# Generation Life Tax Effective Growth Fund

Fact Sheet | 31 July 2026

| Performance as at 31 July 2026[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] | -2.92 | 0.88 | 0.33 | 4.55 | 6.37 | 3.62 | 4.21 |
| Benchmark return (before tax)[3] | -0.20 | 4.10 | 4.50 | 8.9 | - | - | 13.10 |
| Gross strategy return (before fees & tax) | -3.00 | 1.40 | 1.50 | 7.6 | - | - | 11.80 |
| Gross strategy return (before fees & after tax) | -2.87 | 1.03 | 0.63 | 5.15 | - | - | 11.20 |

| 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 further 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

The leveraged play on the AI buildout took a brutal hit in July, with the NYSE Semiconductor index down over 21% in US dollar terms, pushing AI heavy indices like Korea down 22%, the Nikkei down over 8% and Taiwan and the Nasdaq down over 6.5% over the month in local currency terms. Investors who had recently invested in levered ETFs, or even took out margin debt to participate in the parabolic rally, felt the brunt once this trend reversed sharply. According to Goldman Sachs, over 1.2 million retail investors in Korea, or roughly 3.5% of the adult population, received a margin call. But perhaps most publicly, the 25-year-old founder of hedge fund Situational Awareness, Leopold Aschenbrenner, was forced to sell the entirety of his public book to Ken Griffin's Citadel (approximately US$16bn worth) to meet a margin call after his fund lost 78% in July. Given that the selloff was predominantly isolated to the chips trade, emerging markets suffered the most, down over 3% for the month. Global equities and the overall US S&P 500 were mostly unchanged, thanks to a 2% rally in the Magnificent Seven, driven by strong earnings from Microsoft, Amazon and Apple, which stemmed the rout by the end of the month.

Most of this was based on the belief that the hyperscalers may have to pull back on capital expenditure due to questions over AI profitability, given a fall in token usage and cheaper Chinese open-weight competitors like Kimi showing impressive performance relative to the US AI heavyweights. These fears were somewhat alleviated after the hyperscalers produced bumper profits and even higher-than-expected capital expenditure plans. But perhaps a simpler and overlooked cause of the crash was the rise in government bond yields. US 30-year bond yields increased over 32 basis points this month, with overall yields close to 5.3%. The US Federal Reserve (Fed) kept rates on hold, but three members dissented in favour of an immediate hike, the most one-directional dissent the Fed has seen since 2016. Fed Chair Kevin Warsh offered no forward guidance after this month’s meeting and said he “welcomes” higher long-term Treasury yields. This uncertainty caused bonds to sell-off, not just in the US, but around the world, with most 10-year treasuries yields moving between 20 and 30 basis points higher, other than Japan and Australia, which were more insulated. Credit remained fairly subdued, with spreads mostly unchanged. The US dollar fell, predominantly through a strong Japanese yen as the Bank of Japan intervened in the currency at the end of the month.

## Portfolio commentary

For the month ending 31 July 2026 the after tax and pre–Gen Life administration fee return was -2.92%. There were 17 building blocks in a tax payable position and 10 in a tax receivable. The fund has generated -4.2% in tax alpha for the current FYTD.

**Shares vs fixed income**

Maintain a modest overweight to equities, reflecting a still-supportive growth backdrop, resilient corporate earnings and continued strength in the AI and capex cycle. However, we do not expect to increase risk materially from current levels given rising downside risks to growth.

While the global growth backdrop remains supportive, sequential growth is likely to moderate over the coming quarters, with geopolitical uncertainty, potential energy disruption and US policy uncertainty creating downside risks

We remain nimble and selective, reducing concentration in higher-volatility thematic exposures and increasing diversification through core equities, quality income, dividends, healthcare and other defensive exposures.

**Australian shares vs global shares**

Moderately constructive on Australian equities as the market is relatively more insulated than many global peers, supported by domestic fundamentals and defensive sector composition.
The RBA remains cautious on inflation, but Australia's lower exposure to global supply chain disruption and resilient earnings backdrop provide relative support.

**Within global equities, regional allocations**

US – Selectively constructive: resilient earnings and AI investment remain supportive, while elevated volatility favours broader core and quality exposure.
Europe – Neutral: Drivers include better than expected PMIs and Q2 GDP growth, a historically strong earnings season, improving revenue/earnings growth and reduced concerns around oil and ECB tightening.
Japan – Very cautious: reduced Japan value exposure, with a stronger yen also posing a potential earnings headwind.
Asia ex-Japan – Cautious: Reduced broad Asia exposure following increased market volatility and Korea-related deleveraging. Prefer China exposure while remaining cautious on broader regional equities until market conditions stabilise. Prefer Taiwan as a cleaner expression of the AI theme.

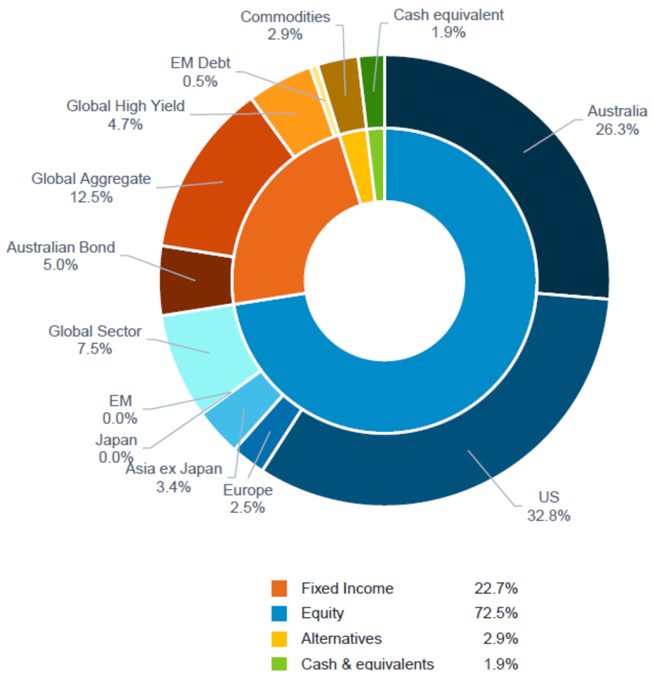
**Within fixed income, duration vs. credit**

Duration: maintain tactical positioning; constructive medium term given central banks’ rate-cutting bias and attractive yields. Added to Australia government bonds to provide protection against slowing global growth and potential risk-off episodes.

Credit: Maintain preference for short duration carry assets for now as fundamentals remain resilient, however, watching contagion risk from private credit segment.

Maintain some cash as dry powder to deploy into mispriced opportunities

## Portfolio Positioning



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Fact Sheet | 31 July 2026

## Top 10 Holdings

| Security Name | Portfolio weight | Unrealised gain+ /loss- |
|---|---|---|
| Research Enhanced US Equity | 15.2% | 2.8% |
| S&P/ASX 200 ETF | 14.0% | 0.7% |
| MSCI USA Quality Factor Fund | 7.1% | 2.4% |
| Australian Equities Fund | 6.3% | -0.5% |
| Australian Future Leaders Fund | 5.2% | -0.3% |
| Core Composite Bonds ETF | 4.8% | 0.0% |
| Global Corporate Bond Fund | 4.1% | 0.1% |
| Global Short Duration Income Fund | 4.1% | 0.0% |
| Global Bond Fund | 3.8% | -0.1% |
| FTSE ALL WLD HIGH DIVYLD | 3.4% | 0.0% |

## 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$714 billion (as at 30 June 2025) on behalf of more than 2.9 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 $5.2 billion invested with us as of end December 2025.

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 | | Adviser services | |
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