Generation Life Tax Effective Growth Fund

Fact Sheet | 31 December 2025

Performance as at 31 December 2025[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]	0.21	1.16	4.83	6.51	8.11	5.05	4.28
Benchmark return (before tax)[3]	0.10	1.10	5.80	10.80	-	-	14.40
Gross strategy return (before fees & tax)	0.50	1.80	7.20	9.00	-	-	13.80
Gross strategy return (before fees & after tax)	0.26	1.31	5.13	7.11	-	-	13.20

Fund facts

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	0.15%/0.15%
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 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 futher information about fees and 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

December saw an increase in volatility, particularly toward month-end, as some investors locked in gains after a strong year. Even so, global equities edged higher over the month, with the MSCI World Index rising by 0.8% in US dollar terms. Confidence that central banks would continue to support economic activity helped steady sentiment, although valuation concerns in some areas of the equity market lingered.

In the US, price action was dominated by rotation rather than direction. Equity markets finished broadly flat overall, as late-year profit-taking and policy uncertainty weighed against still-supportive macro conditions. Highly valued technology-related stocks remained under scrutiny, while financials outperformed, rising by 4.63%, as investors rotated away from growth. The US Federal Reserve cut rates by a further 0.25% to 3.65%, as expected.

European equities showed resilience into year-end despite a softer December. Economic signals remained mixed, with services activity continuing to underpin growth while manufacturing, particularly in Germany, stayed under pressure. The European Central Bank left policy rates unchanged, and attention remained focused on the outlook for monetary policy in 2026.

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Momentum carried through in Japan, where equities extended their rally with the TOPIX Total Return Index rose by 1.03%. Expectations of continued reflation and improving domestic conditions supported sentiment, while rotation away from generative AI leaders, amid valuation concerns, favoured more cyclical areas of the market. In contrast, Japanese government bonds underperformed as concerns around fiscal sustainability and the Bank of Japan lifted their policy rate to 0.75%.

Emerging markets delivered one of the strongest performances of the month. The MSCI Emerging Markets Index rose by 2.99% in US dollar terms, outperforming developed markets. A weaker US dollar and continued strength in technology-oriented markets such as Korea and Taiwan helped offset weaker returns from China and India.

The S&P/ASX 300 returned +1.37% in December 2025, reflecting mixed sector performance. The overall index performance came against a background of persistent concerns about inflation staying above the RBA's target band, constraining rate-cut expectations and even fuelling speculation of hikes in 2026. Employment remained resilient. Purchasing Manager Index data indicated a modest, but slowing, economic expansion. Materials led with a +6.8% return, driven by surging gold and copper prices as investor appetite for real assets and inflation protection kept rising.

Portfolio commentary

For the month ending 31 December 2025 the after tax and pre–Gen Life administration fee return was 0.21%. There were 28 building blocks in a tax payable position and 4 in a tax receivable as of 31 December. The fund has generated 6.4% in tax alpha for the current FYTD.

Asset class insights

Shares vs Fixed Income

We remain moderately optimistic in risk taking as near-term economic activities have been more resilient, and the restart of Fed rate cutting cycle. Having said that, the medium-term economic outlook is likely to moderate as we see US labour market weakness. Our risk sentiment remains constructive, supported by stronger earnings growth and improving corporate earnings expectations. Downside risks: Tariff/trade uncertainty and sequential slowdown from front-loading payback.

Australian shares vs Global Shares

Remains underweight on Australian equity. Domestic Purchasing Managing Index is expanding and commodity rebound are supportive, but RBA rate cut are turning less supportive. Earnings growth expectations and revisions remain relatively weaker, limiting relative performance.

Within global equities, regional allocations

We are selectively constructive towards US equites. Growth better than expected with dovish Fed tilt and fiscal impulse (OBBB) supportive. US remains earnings leader, particularly in AI, favouring growth/quality styles but moving to more targeted exposure to benefit from the earnings growth driven rally.

We are neutral on Europe. There are signs of improving activities but relatively weaker earnings than US, and limited room for further ECB rate cuts. Fiscal/defence spending remain supportive but needs to see evidence of it turning to corporate earnings and economic growth. Political/geopolitical risks (Greenland, Russia-Ukraine, Middle East) add volatility.

We remain modestly positive on Japan – US–Japan trade deal reduces downside risks; stable economic activity, supportive fiscal policy under new leadership, and BOJ hikes benefiting banks. Prefer value exposure. Watch the latest China-Japan tension closely.

Constructive on Asia ex-Japan – North Asia benefits from AI related supply chain. Companies in China are also catching up with US peers with policy continue to stabilize the domestic economy. Tariff dynamics reshape supply chains and remain sources of near-term volatility.

Within fixed income, duration vs. credit

On Duration: we maintain tactical positioning, and constructive with medium term given central banks' rate-cutting bias and attractive yields. We underweight Australian bonds on hawkish RBA.

Bonds remain an effective hedge against equity downside in growth fear.

Credit: Maintain preference for carry assets including emerging market credit, overall credit environment and fundamentals remains resilient, particularly as financial conditions further ease

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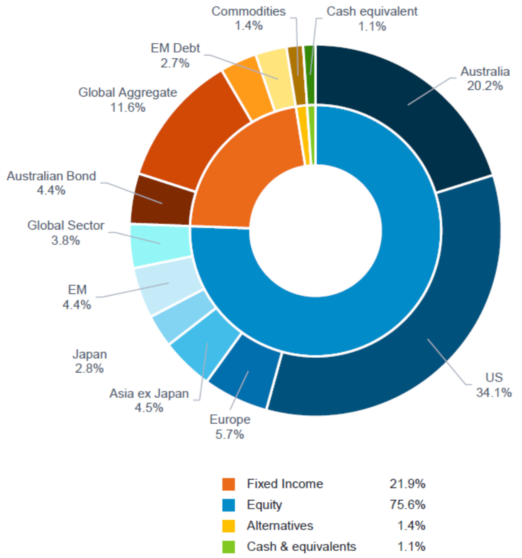
Portfolio Positioning



Top 10 Holdings

Security Name	**Portfolio weight**	**Unrealised gain+ /loss-**
Research Enhanced US Equity	11.4%	2.9%
MSCI USA Quality Factor Fund	8.7%	2.7%
US Growth ETF	8.6%	0.7%
Australian Equities Fund	8.0%	0.2%
S&P/ASX 200 ETF	6.7%	0.6%
Global Corporate Bond	5.7%	0.5%
Australian Future Leaders Fund	5.5%	0.7%
CORE MSCI EMU EUR A ETF	4.7%	0.4%
Core Composite Bonds	4.4%	0.1%
Emerging Markets Fund	3.5%	0.1%

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 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.

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

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