Generation Life Tax Effective Growth Fund

Fact Sheet | 29 February 2024

Performance as at 29 February 2024[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)	2.35	6.38	4.73	8.00	3.57	3.66	3.98
Fund gross return (before fees & after tax)	2.40	6.53	5.03	8.60	4.17	4.26	4.58
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[4]	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

1. 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.
2. Past performance is not an indicator of future performance.
3. The administration fee is deducted directly from the investment option before unit prices are declared.

Market commentary

February was a fairly good month for stock markets, with resilient economic data and relatively strong earnings reports both contributing to year-to-date gains and a strong 5.3% gain for the S&P500 during the month. In contrast, fixed income markets were broadly down, with the Bloomberg Global Aggregate index losing 1.3% over February. Within equities, emerging markets performed well, up 4.8% over the month thanks primarily to a Chinese rebound. In developed markets, Japan continued to outperform, with the Nikkei 225 Index reaching a new all-time high for the first time in over 30 years. In contrast, UK stocks lagged.

Fixed income markets came under pressure as investors continued to push out interest rate cuts further into 2024, with US Treasuries down 1.3% in February. Less rate-sensitive high yield bond markets outperformed. Elsewhere, commodities lost ground, with the broad Bloomberg Commodity Index falling 1.5% over February as gas and agricultural prices continued to drop. Real estate investment trusts lost 0.1%, as expectations for slower interest rate cuts outweighed the positive impact of supportive activity data.

Portfolio commentary

For the month ending 29 February 2024 the after tax and pre–Gen Life administration fee return was 2.40%. There were 22 building blocks in a tax payable position and 4 in a tax receivable at 29 February. The fund has generated 0.81% 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 in line with the multi-asset team's Core decision. There appears to be growth resilience and policy easing expectations providing a supportive backdrop for risk. The Global PMI cycle is turning up providing a supportive risk-on stance as well. The "unexpected" risk may lie with inflation falling slower than expected and a backup in yields could be a potential headwind.

Australian shares vs Global Shares

The Relative signals for AU vs World are mixed and commodities Terms-of-Trade for Australia has lately shifted negative. Economic surprises at the margin doesn't favour AU and earning's outlook for AU equities appears subpar. Our allocation to AU equities due to market movements is neutral/slightly underweight and we are comfortable to maintain such a position.

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Within global equities, regional allocations

The current macro picture is one with differentiation across DM regions (US outperforming and Europe growth a bit challenged with UK and Germany entering technical recession)

In the near term, there is little evidence of US growth faltering. The recent data has further confirmed the consensus view for a soft-landing and that the current late cycle could last for longer which is supported by positive real wage growth. The earnings season has been solid so far with profit margins continuing to stabilize. There are a few technical signals flashing a weak sell-off for US equities but positionings are not too extended to argue for an immediate profit taking in US equities.

We continue to add back EU equities. Economic surprises have improved more recently which suggests that expectations are not high and recession risk is well priced. The ECB has appeared to finish the last rate hike and has a higher chance of cutting rates in 2024.

We are slightly overweight EM: The EM Space has seen more policy support and more forceful stock market stabilization in Chinese equities. Within EM, we are overweight Latin America, as they appear cheap relatively to historical valuations. This is alongside the earlier central bank cutting cycles coupled with resilience as beneficiaries of the US.

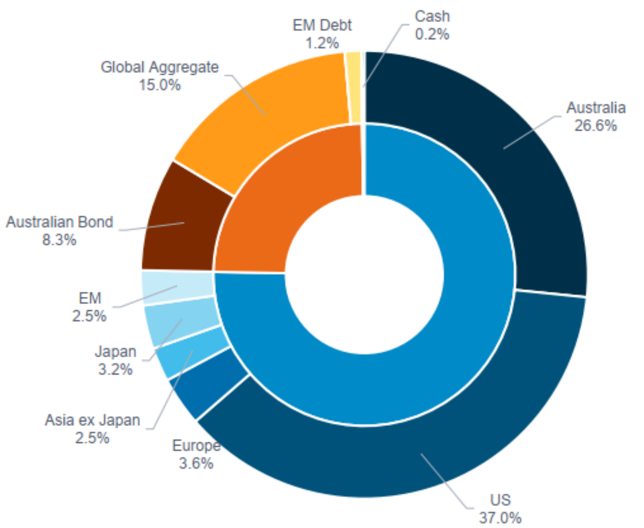
Within fixed income, duration vs. credit

We maintain to be cautious on duration especially on the US in the short term. Until meaningful growth worries come into light, the inflation issue isn't completely gone which may put a floor under bond yields. We also remain underweight High Yield and prefer Global Agg, Global Corporate, and Short Duration Income as core fixed income holdings.

We are currently mindful of the risk of "higher for longer" rates and the resulting positive correlation between stocks and bonds. We also largely maintained positions in the Global Short Duration Income fund to control overall portfolio volatility and better weather duration risks. 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 were maintained as EM macro fundamentals including growth and inflation are supportive of FX outperformance, high and improving carry in specific EM currencies further adds to the attractiveness of those currencies. We are wary of the risk of sticky inflation on the back of strong growth in the US which makes USD getting stronger. In this scenario, it is likely to be a headwind to the EM FX space.

Portfolio Positioning



Security Name	Portfolio weight	Unrealised gain+ /loss-
Australian Equities Fund	16.1%	0.55%
MSCI USA Quality Factor Fund	14.8%	2.16%
Sustainable Research Enhanced US Equity	12.1%	1.47%
Australian Future Leaders Fund	6.8%	0.68%
America Fund	6.8%	0.53%
Global Corporate Bonds	5.1%	0.19%
Australian Government Bonds	4.1%	0.04%
Core Composite Bonds	4.1%	0.05%
S&P ASX 200 ETF	3.7%	0.23%
Global Bond Fund	2.9%	0.05%

Investor services

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Generation Life Tax Effective Australian Share Fund

Fact Sheet | 31 December 2023

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

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