


# Generation Life Tax Effective Growth Fund

Fact Sheet | 31 January 2024

Performance as at 31 January 2024 <sup>1</sup>	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)	0.85	6.92	2.04	4.26	3.04	3.59	3.87
Fund gross return (before fees & after tax)	0.90	7.07	2.34	4.86	3.64	4.19	4.47
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 cost <sup>4</sup>	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

Overall, a less supportive signal from the U.S reserve Bank in January. Following the Fed meeting in January, markets have priced an expected rate cut in May instead of March. The MSCI World Index gained 4.46% over the month and emerging markets were down by 1.57% (or 11.22% and 2.50% respectively over the quarter). Bond yields rose slightly, and the Bloomberg Global Aggregate index rose by 4.16% (8.95% for the quarter) (total returns in local currency).

During the last quarter the Reserve Bank of Australia hiked rates 25 basis points in November. This is broadly in line with expectations and CPI inflation which fell from 5.4% to 4.1%. In the months of November and December, the ASX300 continued to rally, growing by 4.57% and 7.06% respectively. In December, unemployment remained steady at 3.9%.

## Portfolio commentary

For the month ending 31 January 2024 the after tax and pre-Gen Life administration fee return was 0.90%. There were 21 building blocks in a tax payable position and 5 in a tax receivable at 31 January. The fund has generated 0.74% in tax alpha for the FYTD.

## Asset class insights include

### Shares vs Fixed Income: close to neutral on risk assets

Currently overweight on risk assets – this is in line with the multi-asset team's Core decision. There appears to be growth resilience with the Federal reserve pivoting to balance out risks from high interest rates in the short term. The global manufacturing cycle also appears to be turning up which is supportive for a more risk-on stance.

### Australian shares vs Global Shares

Our quant model has started to favour Australian Shares over Global Shares with the new Australia PMI and earning revision data in January. Economic Surprises in Australia are however, coming down. Commodity Terms-of-Trade maintains its upward trend however momentum is fading. Overall, a marginal optimistic view in Australian Shares holds.

We added an Australian Share ETF and increased overall Australian Share exposure.

### Within global equities, regional allocations

With the interest rate corridor leading lower in the medium term, we might be close to the reflection point in the 30-year super cycle for value vs growth, small vs large, and ex US vs US equities. After the mid December pivot from the Feb, US may enter a bullish broadening. There are areas that may play catch up, not only cyclically but also in a secular context. We have held on to the US small cap position.

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We are negative on Europe ex UK and neutral in Japan. We have added back a bit of EU equities. Economic surprises have improve more recently suggesting that expectations are not high and perhaps recession risk is well priced in. The ECB have potentially finished the last rate hike and has a higher chance of cutting rates in 2024, which would be supportive.

We are slightly overweight on Emerging Markets (EM). The EM space saw more policy support and more forceful stock market stabilization measures in China equities. Within EM, we see Latin America as relatively cheap to historical valuations, early central bank cutting cycle, and beneficiary of US resilience are supportive of the regional equities hence the overweight.

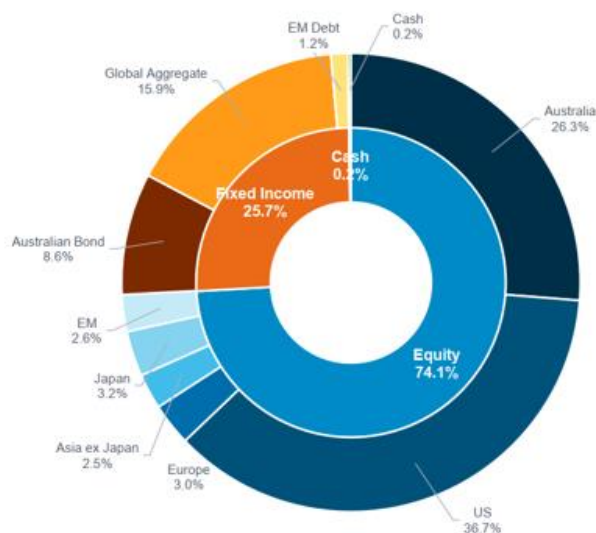
## Within fixed income, duration vs. credit

We remain cautious on duration especially in the short term for the US. The inflation issue appears to still be around, growth remains muted at present which puts a floor under bond yields. We remain underweight high yield and prefer Global Aggregate Bonds, Global Corporate, and Short Duration Income as the core income holdings.

As the risk of "higher for longer" rates and the resulting positive correlation between stocks and bonds remains relevant, we maintained positions in Global Short Duration Income fund to control overall portfolio volatility and to better weather duration risk. We will look to getting back into longer duration if yields move up too much or signs of recession are piling up.

Our positions in EM local debt and EM macro fundamentals were maintained and this is supportive of foreign exchange outperformance, with high and improving carry in specific EM currencies adding further attractiveness.

## Portfolio Positioning



Security Name	Portfolio weight	Unrealised gain+ /loss-
Australian Equities Fund	16.4%	0.22%
MSCI USA Quality Factor Fund	14.4%	1.21%
Sustainable Research Enhanced US Equity	12.0%	0.85%
America Fund	6.8%	0.23%
Australian Future Leaders Fund	6.6%	0.16%
Global Corporate Bonds	5.3%	0.18%
Australian Government Bonds	4.3%	0.06%
Core Composite Bonds	4.3%	0.05%
S&P ASX 200 ETF	3.5%	0.20%
Global Bond Fund	3.0%	0.06%

## Investor services

Phone 1800 806 362  
Email [enquiry@genlife.com.au](mailto:enquiry@genlife.com.au)

## Adviser services

Phone 1800 333 657  
Email [advisers@genlife.com.au](mailto:advisers@genlife.com.au)

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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

## Investor services

Phone 1800 806 362  
Email [enquiry@genlife.com.au](mailto:enquiry@genlife.com.au)

## Adviser services

Phone 1800 333 657  
Email [advisers@genlife.com.au](mailto:advisers@genlife.com.au)

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