (%)	6 Month (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since Inception (% p.a.)
Fund net return (after fees & tax)	-1.94	-4.57	-3.11	1.42	2.67	2.30	3.56
Fund gross return (before fees & after tax)	-1.89	-4.42	-2.81	2.02	3.27	2.90	4.16
Note	Name change from the Russell Investments Balanced Fund to Generation Life Tax effective growth fund 25 Aug 2023						

Fund facts	
Sector	Diversified - growth
Tax aware level	 Tax Optimised
Inception date	10 September 2004
Fund code	UF10
Generation Life APIR code	ALL0014AU
Investment management cost⁴	0.88% p.a.
Buy/sell spread	0.18%/0.18%
Suggested minimum investment period	5 Years
Risk level	6 - High

Investment objective

Aims to outperform the weighted average return of a composite index before tax and fees over rolling 5-year periods. As a secondary objective, aim to outperform the benchmark with a preference towards unrealized capital growth

Investment approach

The fund aims to provide long-term capital growth by investing in a range of global asset classes. In actively managing the portfolio, the 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. The fund may use derivatives for efficient portfolio management and investment purposes. The manager will seek to manage the portfolio in a tax-aware manner. The fund typically aims to invest in a diversified portfolio mix with exposure to growth assets of around 70% and defensive assets of around 30%. The manager has the flexibility to allocate outside of the typical asset sector allocation guidelines where required (for example, during periods of market stress)

Notes

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

Market commentary

Markets struggled in October as stronger economic data kept central banks defensive adding fuel to the higher for longer interest rate narrative. The shocking events in the middle east added to market concern given the unknown market impact and implications for energy prices. Government bond yields were higher, and the U.S. 10-year Treasury yield pushed through 5% as investors were more confident of avoiding recession and potentially higher interest rates, negatively impacting equity markets as both bonds and stocks fell. The MSCI World index fell 2.6% on the month, while the EM index was down 2.9%. The Global Aggregate Bond Index fell 1.2% on the month (total returns in local currency).

Portfolio commentary

For the month ending 31 October 2023 the after tax and pre Gen Life administration fee return was -1.89%.

In a month which saw increased correlation between fixed interest assets and equities due to the global inflation and the cash rate outlook the fund was able to generate tax alpha of 0.14% for the month above its pre-tax return. This was highlighted by opportunistic tax effective rebalancing to take advantage of a weaker market period.

Asset class insights include

Shares vs Fixed Income: close to neutral on risk assets

Neutral on risk assets in line with Multi-Asset team's Core decision. Latest series of economic data confirm the expectation that Fed could be at the end of the rate hiking cycle, while growth not a concern yet and labour market remains tight. A benign environment for risk assets to rally. Seasonality may be favourable at year end for US equities.

Australian shares vs Global Shares

We are getting more constructive in Australian equities. Our quant model still favours ACWI over Australia equities due to the earnings outlook and revisions, but it looks like it will be turning as relative economic surprise is shifting and commodities have become more favourable for Australia.

Adding more to Australian large caps. Both the composition of broad index and stabilisation in rate hike expectations make us favour the ASX200 index more than the mid cap segment.

Within global equities, regional allocations

Neutral to slightly positive on US in the near term due to US resilience while seasonality may be favourable at year end.

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Positive market thesis: near-peak Fed, improving forecasts for Q4 earnings, the AI secular-growth tailwind, and fiscal push such as reshoring activities.

Negative market thesis: monetary-policy lags after the Fed's rapid campaign, recession signals from the inverted yield curve, worries about consumer resilience.

Negative on Europe ex UK and neutral in Japan

Neutral to slightly overweight Emerging Markets: China macro stabilizing at the bottom (though growth outlook still challenging) and economic cycle and valuation are both favorable; Within EM, we overweight Latin America, as relatively cheap to history valuation, pause in central bank hikes, and beneficiary of US resilience are supportive of the regional equities.

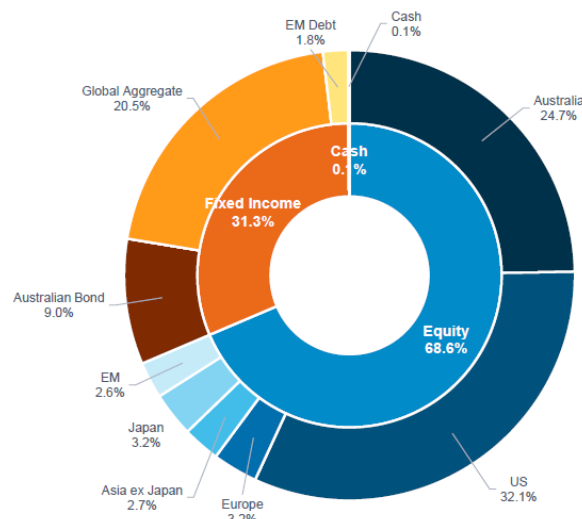
Within fixed income, duration vs. credit

We are underweight High Yield Bonds. Prefer Global Aggregate bonds, Global Corporate, and Short Duration Income as core fixed income holdings.

Neutral to slightly cautious outlook for EMD on increased Emerging Market credit risk during a heightened geopolitical risk scenario which may be impacted by unfavourable cross-border capital flows.

Mindful of the risk of "higher for longer" rates and the resulting positive correlation between stocks and bonds, we continue to accumulate positions in Global Short Duration Income fund to control overall portfolio volatility and better weather duration risk

Portfolio Positioning



Security Name	Portfolio weight	Unrealised gain+ /loss-
Australian Equities Fund	16.4%	-1.12%
MSCI USA Quality Factor UCITS ETF	12.5%	-0.28%
Sustainable Research Enhanced US Equity UCITS ETF	11.7%	-0.49%
America Fund	7.0%	-0.14%
Australian Future Leaders	6.3%	-0.71%
Global Corporate Bond	5.6%	-0.09%
US Dollar Bond Fund	5.3%	-0.10%
Global Bond Fund	5.2%	-0.10%
Australian Government Bond Index ETF	4.5%	-0.17%
Core Composite Bond ETF	4.5%	-0.17%

Investor services

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Generation Life Tax Effective Australian Share Fund

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Investment guidelines

	Range
Cash	0-40%
Global Fixed interest	0-40%
Australian Fixed interest	0-40%
Australian shares	10-60%
International shares ex Aus	10-70%
Other	0-35%

	Range
Equity (Growth assets)	60-80%
Fixed Income and Cash (Defensive assets)	20-40%

About the investment manager



FIL Investment Management (Australia) Limited ('Fidelity') is part of parent company Fidelity International which 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\$1,080m (as at 31 March 2023) 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 after-tax investment performance for our investors. We are a leading specialist provider of tax optimised investment and estate planning solutions – with over \$2.9 billion invested with us to date.

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. Commonwealth Bank of Australia

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