# Product Assessment

**Report as at 30 Sep 2025**

RECOMMENDED

# Generation Life Tax Effective Growth Fund

Rating issued on 30 Sep 2025 | APIR: ALL0014AU

## Investment objective

To outperform the weighted average return of a composite index before tax and fees over rolling 5-year periods.

| | |
|---|---|
| **Manager** | Fidelity International |
| **Distributor** | Generation Life |
| **Sector** | Multi-Asset \ Growth |
| **Investment Style** | Fundamental |
| **RI Classification** | Integrated |
| **Absolute Risk** | High |
| **Relative Risk** | Active - Strategic AA Focussed |
| **Investment Timeframe** | 5-6 Years |
| **Zenith Benchmark** | Diversified Market Growth Benchmark |
| **Min Investment Amount** | $1,000 |
| **Redemption Frequency** | Daily |
| **Income Distribution** | - |
| **Fund Size (29 Aug 2025)** | $56.15M |
| **Management Cost** | 0.76% p.a. Incl. GST |
| **Performance Fee** | N/A |
| **Buy / Sell Spread** | 0.15% / 0.15% |
| **Inception Date** | 29 Sep 2023 |

## Fund facts

- A neutral strategic asset allocation of 70% to growth assets and 30% to defensive assets
- A well-resourced investment team, with a variety of specialisms and expertise that leverages Fidelity's global bottom-up research platform
- Allocates to investment strategies with the aim of optimising post-tax return outcomes

## Viewpoint

The Fund, managed by Fidelity International (Fidelity) is an investment option available through Generation Life investment bonds that is structured such that tax on any returns (income and capital growth) generated within its underlying investment's are paid internally in a similar way to superannuation products. The Fund invests across a range of core asset classes with the goal of delivering a competitive, tax efficient outcome. Leveraging Fidelity's global research platform, the Fund is managed to a Strategic Asset Allocation (SAA) framework, with the investment team able to implement Tactical Asset Allocation (TAA) to strengthen portfolio outcomes. Notwithstanding the Fund's recent launch, Zenith views favourably Fidelity's track record in managing tax-efficient portfolios.

Fidelity is a global asset manager that employs over 9,300 staff, located in 28 locations across the world, with approximately $US 673 billion in funds under management (FUM) as at 30 June 2025. Of this amount, Fidelity managed approximately $A 76 billion in Multi-Asset strategies.

Fidelity's global Multi-Asset portfolio management team is led by Matthew Quaife, Global Head of Multi-Asset Investment Manager who is based in Hong Kong. Quaife is supported by portfolio managers, Joseph Zhang and Pek Ng who manage the Generation Life portfolios. Zhang and Ng work together as portfolio managers on several pension, retirement and target date institutional accounts, managing $13 billion together. In Zenith's view, Fidelity's portfolio management team comprises a sound mix of experience and expertise, and we view favourably the team's access to the insights formulated from across its global platform of analysts.

The Fund has been designed for Generation Life's investment bond tax regime. Specifically, a 30% tax on income with all realised capital gains/losses assessed as income. As such, Fidelity aims to maintain a tax-efficient portfolio that should improve the Fund's (after tax and fees) outcome.

Fidelity believes in the merits of an SAA, which over the long term is expected to be the core driver of investment outcomes. Additionally, Fidelity believes that markets often fail to recognise significant events, and tend to overact to 'noise', providing opportunities to add value through discrete strategies that tilt asset class exposures away from their neutral settings.

Portfolio construction is conducted at a number of levels, including at a portfolio level, where the portfolio managers combine underlying strategies, and work closely with the Head of Portfolio Construction and Risk to build portfolios combining intended factor exposures. Tax optimisation is also incorporated into portfolio construction which has added significant value.

The Fund's SAA is relatively narrow, with asset class exposures gained predominantly through internally managed capabilities. Zenith believes that as AUM grows, a more diverse set of exposures will be added, translating into improved portfolio efficiency and ultimately fund performance.

Fidelity implements a monthly re-balancing approach that seeks to strike an appropriate balance between maintaining the purity of the Fund's SAA and that of transactional costs and taxes, while also allowing for more frequent re-balancing to consider market events and capitalise on market dislocations. While the team is highly experienced in managing tax-efficient mandates, Zenith notes that it is untested in managing to an Australian-based tax regime. Nonetheless, we have conviction in Fidelity's ability to manage the Fund based on their track record in managing similar tax-efficient mandates in other jurisdictions and their ability to leverage Australian tax experts from the broader Fidelity platform.

# Fund analysis

## Fund characteristics

| Constraint | Value |
|---|---|
| Targeted growth exposure | 70% (neutral) |
| Targeted defensive exposure | 30% (neutral) |
| Australian shares | 10% to 60% |
| International shares | 10% to 70% |
| Australian fixed income | 0% to 40% |
| Global fixed income | 0% to 40% |
| Cash | 0% to 40% |
| Other | 0% to 35% |

## Investment objective and philosophy

The Fund's primary investment objective is to outperform the weighted average return of a composite index (before taxes and fees) over rolling 5-year periods. As a secondary objective, the portfolio seeks to outperform the benchmark with a preference towards unrealised capital growth.

The benchmark comprises the following:

- 25% S&P/ASX 300 Index,
- 22.5% MSCI World ex Australia Index (Net),
- 13.5% MSCI World ex Australia (Net) (Hedged to AUD),
- 5% MSCI World ex Australia Small Cap Index (Net),
- 4% MSCI Emerging Markets Index (Net),
- 9% Bloomberg AusBond Composite 0+Yr, and
- 21% Bloomberg Global Aggregate Index (Hedged to AUD).

To achieve these objectives, the Fund employs an SAA framework, providing (neutral) exposure to growth (70%) and defensive assets (30%).

The Fund has been designed for the investment bond tax regime. Specifically, a 30% tax on income with all realised capital gains/losses assessed as income. As such, Fidelity aims to maintain a tax-efficient portfolio that should improve the Fund's (after tax and fees) outcome.

Fidelity's investment philosophy is based on the belief that markets are generally efficient at pricing today's information, but often fail to recognise significant events and overreact to noise. This can be exploited by employing a flexible allocation approach to add value and manage risk.

Fidelity believes in the merits of an SAA, which over the long term is expected to be the core driver of investment outcomes. Additionally, Fidelity believes that markets often fail to recognise significant events, and tend to overact to 'noise', providing opportunities to add value through discrete strategies that tilt asset class exposures away from their neutral settings. This process is known as TAA and is structured to afford the portfolio management team with flexibility to enact positions, albeit within a tightly risk-controlled framework.

SAA

The SAA setting process employs a traditional mean-variance framework and is set with a ten-year time horizon. On an annual basis, the Hong Kong-based Multi-Asset team undertakes a deep-dive review of the Fund's SAA, which is based on a mix of quantitative and qualitative inputs, while also leveraging Fidelity's bottom-up insights.

Zenith notes that Fidelity's proprietary capital market assumptions are a key input to the SAA process, using a building block approach which considers a range of long-term risk premia, including credit, equity, term and the risk-free rate to produce risk, return and correlation forecasts. Given the portfolio has been customised to cater for the Australian tax regime, the team considers franking credits in the return assumptions of the Australian equity asset class. The output of this process is then subject to sensitivity analysis to determine asset class exposures, with an expert panel ultimately responsible for validating final outputs and flagging any potential optimisation shortcomings such as portfolio skewness/kurtosis/diversification.

In Zenith's opinion, Fidelity's SAA process is sound, benefiting from fundamental insights and quantitative outputs, to achieve a portfolio mix that is fit for purpose, given the Fund's objective.

**TAA**

Fidelity will move the Fund's portfolio away from its SAA through TAA, where asset classes move to extreme levels with the expectation they will mean-revert. Consistent with this approach, Fidelity seeks to add 1% per annum on average from TAA decisions and its modelling anticipates TAA to generate up to 20% of total returns. However, TAA has had a negative impact on performance for the year ending 30 June 2025, largely due to fundamentals calling for a risk-off posture in April/May 2025, but markets actually pushed ahead over the period. This has led to refinements of its TAA process.

Combining proprietary quantitative signals and qualitative insights, the TAA process focuses on in-depth analysis of fundamental, valuation and technical factors to increase the information ratio of the overall investment process. Zenith notes that Fidelity typically evaluates fundamentals on a through-the-cycle basis, covering economic and policy cycles from the top-down, with earnings cycles from the bottom-up.

The team has a regular formal asset allocation discussion forum, which brings together inputs from Fidelity's most experienced investors. Participants debate asset allocation views in this forum, starting with a review of the quantitative models followed by a discussion of macroeconomic, microeconomic, and underlying market and valuation factors. Research from Fidelity's equity and fixed income teams also helps shape views on market valuation, providing a bottom-up fundamental assessment of fair value. This is provided through access to a company-wide research database, with contributions from senior investment professionals and portfolio managers from across the business.

Zenith is supportive of the TAA process, highlighting the team's ability to draw upon Fidelity's bottom-up insights is a point of differentiation amongst its peers, helping to identify emerging themes and challenge the team's top-down observations.

## Portfolio applications

The Fund is structured as an investment bond benefit fund which is a type of life insurance investment contract, where there must be an investor and a life insured. Investment bonds are tax-paid investments.

Put simply, Generation Life pays the tax on the earnings at the current tax rate of 30%, where the actual effective rate impacting an investment may be lower due to tax parcel management and tax credits, including imputation credits and foreign tax credits. Zenith notes that the effective average tax rate for the Fund has been modelled over a 20-year period and is expected to be approximately 12% p.a.

The Fund has been designed to be managed in a tax-aware manner, with the objective of optimising for after-tax returns rather than focusing solely on pre-tax returns. With Generation Life being the Fund's sole taxpayer, it is therefore able to be managed to optimise outcomes on an after-tax basis.

Zenith highlights that Fidelity has been appointed to directly manage the Fund via a mandate under an Investment Management Agreement.

The Fund provides investors with exposure to a range of asset classes across Australian and global markets, with a neutral asset mix comprising 70% growth and 30% defensive.

The Fund's investment mandate is considered to be broad, with the investment team permitted to take TAA positions. Notwithstanding this, Zenith considers the Fund suitable as a standalone investment, or as a complement to a broader portfolio that seeks to produce outcomes consistent with an investor's risk/return preferences.

Given the tax-paid advantage of investment after 10 years, Zenith considers an appropriate investment time to be at least 10 years. Equally, given the Fund's secondary objective to outperform the benchmark with a preference towards unrealised capital growth, Zenith would expect the turnover of the Fund to be lower compared to other Multi-Asset portfolios.

The Fund has a Standard Risk Measure (SRM) risk band of 6 (i.e., high), which estimates four to less than six years of negative annual returns over any 20-year period. This SRM is published in the Fund's current Product Disclosure Statement and was last calculated in April 2024 by Generation Life based on the FSC/ASFA recommended methodology.

## Fund responsible investment attributes

| Key Information | Description |
|---|---|
| Zenith RI classification* | Integrated |
| Has Responsible Investment Policy | Yes |
| **Negative screens**** | **Full/Partial** |
| Armaments | Full |
| Fossil fuels | Partial |
| Tobacco | Partial |
| **PRI Status** | |
| PRI Signatory | Yes |

*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact

***Data has been supplied by third parties. While such information is believed to be accurate, we do not accept responsibility for any inaccuracy in such data.*

# Absolute performance

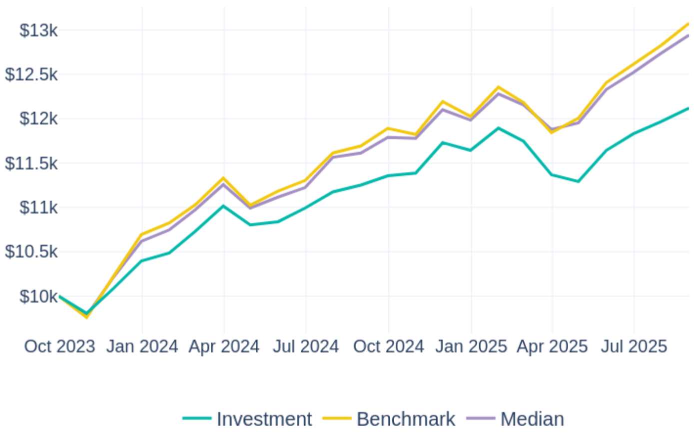
**Performance as at 31 Aug 2025**

## Monthly performance history (%, net of fees)

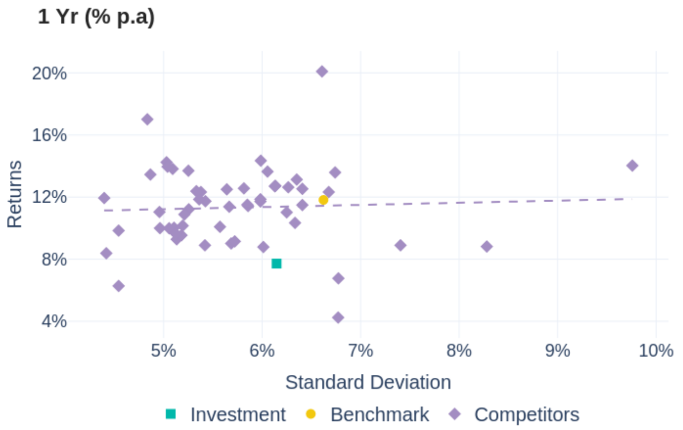
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD | BM YTD* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2025 | 2.14% | -1.24% | -3.21% | -0.67% | 3.11% | 1.60% | 1.16% | 1.28% | | | | | 4.10% | 8.73% |
| 2024 | 0.85% | 2.35% | 2.64% | -1.93% | 0.33% | 1.42% | 1.66% | 0.69% | 0.93% | 0.27% | 3.01% | -0.74% | 11.98% | 12.44% |
| 2023 | | | | | | | | | | -1.94% | 2.87% | 3.06% | 3.97% | 6.94% |

**Diversified Market Growth Benchmark*

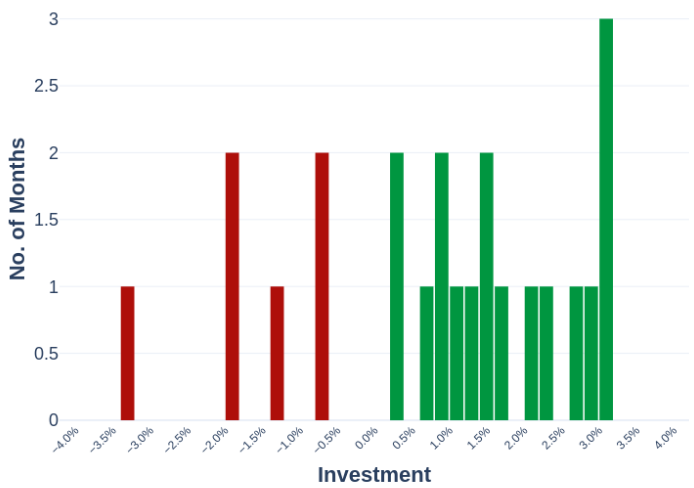
## Growth of $10,000



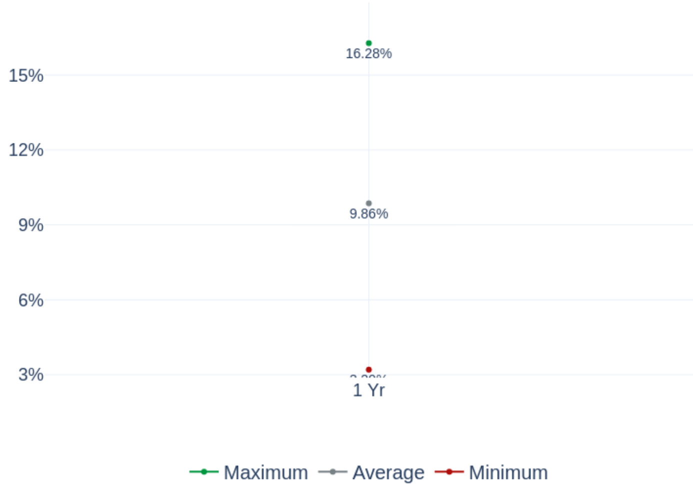

## Risk / return




## Monthly histogram




## Minimum and maximum returns (% p.a.)



## Absolute performance analysis

| Instrument | 1 Mth | 3 Mths | 6 Mths | 1 Yr | Inception |
|---|---|---|---|---|---|
| Investment | 1.28% | 4.10% | 3.19% | 7.72% | 10.55% |
| Benchmark | 1.93% | 5.39% | 7.32% | 11.82% | 15.01% |
| Median | 1.60% | 4.97% | 6.47% | 11.44% | 14.40% |
| Cash | 0.32% | 0.94% | 2.00% | 4.25% | 4.33% |

## Ranking within sector (p.a.)

| Ranking within Sector | 1 Yr |
|---|---|
| Fund Ranking | 51 / 54 |
| Quartile | 4th |

## Absolute risk

| Instrument | 1 Yr | Inception |
|---|---|---|
| **Standard Deviation (% p.a.)** | | |
| Investment | 6.15% | 6.02% |
| Benchmark | 6.62% | 7.31% |
| Median | 5.57% | 6.52% |
| **Downside Deviation (% p.a.)** | | |
| Investment | 3.58% | 3.26% |
| Benchmark | 3.47% | 3.62% |
| Median | 2.67% | 3.04% |

## Absolute risk/return ratios

| Instrument | 1 Yr | Inception |
|---|---|---|
| **Sharpe Ratio (p.a.)** | | |
| Investment | 0.56 | 1.03 |
| Benchmark | 1.14 | 1.46 |
| Median | 1.29 | 1.54 |
| **Sortino Ratio (p.a.)** | | |
| Investment | 0.97 | 1.91 |
| Benchmark | 2.18 | 2.95 |
| Median | 2.69 | 3.32 |

Zenith benchmarks Funds in the ‘Multi-Asset – Growth’ peer group against the Zenith Composite Growth Benchmark. While this benchmark may not be consistent with the one adhered to by all rated participants, it has been adopted to provide investors with a common reference point against which similarly structured strategies may be assessed.

*Zenith notes the returns data is not treated equitably from a taxation perspective. Fund returns are post-tax under the investment bond structure while benchmark and peer group returns are calculated on a pre-tax basis.*

The Fund's primary investment objective is to outperform the weighted average return of a composite index (before taxes and fees) over rolling 5-year periods. As a secondary objective, the portfolio seeks to outperform the benchmark with a preference towards unrealised capital growth.

Investors should note that there are no distributions for the Fund. Rather, it is accumulation focused, whereby it is tax-paid after ten years of investment.

The following commentary is current as at 31 August 2025.

Given the Fund's recent inception date, there is insufficient history to draw any meaningful conclusions on its absolute performance.

Notwithstanding this, Zenith highlights that Fidelity has demonstrated proficiency in managing tax-efficient strategies, generating returns in line with expectations.

# Relative performance

## Excess returns

| Statistic | 1 Mth | 3 Mths | 6 Mths | 1 Yr | Inception |
|---|---|---|---|---|---|
| Excess Return | -0.65% | -1.29% | -4.13% | -4.10% | -4.46% |
| Monthly Excess (All Mkts) | 0.00% | 0.00% | 0.00% | 25.00% | 34.78% |
| Monthly Excess (Up Mkts) | 0.00% | 0.00% | 0.00% | 0.00% | 17.65% |
| Monthly Excess (Down Mkts) | 0.00% | 0.00% | 0.00% | 75.00% | 83.33% |

## Capture ratios (% p.a.)

| Statistic | 1 Mth | 3 Mths | 6 Mths | 1 Yr | Inception |
|---|---|---|---|---|---|
| Downside Capture | 0.00% | 0.00% | 114.70% | 80.28% | 78.26% |
| Upside Capture | 66.50% | 76.45% | 64.44% | 71.19% | 73.40% |

## Tracking error (% p.a.)

| Instrument | 1 Yr | Inception |
|---|---|---|
| Investment | 2.47% | 2.72% |
| Median | 1.36% | 1.20% |

## Information ratio

| Instrument | 1 Yr | Inception |
|---|---|---|
| Investment | -1.66 | -1.64 |
| Median | -0.28 | -0.51 |

## Beta statistics

| Statistic | 1 Yr | Inception |
|---|---|---|
| Beta | 0.86 | 0.77 |
| R-Squared | 0.86 | 0.87 |
| Correlation | 0.93 | 0.93 |

*Zenith notes the returns data is not treated equitably from a taxation perspective. Fund returns are post-tax under the investment bond structure while benchmark and peer group returns are calculated on a pre-tax basis.*

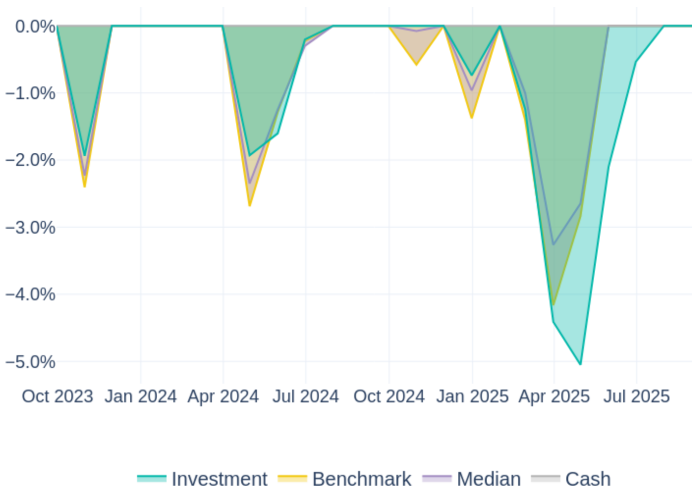
The following commentary is current as at 31 August 2025.

Zenith seeks to identify funds which can outperform their index in greater than 50% of months in all market conditions as we believe this represents a persistence of manager skill.

Given the Fund's recent inception date, there is insufficient history to draw any meaningful conclusions on its relative performance.

## Drawdown analysis (since inception)

*Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.*




The following commentary is current as at 31 August 2025.

Given the Fund's recent inception date, there is insufficient history to draw any meaningful conclusions on its drawdown profile.

# Fund commentary

## Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

**Key person risk:** The Multi-Asset portfolio management team is led by Matthew Quaife, with strong support from Joseph Zhang and Pek Ng. Zenith considers the ongoing involvement of all three members to be important to the future success of the Fund. As such, any of their departures would warrant a reassessment of our rating.

**Manager selection risk:** The Fund is predominantly invested in Fidelity products and various ETFs, owing to cost considerations. That said, this risk is expected to moderate as the Fund ramps up in scale, permitting the use of external managers in combination with Fidelity's internal capabilities. As such, Zenith will continue to monitor this going forward.

**Longevity risk:** Funds which fail to grow FUM to a scalable level could be wound up and terminated by the responsible entity. The risks associated around a fund windup are principally that of timing, performance slippage, and the crystallisation of capital gains can create tax payment obligations. Notwithstanding the recent inception date of the Fund, FUM remains low at approximately $A 56.2 million as at 31 August 2025.

**Constrained opportunity set:** At present, the Fund largely comprises broad based asset class exposures, with an absence of alternatives. It is feasible that investment outcomes lag competitors who are able to incorporate alternative strategies that bring diversification benefits and improve portfolio efficiency.

**Sub-investment grade risk:** The Fund is exposed to sub-investment grade risk via its investment in high-yield credit securities. By its nature and as reflected by its rating, sub-investment grade debt has a higher potential of default. Although investors have historically been compensated, in the form of excess returns, for defaults in the broader asset class, there is potential for the strategy to experience more defaults than the broader market. Additionally, defaults tend to cluster in certain years and therefore investors should expect periodic episodes of higher defaults.

## Security/asset selection

Fidelity seeks to implement the Fund's SAA views via a range of optimal vehicles and instruments, including passive and smart beta strategies. Furthermore, to diversify risk exposures, Fidelity aims to employ a mix of externally managed (via traditional multi-manager approach) and internal strategies, with underlying managers selected based on evidence of manager skill and verification of the manager's stated investment style and process, although the Fund currently invests in internal strategies and ETFs. The ETFs are used to add and remove exposures more efficiently.

The internal and external manager selection is a multi-stage process that involves both qualitative and quantitative analysis of prospective managers. First, a proprietary screen narrows the investable universe, with the team undertaking preliminary due diligence on the screened instruments and strategies.

Following this, a quantitative and qualitative overlay is performed. The quantitative analysis extends to the scrutinisation of a strategy's performance history, trading patterns and attribution sources. Regarding active strategies, the team looks to identify those who have a demonstrated capability to deliver upon targeted objectives. This contrasts with passive solutions, where the emphasis is on sourcing teams that can deliver benchmark-like returns with low Tracking Error on a net-of-fee basis.

Whereas, the qualitative analysis includes meeting with strategy management and analysing a strategy's philosophy, investment personnel and process. Supporting this qualitative analysis is a formal assessment of the ESG characteristics of all strategies under coverage.

Based on this analysis, a short list of the industry's highest-skilled active managers is formed, alongside a list of preferred passive and smart beta instruments, which is then used by the portfolio management team to express their desired views.

Overall, Zenith believes Fidelity's manager selection process is logical and implemented in a consistent and robust manner.

## Responsible investment approach

Fidelity has been a signatory of the Principles for Responsible Investment since 2012.

In addition, Fidelity has an established Responsible Investment Policy (RIP), last updated in July 2024, that guides its investment decisions. Compliance with the RIP is monitored by Fidelity's Sustainable Investing Team, which includes sustainability and stewardship professionals who support the investment analysts and portfolio managers to monitor, analyse and engage with investee companies.

As part of its approach to responsible investment, Fidelity employs a firm-wide exclusion policy, which excludes issuers involved in the production and/or distribution of controversial weapons and nuclear weapons. In addition, the Fund further excludes issuers from the investment universe of funds within the 'Sustainability Family' range, which includes tobacco producers, oil sands and conventional weapons based on a threshold percentage of revenue.

Environmental, social and governance (ESG) factors are integrated within the strategy selection process, with analysts creating a peer-relative sustainability score and investment action based on fund managers' ability to add value through the navigation of ESG risks and opportunities, including:

- Investment policy,
- Integration of ESG research within investment process,
- Quantitative ESG profile, and
- Quality of engagement.

All strategies under coverage are assessed using an in-house proprietary manager rating framework, with an ESG rating from A (i.e., best) to E (i.e., worst), tailored for traditional asset classes and alternatives. Furthermore, passive strategies are assessed using a separate process, which is approved as 'ESG compliant' if the funds adhere to Fidelity's sustainable exclusion policy. In support of the framework, analysts can also leverage holdings-level ESG scores, as well as MSCI and other third-party ratings.

Once the 'Exclusion List' has been approved, the investment committee is notified, where any ineligible funds will be divested within three months.

Regarding engagement, the portfolio management team maintains an ongoing dialogue with the management of investee or potential investee companies, using reports and data from proxy advisors to support their engagement endeavours.

Overall, Zenith believes Fidelity applies a well-structured approach to ESG integration, while also providing flexibility, recognising the nuances across asset classes and investment strategies. That said, we believe there is an opportunity for further refinement via the inclusion of ESG factors within its capital market assumptions.

## Portfolio construction

Portfolio construction is an outworking of the SAA setting process, where the Fund's neutral asset allocation will allocate approximately 70% of its assets to growth and 30% to defensive assets.

On a day-to-day basis, the portfolio management team is responsible for managing the portfolio, with Joseph Zhang and Pek Ng acting as Co-Portfolio Managers retaining all portfolio decisions.

Portfolio construction is conducted at a number of levels, including at a portfolio level, where the portfolio managers combine underlying strategies, and then on a look-through basis where the portfolio managers work closely with the Head of Portfolio Construction and Risk to understand the aggregate exposures of the overall portfolio. Fidelity's portfolio construction process incorporates tax considerations in terms of parcel management and the selection of ETFs that are not distribution-paying.

As the Fund's portfolio managers, Joseph Zhang and Pek Ng assess the portfolio on several metrics such as risk/reward asymmetry, volatility profile and downside protection qualities to ensure that positions are appropriate for achieving the Fund's objectives, with sizing positions based on factors including overall investment thesis, level of conviction, alignment with macroeconomic views and implementation costs. In addition to the portfolio's core positions which deliver the desired market exposure, overlay strategies may be used as part of portfolio construction to hedge undesired risks in the portfolio.

The Fund's SAA is relatively narrow, with asset class exposures gained predominantly through internally managed capabilities. Zenith believes that as AUM grows, a more diverse set of exposures will be added, translating into improved portfolio efficiency and ultimately fund performance. As such, Zenith will continue to monitor this going forward.

Fidelity implements a monthly re-balancing approach that seeks to strike an appropriate balance between maintaining the purity of the Fund's SAA and that of transactional costs and taxes, while also allowing for more frequent re-balancing to consider market events and capitalise on market dislocations, and to optimise tax through parcel selection. On a weekly basis, the portfolio management team receives the tax position of the Fund from Generation Life, whereby they may take tactical opportunities to rebalance and thus realise loss positions to minimise tax leakage.

While the team is highly experienced in managing tax-efficient mandates, Zenith notes that it is untested in managing to an Australian-based tax regime. Nonetheless, we have conviction in Fidelity's ability to manage the Fund based on their track record in managing similar tax-efficient mandates in other jurisdictions and their ability to leverage Australian tax experts from the broader Fidelity platform.

The Fund's portfolio turnover is expected to average between 20% p.a. and 50% p.a. over a market cycle. As part of the investment bond tax regime, income and realised capital gains are assessed at a maximum rate of 30%.

In sum, Zenith considers Fidelity's portfolio construction process to be adequate, especially given the Fund's recent inception.

## Risk management

Risk management is ingrained in the culture of the Multi-Asset investment team, employing a multi-dimensional approach throughout its investment process.

Risk is managed throughout the manager selection process, where each underlying strategy is subject to ongoing discussion and review, as well as regular monitoring. The team regularly meets each active manager, conducting due diligence into each aspect of their strategy, with the team also monitoring for changes to its organisational structures and or investment process.

Furthermore, a team of risk specialists perform daily analysis on the portfolio, assessing existing risk exposures, correlations between asset classes and stress testing in a range of market conditions to support the portfolio managers in their investment decisions. Before adding or reducing positions, the team produces pre-trade analysis to better understand the impact of the holding on the portfolio's overall characteristics and risk.

In addition to weekly risk meetings, the Fund is subject to a monthly review by an Investment Risk Oversight Committee (IROC). This committee comprises senior management who formally review risk positions, with exceptions reported to the portfolio management directly. Furthermore, a 'Fund Review' is held quarterly, ensuring the portfolio is aligned with the investment strategy.

From a formal risk control perspective, the Fund, in our view, has relatively broad limits. As such, investors should note the Fund has significant flexibility in terms of portfolio composition, which could result in performance dispersion over time.

In terms of hedging, investors should be aware that the Fund is partially hedged, with the portfolio management team having the discretion to operate between an unhedged and hedged basis. By consequence, investors are exposed to movements in cross rates which may be either to the benefit or cost of performance. Zenith notes that Fidelity typically uses forwards with a one-month tenor to partially hedge its FX exposure.

Overall, Zenith considers Fidelity's approach to risk management to be robust, effectively implementing a multi-layered risk framework.

### Investment fees

| | Fund | Sector Average |
|---|---|---|
| Total Fees and Costs (RG 97) | 0.76% p.a. | 0.84% p.a. |
| Management Fees and Costs | 0.76% p.a. | 0.74% p.a. |
| Transaction Costs | 0.00% p.a. | 0.08% p.a. |
| Performance fees as at 30 Jun 2023 | 0.00% | 0.02% |
| Performance fees description | N/A | |
| Management Cost | 0.76% p.a. | 0.72% p.a. |
| Buy / Sell spread | 0.15% / 0.15% | 0.14% / 0.13% |

*All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).*

The sector average management cost is based on the average management cost of all flagship 'Multi-Asset - Growth' funds surveyed by Zenith.

Overall, Zenith believes the Fund's fee structure is fair when considered in terms of an investment bond structure and relative to peers.

*(The Fund fees mentioned above include the cost of the Generation Life Product admin fee and the flagship investment fee. Fees may differ when the product is accessed through an alternate investment vehicle such as a platform. Zenith notes the fee data may not be treated equitably as a result).*

## About the fund manager

### Organisation

The Fidelity Group comprises two independently owned and operated entities, Fidelity Management and Research LLC (FMR) and Fidelity International (Fidelity). Each entity is majority-owned by its senior employees, with Fidelity's founding family retaining a minority stake.

Fidelity has managed investment strategies across multiple asset classes since 1969, employing over 9,000 staff in 25 locations across the world. As at September 2025, Fidelity managed approximately $US **TBC** billion.

As at 30 June 2025, Fidelity managed approximately $A 76 billion in Multi-Asset strategies, of which $A 56 million was managed in the Fund.

### Investment personnel

| Name | Title | Industry Experience (yrs) | Tenure (yrs) | Location |
|---|---|---|---|---|
| Matthew Quaife | Global Head of Multi-Asset Investment Management | 18 | 8 | Hong Kong, China |
| Joseph Zhang | Portfolio Manager | 16 | 6 | Hong Kong, China |
| Pek Ng | Portfolio Manager | 37 | 29 | Hong Kong, China |

Fidelity's Multi-Asset team comprises over 100 investment professionals, with the portfolio management team drawing upon the insights of Fidelity's global bottom-up research platform. Zenith holds a favourable view of Fidelity's global platform and believes that it is well-resourced across a broad range of asset classes and investment capabilities.

Fidelity's global Multi-Asset portfolio management team is led by Matthew Quaife, Global Head of Multi Asset Investment Management. Prior to joining Fidelity in 2017, Quaife had close to a decade at UBS. Quaife oversees the Fund's team-based investment process, working closely with portfolio managers, Joseph Zhang and Pek Ng, to ensure the strategy is managed in line with its investment objective. Although Quaife is not directly involved in managing the portfolio, he is a sounding board to Zhang and Ng. Zenith considers Quaife to be a seasoned Multi-Asset investor, providing important oversight to the Fund's portfolio managers, particularly with respect to asset allocation discussions.

The portfolio managers of the Fund are Joseph Zhang and Pek Ng; who have 17 years and 37 years experience, respectively. Zhang joined Fidelity in 2019, and has deep experience in managing retirement-based Multi-Asset solutions, having held a similar role at BlackRock.. Zhang is responsible for the portfolio in terms of capital allocation, risk positioning and overall performance. In our view, Zhang is a high-quality investor, with the requisite skills and experience to successfully manage the Fund.

Supporting Zhang is Co-Portfolio Manager, Pek Ng who joined Fidelity in 1996 and has extensive experience across multi-asset funds and global equities.

In April 2025, former Co-Portfolio Manager, Evelyn Huang departed the business, being replaced by Ng. Given Ng's has over 30 years of experience and has managed multi-asset strategies since 2001, Zenith is comfortable with this change in personnel. Zhang and Ng work together as portfolio managers on several pension, retirement and target date institutional accounts, managing $13 billion together. More resources are expected to join team in the coming months.

#### Remuneration & alignment

Fidelity's remuneration structure comprises a standard base salary and a discretionary bonus. The discretionary component includes short and longer-term incentives, determined by a range of quantitative metrics such as manager performance, after-tax alpha and FUM growth. Zenith believes the current alignment structure is strong, ensuring investor interests are prudently managed.

In sum, Zenith believes the Fidelity team is well-resourced, with a variety of specialisms and expertise. In addition, we view the portfolio management team's depth of experience and their ability to leverage the insights from Fidelity's global platform favourably.

# About the sector

## Sector characteristics

The Multi-Asset sector comprises funds that are permitted to invest across multiple asset classes and investment strategies. Traditionally, asset class exposures have included equities, fixed interest, property and cash. However, in more recent times, Zenith has observed a greater preparedness by sector participants to incorporate alternative assets and strategies within their targeted asset mix. Included amongst these are real assets (i.e. direct property and infrastructure), commodities and private market exposures (i.e. private equity and private credit). Innovation has also been observed in terms of sector structuring and tail risk hedging strategies, with the goal of building more resilient, all-weather portfolios.

Zenith categorises funds in the 'Multi-Asset – Growth' peer group (greater than 60% exposure to growth assets and up to 80%) based on our collective assessment of their targeted asset mix and actual portfolio holdings. Funds within this peer group are benchmarked against the Zenith Composite Growth Benchmark, which has a defensive/growth split of 20%/80%. The exact composition of this benchmark is provided below:

**Cash:** Bloomberg AusBond Bank Bill Index (2%)

**Australian fixed interest:** Bloomberg AusBond Composite 0+ Yr Index (7.25%)

**International fixed interest:** Bloomberg Global Aggregate Index Hedged $A (7.25%)

**Alternatives (defensive):** HFRX Global Hedge Fund Index $A (3.5%)

**Australian equities:** S&P/ASX 300 Index (40%)

**International equities (unhedged):** MSCI World ex-Australia Unhedged Index (16%)

**International equities (hedged):** MSCI World ex-Australia Hedged Index (16%)

**Australian listed property:** S&P/ASX 300 A-REIT Index (2.25%)

**Global listed property:** FTSE EPRA Nareit Developed Rental Index TR Hedged $A (2.25%)

**Alternatives (growth):** HFRX Global Hedge Fund Index $A (3.5%)

To provide greater insight into a Fund's risk/return profile, Zenith decomposes targeted exposures between two broad categories – growth and defensive. While we are cognisant that our designation of asset class exposures between these categories may vary from that defined by the manager, we have sought to adopt a common methodology to ensure consistency in the assessment of like strategies across Zenith's universe of rated funds. Further detail on the Fund's targeted asset mix is provided in the 'Fund characteristics' section.

## Sector risks

There exist a number of risks that are generally common amongst all Multi-Asset funds. These include:

**Market risk:** In periods of heightened risk aversion, it is feasible that asset class correlations merge. Should this occur, the diversification benefits brought through the construction of a portfolio comprising multiple lowly correlated asset classes may be lost, potentially exposing investors to a broader deterioration in market conditions.

**Currency risk:** Sector participants may be permitted to gain international exposures on an unhedged basis. The decision whether or not to hedge is often deemed active in nature and can expose investors to fluctuations in cross currency rates. This may be either to the benefit or cost of Fund volatility and performance.

**Emerging market risk:** Many sector participants gain exposure to emerging and frontier markets which bring with them additional risks. These may include reduced liquidity, a more opaque pricing mechanism, increased sovereign risk and political tensions.

**Alternatives risk:** A growing number of funds have investment mandates that permit a meaningful exposure to alternative assets and strategies. Investors should be aware that the use of alternatives can bring with them additional risks.

**Illiquidity risk:** While most sector participants will seek to retain high levels of liquidity, it is feasible that a fund may retain exposure in assets that are deemed illiquid or subject to irregular pricing policies. It may be difficult for an investment manager to subsequently liquidate such portfolio positions without incurring meaningful transaction or other performance related costs.

# Administration and operations

| | |
|---|---|
| **Responsible Entity** | Generation Life |

# Zenith rating

## Report certification

Date of issue: 30 Sep 2025

| Role | Analyst | Title |
|---|---|---|
| Analyst | Ian Fryer | General Manager - Chant West |
| Sector Lead | Rodney Sebire | Head of Alternatives & Global Fixed Interest |

## Association & relationship

ASIC Regulatory Guide RG79.164 requires Research Houses to disclose certain associations or relationships that they may have with a product issuer. We may receive remuneration from an issuer or investment manager for subscription to our other research/ data services or the research/ data services of our related entities. Conflict management arrangements are in place where we or our related entities provide research services to the product issuer or financial advisory businesses who provide financial planning services to investors and are also associated entities of product issuers. This is in accordance with the Zenith Group's Conflict of Interests Policy. Further details in relation to our relationships and associations are available on request.

## Rating history

| As At | Rating |
|---|---|
| 30 Sep 2025 | Recommended |
| 25 Sep 2024 | Recommended |
| 12 Aug 2024 | Recommended |
| 16 Jul 2024 | Not Rated - Screened Out |

*Last 5 years only displayed. Longer histories available on request.*

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.

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This report refers to the Australian unit trust for the fund, and the fund and benchmark returns are all in AUD.



Zenith has charged Generation Life a fee to produce this report.