


Generation Life Tax Effective Growth Fund

Fact Sheet | 31 August 2024

Performance as at 31 August 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)	0.69	2.64	3.67	8.57	2.00	3.71	4.07
Benchmark return (before tax) ²	0.10	4.50	5.80	-	-	-	17.1 ⁴
Gross strategy return (before fees & tax) ³	-0.50	3.90	5.30	-	-	-	15.6 ⁴
Gross strategy return (before fees & after tax) ³	-0.45	4.05	5.60	-	-	-	16.2 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 29 September 2023.

Investment manager changed from Russell Investments to Fidelity International on 29 September 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 29 September 2023

Market commentary

In August, uncertainties around central bank actions and concerns about a weaker economic outlook dominated the financial landscape. This led to an initial surge in volatility and risk off trading. This was quickly reversed however with most losses being recovered by the end of the month. Quality stocks proved to be resilient experiencing a smaller relative drawdown during the period.

In the US, due to the dual mandate structure, as inflation rates have approached targets, the health of the labour market has become increasingly important. With a rise in the inflation rate, this has raised concerns about the US economy's strength and increased aggressive rate cut expectations for the Fed. Investors shifted from risk on to safe havens, with the VIX index to a high of 65. US treasury yields ended lower at 3.8% for the month.

The bond market globally outperformed equities over the month, with the Bloomberg Global Aggregate Index delivering a return of 2.4% against the MSCI World Index which produced a return of 1.7%. The Australian bond market remained relatively stable with government bond yields falling 15bps over the month to 3.97%, 1bps higher than where they started the year.

The RBA left the cash rate unchanged at 4.35% in line with expectations. The July CPI figure of 3.5% y-o-y was a little higher than expected but down overall over the prior month, driven by impacts from mid-year government subsidies and declining energy prices.

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Portfolio commentary

For the month ending 31 August 2024 the after tax and pre-Gen Life administration fee return was -0.50%. There were 20 building blocks in a tax payable position and 6 in a tax receivable at 31 August. The fund has generated 0.22% in tax alpha for the FYTD.

Asset class insights include

Shares vs Fixed Income: close to neutral on risk assets

Overall, the disinflation trend is in the making but worries about growth is surfacing. We are most likely experiencing economic normalization but not an imminent start of a recession. Fundamentally, the backdrop is consistent with a mid/late cycle environment which produces positive returns alongside higher volatility. The election headlines in the US will head into a crescendo as we head into November.

Australian shares vs Global Shares

Signals for Australia relative to the World remain less favourable with expected earnings growth turning slightly down in Australia. Terms-of-trade on commodities have held up at a relative high level but has weakened on the margin. Economic surprises have been a bright spot, so we have reduced the underweight in AU equities.

Within global equities, regional allocations

With the latest earnings season progressing well we are slightly overweight on the US. Growth indicators however are the focus point current with the softer patch in data coming through. The anticipation of rate cuts and easing financial conditions have acted as a tail wind for more interest rate sensitive sectors, allowing businesses to rerate. Within the US, sector dispersion has risen, and the quality style is favourable in a mid/late cycle environment.

We are overweight UK given its lower inflation numbers and growing backdrop with increasing consumer confidence. The BoE has commenced its easing cycle with the UK still at a wide discount. Mid-caps appear to be well positioned to benefit from any economic activity improvement moving forward.

The Structural story in Japan persists but we have overall become more cautious as moderating global growth is acting as a headwind for Japan's highly cyclical and export heavy economy. The Weaker JPY has helped Japan earnings to date but going forward FX uncertainties are real as BoJ kicks off the rates normalization process.

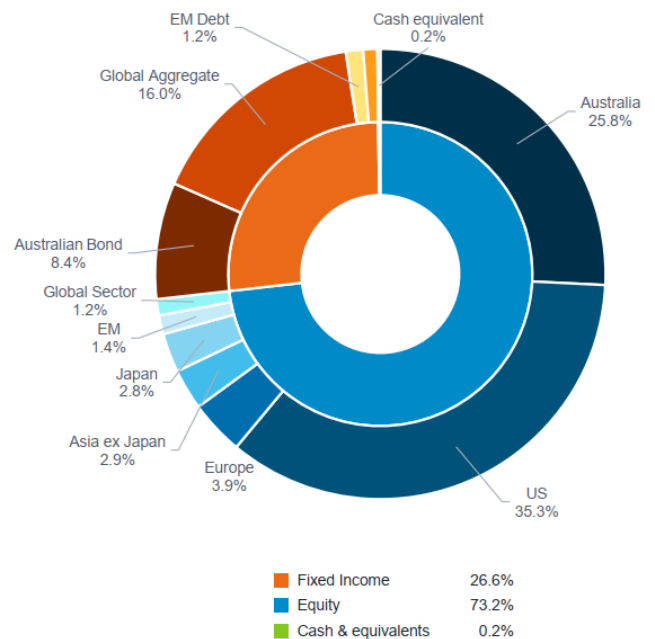
Within fixed income, duration vs. credit

Whilst we have become more optimistic about the disinflation trend, we are afraid that markets may have too aggressively priced in number of Fed cuts for year 2024. Within the global aggregate, we are more positive on the Euro duration and intend to not chase the US duration rally from here and wait for more attractive entry points.

Projecting inflation remains highly uncertain and current level of wage growth implies services inflation may remain more elevated than pre-COVID levels.

Growth and election uncertainties have increased spread risk. The high yield space is on watch although we are not overly worried about any impending default cycles given a low recession probability predicted from our tracking.

Portfolio Positioning



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Security Name	Portfolio weight	Unrealised gain+ /loss-
MSCI USA Quality Factor Fund	15.80%	2.32%
Australian Equities Fund	14.90%	0.33%
Sustainable Research Enhanced US Equity	11.50%	1.76%
America Fund	7.10%	0.65%
Australian Future Leaders Fund	6.50%	1.08%
Global Short Duration Income Fund	5.40%	0.11%
Global Corporate Bonds	4.60%	0.30%
Core S&P ASX 200	4.30%	0.42%
Core Composite Bonds	4.20%	0.11%
Australian Government Bond Index	4.20%	0.11%

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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