Generation Life Tax Effective Growth Fund

Fact Sheet | 31 October 2024

Performance as at 31 October 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]	0.27	0.74	4.21	14.80	2.88	3.70	4.09
Benchmark return (before tax)[3]	0.20	1.50	7.60	21.40	-	-	17.1[4]
Gross strategy return (before fees & tax)	0.40	1.20	6.50	20.40	-	-	16.0[4]
Gross strategy return (before fees & after tax)	0.42	1.26	6.61	20.62	-	-	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 cost[5]	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 to Generation Life Tax Effective Growth Fund effective 29 September 2023.

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

Notes

1. Past performance is not an indicator of future performance.
2. The administration fee is deducted directly from the investment option before unit prices are declared.
3. Composite Index: 25.0% S&P/ASX 300 Index in AUD, 22.5% MSCI World ex Australia Index (Net) in AUD, 13.5% MSCI World ex Australia Index (Net) Hedged to AUD, 5.0% MSCI World ex Australia Small Cap Index (Net) in AUD, 4.0% MSCI Emerging Markets Index (Net) in AUD, 9.0% Bloomberg AusBond Composite 0+Yr Index in AUD, 21.0% Bloomberg Barclays Global Aggregate Index Hedged to AUD
4. Strategy inception is 29 September 2023
5. 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.

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

The Australian equity market fell -1.3% in October (as measured by the S&P/ASX 200 Accumulation Index), ending a run of five consecutive months of gains. The key theme over the month was the major sell-off in global bond markets, with the Australian 10-year bond yield increasing by 53bps, while the AUD/USD depreciated by 5.6%. During the month, Australian economic data pushed back market expectations for an RBA rate cut, with resilience in the labour market and some persistence in inflation. AGM trading updates, which saw net downgrades, as well as ESG issues drove local markets. Growth significantly outperformed Value over the month largely due to the bond sell off. Meanwhile, the Small-Ordinaries and Emerging Companies indexes posted modest gains, reflecting early signs of a shift from large caps.

Global market confidence remains fragile following further declines in early September, particularly in the U.S. tech sector with markets remaining sensitive to economic indicators. Nvidia's share price, for instance, fell from $130 on August 19 to $106 in early September, impacted by weak manufacturing PMI data and a decline in job openings, raising concerns about a potential slowdown in the U.S. economy. In Australia, second-quarter GDP growth for 2024 was just 0.2%—the slowest rate of expansion since the early 1990s, excluding the COVID period—marking a sixth consecutive quarterly decline in GDP per capita.

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Portfolio commentary

For the month ending 31 October 2024 the after tax and pre–Gen Life administration fee return was 0.42%. There were 24 building blocks in a tax payable position and 2 in a tax receivable as of 31 October. The fund has generated 0.20% in tax alpha for the FYTD.

Asset class insights include

Shares vs Fixed Income: risk on with a tilt to US equities

With US election behind us and a Trump presidency, the strategy is more bullish on US equities. The fundamental backdrop is consistent with a mid/late cycle environment which usually produces positive returns albeit with higher volatility.

Australian shares vs Global Shares

Relative signals for AU vs World lately remain unfavorable with expected earnings growth heading further down in AU. Commodities Terms-of-Trade have come off highs and stabilizing at a relatively healthy level. Economic surprises have been a bright spot but are showing signs of fatigue. The strategies AU allocation is underweight whilst increasing its USD exposure by hedging less to AUD in October, mindful of currency headwinds in a strong USD regime.

Within global equities, regional allocations

We are overweight US whilst remaining laser focused on growth indicators and constantly gauge the soft-landing probability. After the US election result, we added to S&P 500 Equal Weight ETF, with the view that earnings growth will have a higher chance to broaden out to more domestically exposed segments of the US market.

The strategy maintains its underweight to Europe albeit election risk premia may have subsided somewhat. However ongoing uncertainty means a delay in business decisions evident in recent surveys. Moreover, implications on fiscal discipline, means French government bonds could stay elevated in the near term, putting pressure on equity multiples at a time when earnings growth outside of financials has been lackluster. One positive development though is that demand for loans has picked up for the first time in over two years, which could help support the fragile recovery.

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 earnings but going forward the FX uncertainties are real as Bank of Japan kicks off the rates normalization process.

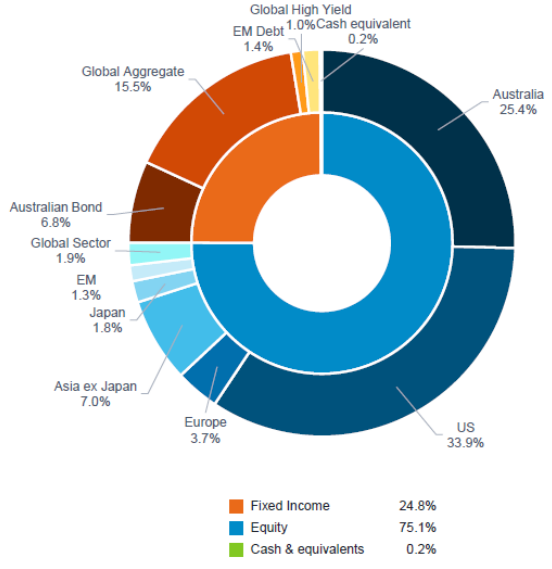
We are currently overweight China with Chinese policy makers wooing the market with a combination of monetary and fiscal stimulus which were above expectations. While we wait for further details on the fiscal front, we have observed positive higher frequency data in China over the month of October, that led us to maintain a bullish view with such a turn-around in consumer confidence and PMIs, while property markets stabilize

Within fixed income, duration vs. credit

Inflation does not appear to be a big issue anymore and getting close enough to target for central banks to not be constrained. The US duration has sold off fast and furious by 80bps in a short period of time, on the back of better growth data and fixed income investors pricing in some Trump risk that are inflationary. It has gotten to a level that is attractive.

Growth uncertainties have increased spread risk. High yield is a space to watch closely and so far, we have been less worried about an impending default cycle as our overall tracking continued to indicate resilience with low recession probability. Spreads remain tight in many areas, but overall all-in yield look attractive especially as cash rate comes down. Technical remain strong within credit with new issues well absorbed by the market.

Portfolio Positioning



Investor services		Adviser services	
Phone	1800 806 362	Phone	1800 333 657
Email	enquiry@genlife.com.au	Email	advisers@genlife.com.au

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Security Name	Portfolio weight	Unrealised gain+ /loss-
MSCI USA Quality Factor Fund	15.50%	2.30%
Australian Equities Fund	14.60%	0.73%
Sustainable Research Enhanced US Equity	11.50%	1.86%
America Fund	6.90%	0.57%
Australian Future Leaders Fund	6.40%	1.22%
Global Short Duration Income Fund	5.30%	0.14%
Core S&P ASX 200	4.50%	0.40%
Global Corporate Bonds	4.40%	0.26%
MSCI China – A ETF	4.10%	0.11%
Euro Bond Fund	3.80%	0.14%

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 a member of the group of companies known as Fidelity International. The parent company of Fidelity International, FIL Limited 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$1,275m (as at 30 June 2024) 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 $3.6 billion invested with us as of end September 2024.

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.

Investor services		Adviser services	
Phone	1800 806 362	Phone	1800 333 657
Email	enquiry@genlife.com.au	Email	advisers@genlife.com.au