


# Generation Life Tax Effective Growth Fund

Fact Sheet | 31 March 2025

Performance as at 31 March 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>	-3.21	-2.36	0.10	2.03	3.17	5.93	4.00
Benchmark return (before tax) <sup>3</sup>	-2.80	-1.40	1.70	6.30	-	-	11.90 <sup>4</sup>
Gross strategy return (before fees & tax)	-3.60	-2.50	0.80	4.30	-	-	11.70 <sup>4</sup>
Gross strategy return (before fees & after tax)	-3.63	-2.59	0.62	3.94	-	-	11.34 <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

## 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.

## 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

In March, equity markets faced a challenging and volatile month, driven by uncertainty surround US trade policies, the absence of the "Trump put", and growing recessionary fears which all contributed to the risk off sentiment. The VIX increased to 27.9 leading the S&P500 to its first 10% correction in nearly two years. Waiting for clarity around April reciprocal tariffs announcements, the MSCI World Index declined 5% in March, MSCI EM was flat at 0.3% and Global Aggregate Index returned 0.6%.

The announcement of auto tariffs and rumours of a broader than anticipated reciprocal tariff in late March triggered a sharp sell-off across European markets and parts of Asia. Germany's approval to reform the constitutional debt break and increase fiscal spending on defence has revived domestic sentiment and bene well received by markets. The ECB has also shifted its focus towards growth risk over inflation, signalling a willingness to consider more rate cuts amidst uncertainty. The MSCI Europe fell 3.5%, giving back earlier gains. China's new consumption plan and high fiscal spending target will provide tailwinds for domestic growth.

In Australia, Q4 GDP grew 0.6% q-o-q, driven by a rebound in household consumption and resilient public demand, lifting y-o-y growth to 1.3%. The monthly CPI slowed to 2.4% y-o-y, which was below consensus estimate. The trimmed mean inflation rate remained at 2.7% y-o-y, within the RBA's target band. The ASX dropped 3.4% over the month despite recovering some losses mid-month due to softer employment and inflation data. Nearly all sectors declined over the

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month with technologies falling 0.7% and utilities only 1.5% above water.

## Portfolio commentary

For the month ending 31 March 2025 the after tax and pre-Gen Life administration fee return was -3.63%. There were 18 building blocks in a tax payable position and 4 in a tax receivable as of 31 March. The fund has generated -0.36% in tax alpha for the FYTD.

## Asset class insights include

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

We are starting to turn a bit cautious on risk with expectations of higher volatilities. Our allocation to Australian government bonds continues to increase. Despite overall US growth remaining resilient supported by hard data, corporate and consumer sentiments have been impacted by the heightened policy uncertainty. Earnings are going to do the heavy lifting this year, but more uncertainties with the PE expansion part given uncertain policy environment and cautious corporate guidance.

With aggressive repricing of long end of yield curves across the global, duration is getting in multiple regions. Equity bond correlations turned back to negative amid the downside growth concerns over the recent periods.

### Australian shares vs Global Shares

Relative signals for Australia vs World have turned roughly balanced. Commodities terms of trade however, has come off highs and remained sluggish and labour market remained weak. Having said that, given the magnitude of corrections since mid-February, we see a lot of the bad news being priced in and reduced some AU equity underweights.

### Within global equities, regional allocations

We have trimmed the US towards more underweight: US activities have seen signs of weakness mostly in the survey data due to policy uncertainty, and the Labor market could also be impacted by the recent immigration and DOGE policy. Having said that, the Fed focusing on balancing growth and inflation risk are helpful to limit downside risk to growth. In the medium term, US growth could continue to moderate towards trend levels, though we don't worry about recession risks yet. Recent correction has brought own the froth of US equity valuations and it is currently close to fair value. We will continue to watch the policy agenda of the new administration, specifically regarding the impacts of fiscal policy, trade policy and industrial policy.

Despite the current economic activities remaining weak and certain industries facing structural challenges, surveyed data have shown tentative signs of bottoming out. We have observed major shifts in the policy front. The previously feared fiscal drag is now largely mitigated by the commitment to defence spending, which should support the near-term growth. Monetary policy remains supportive as ECB continues to cut rates. In our view, the ECB could continue the rate adjustment towards neutral as long as inflation risk remains benign.

The rally this time is driven by some fundamental support rather than purely sentiment as: key corporate earnings are seeing improvements, PMI data and housing market data show signs of stabilization, AI development in China triggered some rerating from the previous dirt-cheap valuations. Policies have remained highly supportive as the central government aims to remove the downside systematic risk to the overall economy. We will continue to watch the fiscal policy implementation closely to gauge sustainability of the economic recovery as some structural challenges remain. US Trade policy evolution towards China may also cause further market volatilities.

### Within fixed income, duration vs. credit

Bond yields have been more volatile as the market narrative shifts amidst growth, inflation and policy expectations. We continue to have tactical positioning in duration. In the medium term, we remain constructive in bonds as most central banks have likely past the peak of policy tightening, while the all-in yield becomes more attractive. In the current environment, bonds are useful to hedge equity downsides. We remain of the view that Australian government bonds offer good value.

Near term, although investment grade spreads are tight, fundamentals do not support an imminent pick up in default rates. Thus, we have increased our allocation to global aggregate alongside of AU duration, as a better risk/reward play, as outlook for equities becomes a bit foggy.

### April MTD position changes

Despite the US continuing to offer relatively strong corporate fundamentals compared to other regions, we deemed it prudent to mitigate risk. Elsewhere, although we believe China is relatively better prepared for tariffs, we have taken profits from our exposure to China Technology to further reduce overall risk. One area we have been increasing is in Australian equities, given that Australia is a net importer from the US and is less affected by the ongoing tariff tensions.

To safeguard the portfolio against downside risks, we have also added inflation-linked bonds and Australian Bonds within our fixed income allocation to mitigate growth risk and stagflation. These positions have performed well, positively contributing to returns.

Following the 'Liberation Day' we further took the opportunity to move a moderate underweight in equities. Referencing the tax effective growth strategy, the equity allocation is now approximately 65%, resulting in a ~5% underweight relative to benchmark. De-risking has taken place

## Investor services

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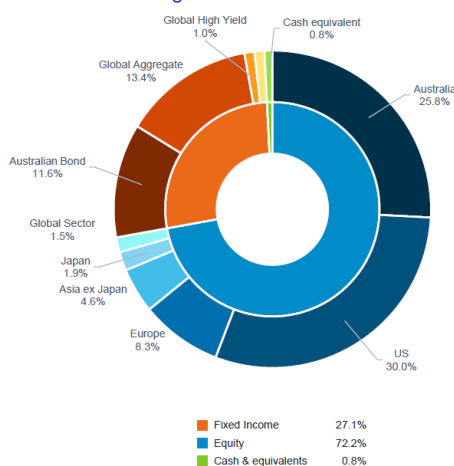
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within the US, where we have used S&P index futures to hedge our physical exposure in an efficient and liquid manner. Physical holdings in the Fidelity US SRE ETF have been sold down and credit markets has seen some signs of widening.

The PMs have also significantly reduced their allocation to Global High Yield across the portfolios and reallocate to Inflation Linked Bonds, which should provide a decent hedge against stagflation.

Overall, our asset allocation is much more cautious, with a focus on managing risk. Buying opportunities may emerge and there will be further noise to navigate in the short term. We are therefore concentrating on areas that may provide a degree of insulation. Our positions in gold and gold miners have gradually increased as diversification for equity and bonds. We have also added to quality focused strategies as we believe corporates with strong balance sheets and earnings quality will hold better under macro uncertainties.

## Portfolio Positioning



## Security Name

MSCI USA Quality Factor Fund  
 Australian Equities Fund  
 Core Composite Bonds  
 Sustainable Research Enhanced US Equity  
 Global Corporate Bonds  
 Core S&P ASX 200  
 Australian Future Leaders Fund  
 Core MSCI EMU ETF  
 MSCI China Tech ETF  
 America Fund  
 MSCI USA Quality Factor Fund

## Portfolio weight

14.1%  
 13.6%  
 10.3%  
 9.0%  
 8.4%  
 6.3%  
 6.0%  
 4.5%  
 4.1%  
 3.8%  
 14.1%

## Unrealised gain+ /loss-

1.68%  
 0.00%  
 0.15%  
 1.19%  
 0.39%  
 0.15%  
 1.01%  
 0.02%  
 -0.08%  
 0.28%  
 1.68%

## 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

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## 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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