


# Generation Life Tax Effective Growth Fund

Fact Sheet | 31 January 2025

Performance as at 31 January 2025 <sup>1</sup>	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) <sup>2</sup>	2.14	4.44	5.21	12.14	4.73	4.00	4.26
Benchmark return (before tax) <sup>3</sup>	2.50	5.40	7.10	16.00	-	-	18.20 <sup>4</sup>
Gross strategy return (before fees & tax)	2.60	5.70	7.00	16.80	-	-	17.60 <sup>4</sup>
Gross strategy return (before fees & after tax)	2.64	5.81	7.23	17.25	-	-	18.05 <sup>4</sup>

Fund facts	
<b>Sector</b>	Diversified - growth
<b>Tax aware level</b>	 Tax Optimised
<b>Inception date</b>	10 September 2004
<b>Fund code</b>	UF10
<b>Generation Life APIR code</b>	ALL0014AU
<b>Investment management cost<sup>5</sup></b>	0.76% p.a.
<b>Buy/sell spread</b>	0.18%/0.18%
<b>Suggested minimum investment period</b>	5 Years
<b>Risk level</b>	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 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

- Past performance is not an indicator of future performance.
- The administration fee is deducted directly from the investment option before unit prices are declared.
- 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
- Strategy inception is 29 September 2023
- 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.

## Market commentary

It has been an exceptional start to the year with lots of market moving events. The admission of President Trump and an influx of executive orders followed by a bond market sell off lifting yields to 2023 highs as well as challenges to the dominance of United States(US) artificial intelligence. Overall, US equities rose in January and bonds generated positive returns. The equities index rose 3.5% and bonds returned 0.6%.

Investors had rotated towards relatively cheaper European markets as positive views of US were questioned and broader economic data was supportive. Concerns on global trade however and the rising risk of higher tariffs on Europe by the US could undermine performance. Japanese bond yields reached a decade high of 1.25% as the Bank of Japan raised cash rate to its highest level in 17 years. Riskier parts of the bond market also performed well, with high yield and emerging markets both returning 1.2%. On commodities, gold prices continued to rise and oil up 3.1%.

In Australia, the rate story remains uncertain with arguments for both easing and tightening. Australian government bonds rose to 4.43%. The market moved to price a February rate cut by the RBA. Australian equities lifted higher, increasing by 4.6%, matching the return in small ordinaries. Almost all sectors gained other than utilities which fell by 2.4%.

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## Portfolio commentary

For the month ending 31 January 2025 the after tax and pre-Gen Life administration fee return was 2.64%. There were 21 building blocks in a tax payable position and 1 in a tax receivable as of 31 January. The fund has generated 0.45% in tax alpha for the FYTD.

## Asset class insights include

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

The US rally may continue with solid jobs data and below expectations inflation prints in the near term. Earnings are going to do the heavy lifting this year but will have more uncertainties with the private equity expansion part given hefty valuation and continued volatilities in bond yields driving positive relationship between equities and bonds.

The weakness in earnings, rising real yields and shrinking central bank balance sheets (withdrawal of liquidity) are negative factors while the solid growth numbers and positive momentum are positives.

### Australian shares vs Global Shares

The relative signals for Australia vs World stayed roughly balanced with expected earnings growth continuing to recover in Australia. Commodities Terms of Trade however, has come off highs and remained slow. Economic surprises have been trending down in Australia. We maintained an underweight position on AUD by leaving unhedged USD positions, as in a portfolio context USD is still a good portfolio hedge vs risk assets.

### Within global equities, regional allocations

We are overweight US as the economy continues to enjoy strong fundamentals driven by resilient US consumers driving growth, strong corporate and household balance sheets, high margins, prospect of tax cuts and deregulation. We are however, mindful of the very demanding valuation at a time when tariffs uncertainty remains high and fiscal support could be waning. Our preference is for going down the market cap spectrum and areas that are more domestically focused.

Northern Europe is facing structural headwinds ranging from ongoing industrial weakness, to lack of fiscal headroom but also weak leadership. We see limited improvements from a macro perspective and US trade policy could become an additional headache. We expect the ECB to be forced to cut rates more promptly, which could ease financial conditions and lead to a pickup in demand for loans, but even then, it would be a fragile recovery. With the valuation gap vs the US and sentiment/positioning improving, European equities have enjoyed a short term relief rally. We are watching the geopolitical development

and upcoming German election closely to gauge the sustainability of earnings recovery in Europe.

Among the shockwaves of DeepSeek, investors start to rethink the China discount and its technology sector. Alibaba and Tencent or the world may further re rate due to recent catalysts such as Alibaba and Apple for AI initiative, and Tencent's AI search integrating into WeChat. Sentiments in China equities have clearly improved, along with higher frequency property data showing early signs of confidence returning to one of the most beaten down sectors.

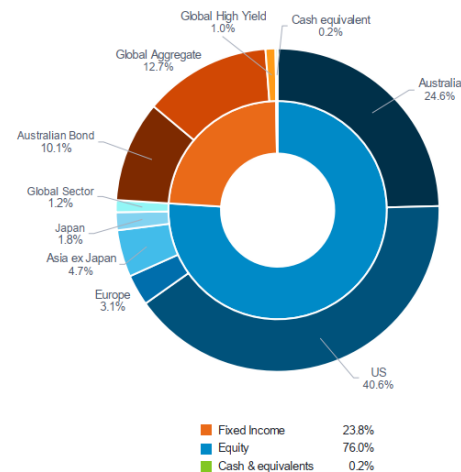
### Within fixed income, duration vs. credit

We remain the view that Australian government bonds offer good value especially compared to the US given higher inflation uncertainty related to tariffs and immigration policy in the US. Inflation data in Australia continues to move in a favourable direction, supporting increased likelihood of an RBA cut in 2025.

Higher yields (both real and nominal) plus attractive medium term expected returns are positives for long duration. The good macro environment is a detractor and technicals are neutral.

Over the near term, though credit spreads are at historic lows, fundamentals do not support an imminent pickup in default risk. Thus, we increased our allocations to global aggregate alongside of AU duration, as better risk reward plays, while outlook for equities become a bit foggy.

## Portfolio Positioning



## Investor services

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## Adviser services

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Security Name	Portfolio weight	Unrealised gain+ /loss-
MSCI USA Quality Factor Fund	16.0%	2.68%
Australian Equities Fund	13.8%	0.89%
Sustainable Research Enhanced US Equity	12.1%	2.25%
Global Corporate Bonds	7.9%	0.26%
America Fund	7.1%	0.76%
Core Composite Bond ETF	6.9%	0.05%
Australian Future Leaders Fund	6.4%	1.64%
Core S&P ASX 200	4.4%	0.57%
MSCI China – A ETF	3.9%	-0.18%
Euro Bond Fund	3.8%	0.16%

## 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

## 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 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.

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