


# Generation Life Tax Effective Growth Fund

Fact Sheet | 31 May 2025

Performance as at 31 May 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>	3.11	-0.87	-0.74	6.20	5.04	5.37	4.09
Benchmark return (before tax) <sup>3</sup>	3.40	1.10	2.20	11.90	-	-	14.60 <sup>4</sup>
Gross strategy return (before fees & tax)	3.20	-1.30	-0.70	8.70	-	-	12.10 <sup>4</sup>
Gross strategy return (before fees & after tax)	3.18	-1.37	-0.84	8.42	-	-	11.82 <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>	0.15%/0.15%
<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 investment performance fee costs that may be charged or incurred by the investment manager and exclude indirect transaction and operational costs (refer to the Product Disclosure Statement for further information about fees and costs).

## Market commentary

During May, global equity markets regained some composure as the announcement of reduced tariff rates revised hopes for a de-escalation in trade tensions. However, global bond markets are increasingly worried about the deteriorating fiscal deficits and long-term sustainability in the US and elsewhere. The MSCI World index and MSCI Emerging market index gained 6.0% and 3.2% respectively. The Bloomberg Global Aggregate index ended the month down 0.4%, all in local currency total return terms.

Japan also witnessed a sharp pick up in its 30-year government bond yields, which climbed 24bps to a record high at 2.9%. In the European Union, uncertainties surrounding trade policies persist and remain volatile with fiscal policy further obscuring visibility for the year ahead. Silver linings have emerged however, as periods of heightened uncertainty often coincide with low, or even negative, stock-bond correlation, reinforcing the need for portfolio diversification.

In Australia, the RBA lowered the cash rate by 25bps to 3.85% at the May meeting. Upside risks to inflation are now considered to have diminished, with growth and inflation forecasts both revised lower. With the 25bps fully priced in, Governor Bullock noted that a 50bps cut was discussed by the Board, affirming a dovish pivot at this point.

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## Portfolio commentary

For the month ending 31 May 2025 the after tax and pre-Gen Life administration fee return was -3.18%. There were 23 building blocks in a tax payable position and 4 in a tax receivable as of 31 May. The fund has generated -0.28% in tax alpha for the FYTD.

## Asset class insights include

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

We remain nimble in risk taking with expectations of higher volatilities. Preference to Australian government bonds is maintained as a hedge to downside global growth. Despite the tariff de-escalation mitigating concerns and leading to some rebound in sentiment/surveys, the impact on hard data is starting to show up. We continue to see downside risk to growth, though the magnitude of downside risk is smaller. Given the flipflop nature of Trump policy and the looming deadline as the initial pause of "reciprocal tariff", we prefer to stay nimble with the equity positioning while taking calculated risk in areas with more lasting convictions. We continue to have tactical positioning in duration as bond yield has been more volatile as the market narrative shifts amid growth, inflation and policy expectations.

### Australian shares vs Global Shares

Relative signals for Australia vs World remain supportive. PMI continues in expansion and inflation surprises to the downside. Policy tone remains supportive as the softening CPI pressure boost the case for further rate cuts. Commodities Terms-of-Trade has rebounded somewhat, though economic surprises remain modestly negative.

### Within global equities, regional allocations

We are currently neutral towards the US. The US economy is showing signs of weakness, primarily reflected in survey data due to policy uncertainty and the effects of tariff policies, which have impacted the economy, evidenced by a slowdown in job creation, particularly among small businesses. The economy however was resilient before the tariffs, and their impact appears to be less severe than initially feared, suggesting potential for growth. Inflation presents a mixed picture, with risks of increased core goods inflation but moderation in housing and service prices. Consequently, the Fed is not in a hurry to act, although it may intervene if hard data indicates significant downturns to mitigate the impact. Attention should be given to the policy agenda of the new administration, particularly regarding fiscal, trade, and industrial policies.

We remain positive on Europe. Economic activities and survey data are showing signs of bottoming out, with a favourable policy mix,

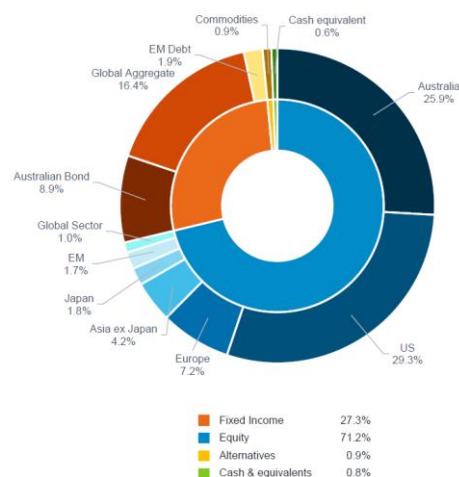
particularly as fiscal policy becomes more supportive through increased defence spending. Following the latest rate cut from the ECB however, rates are now at a neutral level leaving little room for further cuts unless faced with additional economic downside risks. The US trade policy poses headwinds that could impact the export sectors or the European economy, who are already under pressure. These external challenges however may lead to more supportive European policy measures. It is important to continue to monitor changes in fiscal policy stance and the implications of geopolitical developments, such as the Russia-Ukraine war and Middle East tensions, as well as US trade policy, to adapt positions accordingly.

### Within fixed income, duration vs. credit

Bond yields have been more volatile due to shifting market narratives around growth, inflation, and policy expectations. We remain tactical with duration positioning and remain constructive in bonds over the medium term, as central banks have likely passed the peak of policy tightening, making the all in yield more attractive. In the current environment of growth fears, bonds are useful for hedging equity downside. We remain of the view that Australian government bonds offer good value.

We maintain our preference for carry assets in light of tariff de-escalation and US fiscal budget. Recently, we have increased our holdings in emerging market local currency debt to take advantage of the appealing real yields and steep yield curves, which are likely to attract investors looking for favourable real returns in an environment market by persistent inflation. Additionally, a weaker to stable USD is anticipated to offer further support.

## Portfolio Positioning



## Investor services

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## Adviser services

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Security Name	Portfolio weight	Unrealised gain+ /loss-
Australian Equities Fund	13.8%	1.06%
MSCI USA Quality Factor Fund	13.0%	1.89%
Sustainable Research Enhanced US Equity	12.8%	1.37%
Global Corporate Bonds	7.8%	0.45%
Core Composite Bonds	7.7%	0.18%
Australian Future Leaders Fund	6.1%	1.43%
Core S&P ASX 200	6.0%	0.50%
Global Bond Fund	3.5%	0.04%
European Dividend Fund	3.4%	0.20%
Core MSCI EMU ETF	3.0%	0.21%



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\$696 million (as at 31 December 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.

## About the investment manager

### Investor services

Phone 1800 806 362  
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### Adviser services

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