Generation Life Tax Effective Growth Fund

Fact Sheet | 30 November 2024

Performance as at 30 November 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]	3.01	4.25	6.99	14.96	3.81	4.00	4.23
Benchmark return (before tax)[3]	3.30	4.80	9.60	19.90	-	-	19.2[4]
Gross strategy return (before fees & tax)	3.60	5.30	9.40	20.20	-	-	18.4[4]
Gross strategy return (before fees & after tax)	3.64	5.43	9.66	20.71	-	-	18.91[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

November was very much a US led month with the S&P500 and Bloomberg Global Aggregate index closing 5.7% and 0.34% higher respectively. The bullish activity was primarily on the back of the Republican parties pro-growth and market friendly via looser regulatory standing and proposed corporate tax rate cuts. Returns in other equity markets were poor with European equities down 1.9% and EM equities dropping 3.7% over the month.

Outside the US, inflationary risks and potential tariffs served as headwinds pushing most currencies lower against the USD except for the Japanese Yen which strengthened 1.4% as likelihood for a December hike by the Bank of Japan increases alongside further stimulus plans. Chinese stimulus has lagged market expectations on a lack of increased public spending to support domestic consumption.

In Europe, political uncertainties arose with the collapse of Germany's ruling coalition and heightening tensions in the French budget. Private sector activity in the Eurozone contracted and economic growth remained weak. Aside from cheaper valuations, easier monetary policies are expected as market pricings are hinting for the ECB to cut a further 0.50% in December.

In Australia, the RBA kept the cash rate on hold at 4.35% in November, which was in line with consensus expectations. The RBAs hawkish stance was retained with CPI being unchanged at 2.1%. Wages rose marginally at 3.5% and unemployment remained the same at 4.1% against a lower participation rate of 67.1%.

Portfolio commentary

For the month ending 30 November 2024 the after tax and pre–Gen Life administration fee return was 3.64%. There were 22 building blocks in a tax payable position and 2 in a tax receivable as of 30 November. The fund has generated 0.51% in tax alpha for the FYTD.

Asset class insights include

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

We have been positive on risk assets especially favouring US equities but increasing allocation to Australian government bonds. The current strong US environment continues, with the team favouring US equities especially financials when growth and inflation are both unlikely to drop in the US near term. The fundamental backdrop is consistent with a mid/late cycle environment. This usually produces positive returns albeit with higher volatility.

Australian shares vs Global Shares

The relative signals for Australia vs World lately remain unfavourable with expected earnings growth heading further down in Australia. Commodities Terms of Trade has come off highs and are stabilising at a relatively healthy level. Economic surprises have been trending down. Our Australia equity allocation is underweight, and we maintained underweight position to AUD by hedging less relative to benchmark, mindful of currency headwinds in a strong USD regime environment.

Within global equities, regional allocations

The portfolio is currently overweight US equities, besides adding to S&P500 Equal Weight ETF, with the view that earnings growth will have a higher chance to broaden out more domestically exposed segments of the US market. We added the Industrial ETF and Financials to tap deeper into domestic beneficiaries of the new government.

We are also currently underweight Europe, with ongoing election uncertainties meaning that a delay in business decisions is evident in recent surveys and are validated in both our proprietary current and future activity indicators. The German election next year is a key event to watch, but fiscal stimulus if any, probably cannot happen quickly to lift the growth outlook of Eurozone.

We are neutral in Japan, with the structural story persisting but we are getting a bit more cautious as moderating global growth is a headwind for Japan's highly cyclical and export heavy economy. The weaker the Japanese Yen had helped Japanese earnings but going forward foreign exchange uncertainties are real as the Bank of Japan kicks off the rates normalisation process.

On China we are overweight although the policy looks like it will stay especially with tariff uncertainties on the horizon. We have continued to observe China consumption numbers in November that led us to maintain a bullish view with domestic A shares as the focus of allocation, being the area that's less prone to global liquidity shocks.

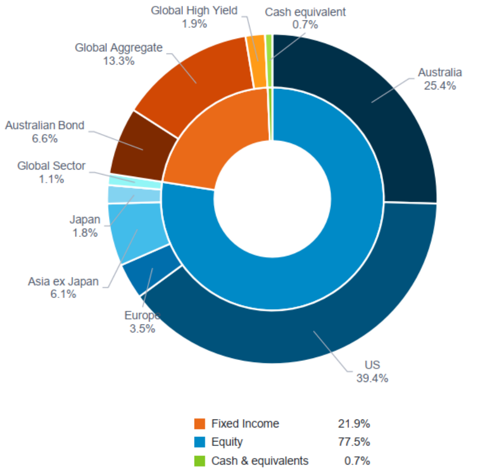
Within fixed income, duration vs. credit

The long duration bond market has gotten to a level that is attractive, and we have been adding to global bonds and Australian bonds.

Australia just had a big downside surprise on GDP, and now consumption and business investment are both in contraction. Inflation remains noisy but looks to be heading solidly below target. The current rate of 4.35% is restrictive. The 10-year yield is 4.25%. Almost by definition, the 10yr is good value. There appears to be plenty of room for upside in the Australian government bond pricing.

We became more cautious with Asian High Yield, as the region becomes riskier with trade uncertainties induced by tariffs on the horizon. In a global rate cutting cycle, high yield's risk and correlation with growth shocks is concerning. We have reduced our allocation to Asian high yield.

Portfolio Positioning



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Security Name	Portfolio weight	Unrealised gain+ /loss-
MSCI USA Quality Factor Fund	15.50%	2.69%
Australian Equities Fund	14.40%	1.10%
Sustainable Research Enhanced US Equity	11.50%	2.21%
America Fund	6.90%	0.87%
Australian Future Leaders Fund	6.60%	1.66%
Global Short Duration Income Fund	5.20%	0.16%
Core S&P ASX 200	4.50%	0.55%
Global Corporate Bonds	4.30%	0.26%
MSCI China – A ETF	4.00%	-0.12%
Euro Bond Fund	3.80%	0.20%

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	
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