Generation Life Tax Effective Growth Fund

Fact Sheet | 31 September 2024

Performance as at 31 September 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]	1.30	4.60	4.50	-	-	-	18.5[4]
Gross strategy return (before fees & tax)[3]	1.30	3.30	3.40	-	-	-	17.0[4]
Gross strategy return (before fees & after tax)[3]	1.31	3.33	3.45	-	-	-	17.1[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 cost[4]	0.76% p.a.
Buy/sell spread	0.18%/0.18%
Suggested minimum investment period	5 Years
Risk level	6 - High

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

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.
4. Strategy inception is 29 September 2023

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).

Market commentary

September was not all smooth with inflation data firming up whilst labour data moderated. The Fed delivered a larger cut and signalled additional 250bps worth of cuts through 2026. The debate is now around the pace and magnitude of these cuts rather than policy stance. Long term growth prospects however remain uncertain both for the US and globally. We expect the Fed's short-term focus to be a source of volatility with investors constantly adjusting to Fed expectations towards growth and inflation.

Global equities surged to a new time high as central banks globally joined the rate cutting cycle. China's coordinated policy announcements resulted in a rally in Chinese equities. With both the US and China shifting decisively towards supporting growth, the MSCI AC World rose 2%. DM lagged EM with both growing 1.5% and 5.6% respectively.

Treasury yields continue to decline, and the yield curve continues to steepen. Longer dated bond yields are relatively range bound given the supportive growth outlook whilst the short end reacts to further policy easing. Given the well-known geopolitical risks, bond markets may provide a cushion against potential growth shocks.

In Australia, the cash rate did not change and left at 4.35%. The RBA's relatively hawkish view continues to push back against market pricing of rate cuts in 2024. August CPI was in line with expectations and headline fell to 3.5%. Employment remained strong with unemployment rate unchanged at 4.2%.

![generation life]

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Portfolio commentary

For the month ending 31 September 2024 the after tax and pre–Gen Life administration fee return was 1.31%. There were 21 building blocks in a tax payable position and 5 in a tax receivable at 31 September. The fund has generated 0.10% in tax alpha for the FYTD.

Asset class insights include

Shares vs Fixed Income: close to neutral on risk assets

Overall, we are neutral on risk but up on EM allocations vs DM. The disinflation trend is in the marking but worries about growth is surfacing. We are likely experiencing a normalization but not a imminent start of a recession. The fundamental backdrop is consistent with a mid/late cycle environment which usually produces positive returns albeit with higher volatility. The US election headlines will head into a crescendo as we head into November.

Australian shares vs Global Shares

Relative signals for Australia vs World has beocme even more unfavourable with expected earnings growth heading furthe down in Australia. The commodity terms-of-trade has come off highs and stabilizing at a relatively healthy level. Economic surprises have been a bright spot but are showing signs of fatigue. Our allocation to Australia is neutral to underweight.

Within global equities, regional allocations

We are slightly overweight US whilst remaining laser focused on growht indicators given the soft patch in data that we are seeing. The Fed had comenced the rate cutting cycle with a 50bps. Easing financial conditions have led some more interest rate sensitive sectors to re-rate. Sector dispersion has risen within the US and the quality style is favourable in a mid/late cycle environment.

As we go into the budget given negative government news, we reduced out UK allocation. Soft data has been good and better than elsewhere. Valuations have been cheap, sentiment has been weak and it is underwoned. Lately, hard data in UK has been a bit fustrating and underwhelming.

For Japan, the structural story persists as we are getting more cautious with moderating global growth acting as a headwind for the highly cyclical and export heavy Japanese economy. The weaker JPY had helped Japan earningsbut going forward the FX uncertainties are real as Bank of Japan kicks off the rates normalization process.

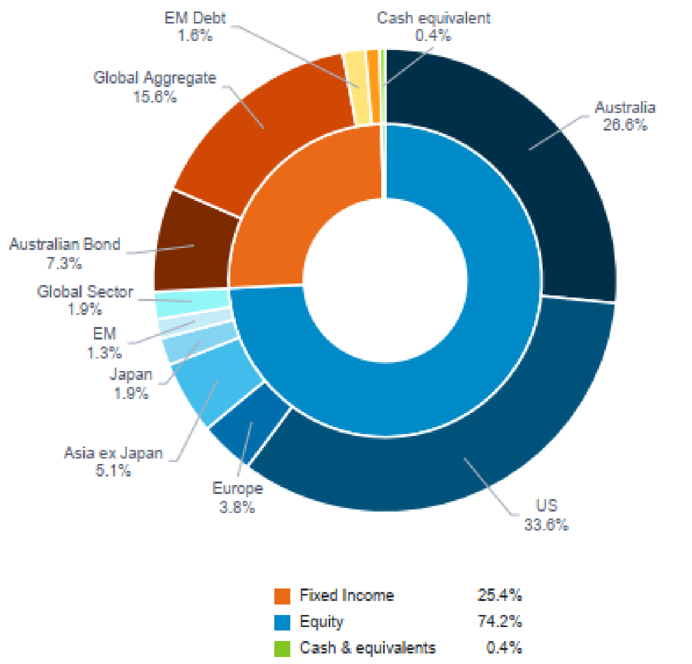
We are currently overweight China with Chinese policy makers wooing the market with a combination of monetary and fiscal stimulus which were above expectations. We added aggressively to China A shares position to benefit from the big turn in sentiment and potential valuation re-rating before earnings turn.

Within fixed income, duration vs. credit

Inflation does not appear to be a big issue anymore and we are getting close enough to target for central banks to not be constrained. Within the Global Aggregate, we are more positive on Euro duration and intend to not chase the US duration rally from here and wait for more attractive entry points.

Correlations with equities is turning negative making bonds more attractive for risk parity and vol targeting funds. Spread risk has increased amidst growth and election uncertainties. So far we have been less worried about an impending default cycle as our overall tracking continued to indicate resilience with low recession probability.

Portfolio Positioning



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Security Name	Portfolio weight	Unrealised gain+ /loss-
MSCI USA Quality Factor Fund	15.40%	2.57%
Australian Equities Fund	15.30%	1.00%
Sustainable Research Enhanced US Equity	11.30%	2.08%
America Fund	6.80%	0.41%
Australian Future Leaders Fund	6.50%	1.19%
Global Short Duration Income Fund	5.30%	-0.01%
Core S&P ASX 200	4.70%	0.53%
Global Corporate Bonds	4.50%	0.17%
Euro Bond Fund	3.80%	0.12%
Core Composite Bonds	3.60%	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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