


# Generation Life Tax Effective Growth Fund

Fact Sheet | 31 March 2024

Performance as at 31 March 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)	2.64	5.95	10.18	11.34	3.86	4.08	4.10
Fund gross return (before fees & after tax)	2.69	6.10	10.48	11.94	4.46	4.68	4.70
Note	Name change from the Russell Investments Balanced Fund to Generation Life Tax effective growth fund 25 Aug 2023						

Fund facts	
<b>Sector</b>	Diversified - growth
<b>Tax aware level</b>	 Tax Optimised
<b>Inception date</b>	10 September 2004
<b>Fund code</b>	UF10
<b>Generation Life APIR code</b>	ALL0014AU
<b>Investment management cost<sup>4</sup></b>	0.88% p.a.
<b>Buy/sell spread</b>	0.18%/0.18%
<b>Suggested minimum investment period</b>	5 Years
<b>Risk level</b>	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

The March quarter was a very strong period for stock markets, with resilient economic data and relatively strong reported earnings both contributing to year-to-date gains and a strong 5.43% gain for the March quarter for the S&P/ASX300 Index. Equity markets in the U.S. and Australia sailed through record highs heading into the end of March.

The U.S. economy has been performing better than expected and the December 2023 quarter was no exception, as real GDP in the U.S. posted a 3.3% annualised gain. Inflation pressures also tempered and the labour market continued to show signs of normalisation rather than capitulation, adding to the improved outlook for companies.

Global share markets continued their strong rebound in performance with the MSCI World Index gaining a very robust 14.1% over the March quarter, outpacing emerging markets return of 7.1% that was held back by China's current middling economic conditions. The equity market rally began to also move away from solely mega-cap companies in the U.S. and Europe, into more cyclical and non-tech sectors which gave a broader set of funds and markets a strong quarterly result.

Fixed interest yields were up marginally during the quarter with the Bloomberg AusBond Composite Index producing a stable cash-like 1.0% return for the quarter. Interest rate expectations in global markets were more restrictive with the Bloomberg Global Aggregate index diverging from the Australian experience seeing performance decline by -0.3% over the quarter (total returns in local currency).

In Australia, economic conditions also continued to stabilise during the March quarter. The Reserve Bank of Australia (RBA) kept rates steady at 4.35% with rates now having only risen once in the last 8 months and the soft December quarter GDP of 0.2% came in at market expectation. Annual CPI inflation now stands at 3.4% in February (non-seasonally adjusted) with the only concern being the services component of the data remaining stubbornly high. The unemployment rate also fell quite a bit from 3.9% to 3.7% at last reading at the end of March.

## Portfolio commentary

For the month ending 31 March 2024 the after tax and pre-Gen Life administration fee return was 2.660%. There were 28 building blocks in a tax payable position and 1 in a tax receivable at 31 January. The fund has generated 0.94% in tax alpha for the FYTD.

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## Asset class insights include

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

Overweight on risk assets in an improving macro environment and valuation backdrop line with internal view. Growth resilience and policy easing expectations provide a supportive backdrop for risk. Global PMI cycle is turning up which supports a more risk-on stance as well. The “unexpected” risk may lie with inflation falling slower than expected and a backup in yields could be a headwind.

### Australian shares vs Global Shares

Relative signals for Australia vs World are mixed and the commodities Terms-of-Trade for Australia has shifted negative lately. Relative economic surprise at the margin doesn't favour Australian equities. The bright spot is that earnings outlook for Australian equities continues to improve. Due to market movements our allocation to Australian equities is neutral to slightly underweight, and we are comfortable to maintain such a position.

### Within global equities, regional allocations

The macro economic picture is one with differentiation across developed market (DM) regions (US outperforming and Europe growth a bit challenged with UK and Germany entering technical recession). In the near term, we see little evidence of US growth faltering. Recent data further confirm 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. US companies' profit margins continue to stabilize, and labor markets remain strong.

We continue to add back European equities. Economic surprises have improved more recently suggesting that expectations are not high and perhaps recession risk is well priced in. ECB probably have already finished the last rate hike and has a higher chance of cutting rates in 2024, which would be supportive.

Slight overweight Emerging Markets (EM). EM space saw more policy support and the central bank cutting cycle is evident in many EM countries; Within EM, we overweigh Latin America, as relatively cheap to history valuation, early central bank cutting cycle, and beneficiary of US resilience are supportive of the regional equities.

### Within fixed income, duration vs. credit

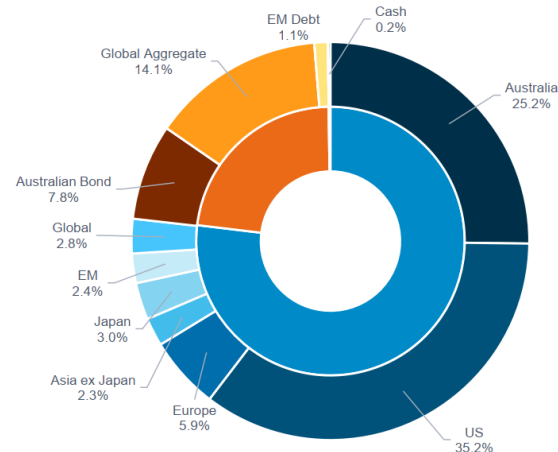
We maintain cautiousness on duration especially in the US in the short term. Until meaningful growth worry comes to light, the inflation issue isn't completely gone yet, which may put a floor under bond yields.

Remain underweight High Yield. Prefer Global Agg, Global Corporate, and Short Duration Income as core fixed income holdings.

We maintained our positions in EM local debt as EM macro fundamentals including growth and inflation are supportive of FX outperformance, and 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 that scenario it is likely a headwind to the EM FX space.

During March, we switched all Asia IG to FF Euro Bond fund given nearly all EM Asia countries' February headline inflation beat estimates. We remain constructive on an early ECB rate cut and this move also increased duration slightly as yield is more fairly valued compared to early this year.

### Portfolio Positioning



Security Name	Portfolio weight	Unrealised gain+ /loss-
Australian Equities Fund	15.3%	0.98%
USA Quality Factor UCITS ETF	14.0%	1.67%
Sustainable Research Enhanced US Equity	11.5%	1.17%
America Fund	6.6%	0.60%
Australian Future Leaders Fund	6.5%	0.80%
Global Corporate Bond Fund	4.8%	0.19%
Australian Gov Bond Index ETF	3.9%	0.08%
Core Composite Bond ETF	3.9%	0.08%
Core S&P ASX200 ETF	3.5%	0.03%
Gold Miners ETF	2.8%	0.01%

### Investor services

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### Adviser 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

## Investor services

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