


Generation Life Tax Effective Growth Fund

Fact Sheet | 31 May 2024

Performance as at 31 May 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)	0.33	1.00	7.45	7.85	2.35	3.64	3.98
Benchmark return (before tax) ²	1.40	1.20	9.50	-	-	-	12.0 ⁴
Gross strategy return (before fees & tax) ³	0.80	1.30	9.80	-	-	-	11.2 ⁴
Gross strategy return (before fees & after tax) ³	0.85	1.44	10.08	-	-	-	11.8 ⁴

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	0.76% 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)

Recent investment management history

Investment option name changed from Russell Investments Balanced Fund effective 25 August 2023.

Investment manager changed from Russell Investments to Fidelity International on 25 August 2023.

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.
- Strategy inception is 25 August 2023

Market commentary

The month of May was good for returns across both equities and fixed income. There is ongoing investor optimism about the overall outlook, with developed share markets delivering 4.5% in returns over the month and global bonds delivering 1.3%. Overall, markets still anticipate a rate cut this summer with some divergence in timing between US and EU.

The US economy remains strong however moderation appears to be in sight, with capital spending and home sales trending sideways. Both manufacturing and services data were up. US equities rallied 5% after falling in April supported by better than expected first quarter earnings across various sectors. Divergence in monetary policies and the uncertainty for the interest rate path has been resulting in volatility for government bond markets for some time. With yields resetting over the last two years, this has meant bonds have served a dual role in portfolios, income and diversification against growth shocks.

In Australia, the RBA held the cash rate steady at 4.35%, indicating that inflation projections are poising a return to normality in mid-2026. CPI for April was higher than expected at 3.6 y-o-y, triggering the sticky inflation call from commentators. Unemployment also rose to 4.1% from 3.9% with broad indicators such as vacancies, hours worked and employment intentions pointing towards a softening in the labour market and easing of wages pressures.

Portfolio commentary

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For the month ending 31 May 2024 the after tax and pre-Gen Life administration fee return was 0.38%. There were 29 building blocks in a tax payable position and 10 in a tax receivable at 31 May. The fund has generated 0.56% in tax alpha for the FYTD.

Asset class insights include

Shares vs Fixed Income: close to neutral on risk assets

Overweight on risk assets in line with multi-asset team's Core decision. Fundamentals are strong due to an improvement in the economic cycle between mid-late cycle and China stabilizing. Although inflation remains sticky, we do not think this will cause policy to be over restrictive. Rate cuts are anticipated but appears to be delayed. Our quant models have turned on more risk, and this comes with stress indicators in markets moving to low levels.

Australian shares vs Global Shares

Overall the relative signals for Australia vs World are mixed but Terms of Trade for Australian commodities has bounced back sharply. Relative economic surprises at the margin does not favour Australia. Earnings outlook for Australia however, continues to improve. We have closed a small underweight position in Australia Equities and added back AUD exposure over the month by shorting JPY, given sticky inflation in Australia and RBA contemplating a rate hike.

Within global equities, regional allocations

The US maintains its growth leadership. Recent data further confirms the consensus view for a soft landing, with the labour market still tight and perhaps loosening but only slightly. Profit margins in the US continue to stabilize, with trailing and forward earnings picking up notably as earnings season progresses. The US market does not appear excessively expensive compared to historical numbers however needs to be monitored for potential risks from extended positioning.

We remain overweight on Japan as the structural story around corporate reforms persist. Earnings growth, sales growth and margins are all strong. Valuations are looking a bit rich and depreciation of Yen has been helpful. We continue to watch for any global growth slowdowns or Yen appreciation as both would cause negative impacts for earnings growth.

Our stance on China remains neutral give the structural headwinds and challenging macro backdrop. Overall EM Asia is experiencing negative credit growth, depressed consumer sentiment and continue housing price and transaction downturns. Earnings estimates on Chinese stocks

have also fallen. We will closely watch policy development on this space to see if an overweight is warranted soon.

Within fixed income, duration vs. credit

"Higher for longer" rates appear to still be the medium-term phenomena and we have become a bit more sanguine about the disinflation trend. During May we took down the duration underweight on the margin and moved this close to a neutral duration relative to benchmark. Within the global aggregate, we are more positive on the Euro duration, as the relatively weaker European economy and larger chance of ECB cut earlier than FED.

We have added to the Australian bond exposure after yield picked up to an attractive 4.47% by the end of May on the back of sticky/hotter inflation. This has driven the 10Y Australian real yield to almost the highest in 10-year history.

Include alternatives in the asset mix

In a world with higher equity to bond correlations, we seek more diversifying assets such as gold miners. Being mindful of its high volatility, we made more effort to trade it tactically and control position sizing.

Investor services

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Adviser services

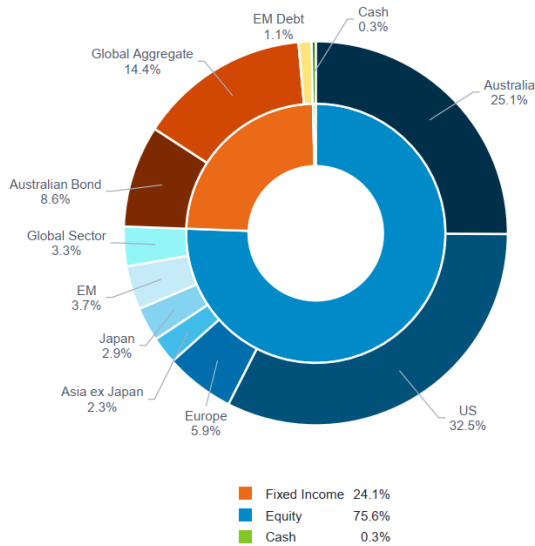
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Generation Life Tax Effective Australian Share Fund

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Portfolio Positioning



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%

Security Name	Portfolio weight	Unrealised gain+ /loss-
Australian Equities Fund	15.00%	0.52%
MSCI USA Quality Factor Fund	13.80%	1.67%
Sustainable Research Enhanced US Equity	11.40%	1.22%
Euro Bond Fund	6.60%	0.03%
Australian Future Leaders Fund	6.40%	0.64%
America Fund	6.30%	0.43%
Global Corporate Bonds	4.70%	0.17%
Core Composite Bonds	4.30%	0.00%
Australian Government Bond Index	4.30%	0.00%
Core S&P/ASX200	3.80%	0.22%

Investor services

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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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