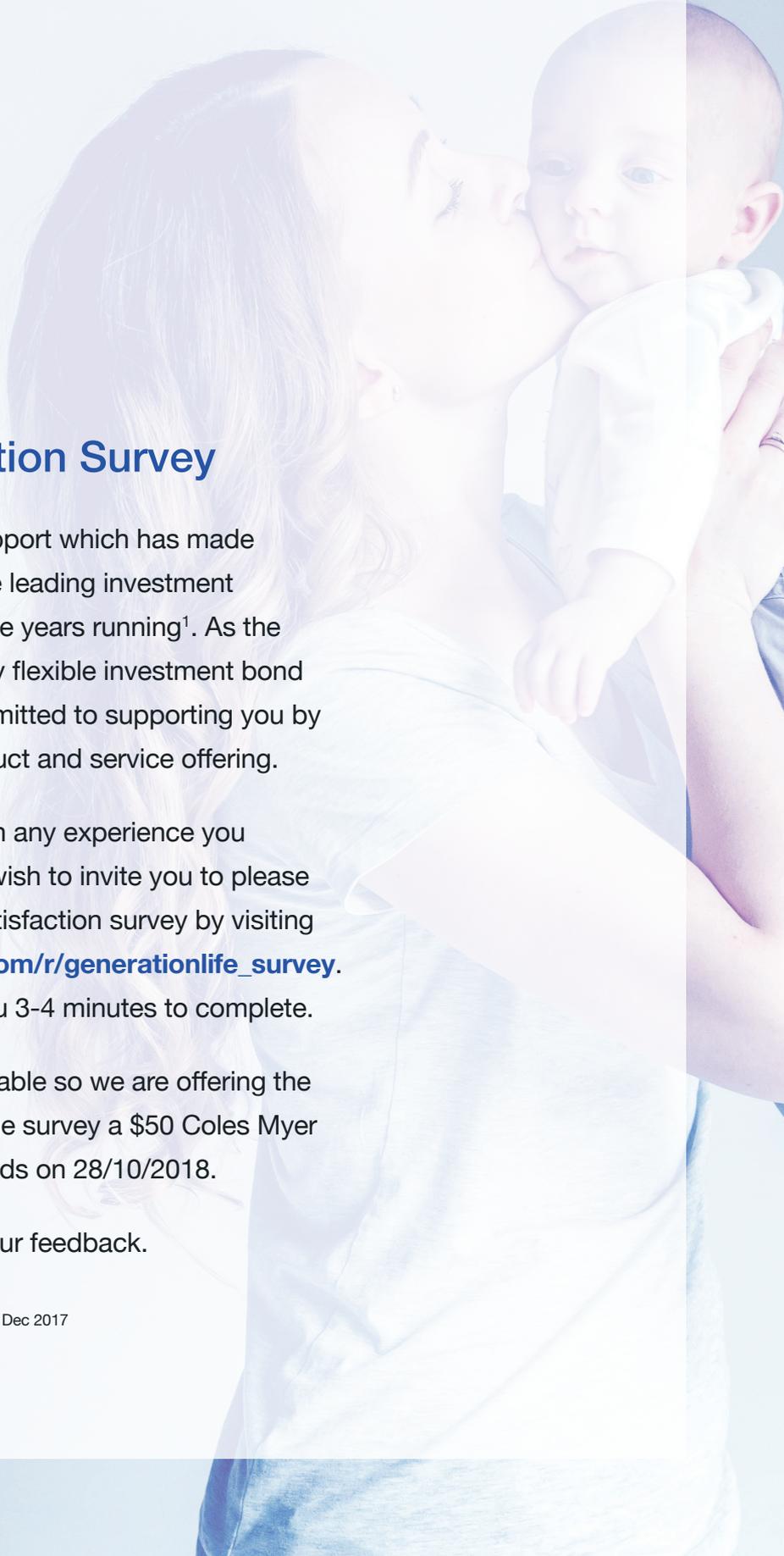


2018 Annual Investor Update



A woman with long, wavy hair is shown in profile, kissing a baby on the cheek. The baby is wearing a white onesie. The background is a soft, light blue gradient.

Customer Satisfaction Survey

Thank you for your ongoing support which has made Generation Life the number one leading investment bond provider for net flows three years running¹. As the innovator of Australia's first truly flexible investment bond over 15 years ago, we are committed to supporting you by continuing to improve our product and service offering.

We truly value your feedback on any experience you have with Generation Life and wish to invite you to please complete our new customer satisfaction survey by visiting https://www.surveymonkey.com/r/generationlife_survey. The survey should only take you 3-4 minutes to complete.

We appreciate your time is valuable so we are offering the first 50 investors to complete the survey a \$50 Coles Myer Gift Voucher. This promotion ends on 28/10/2018.

We look forward to receiving your feedback.

1. Source: Strategic Insight Actuaries & Researchers - Dec 2017

Thank you

For your support this year



2018 has been a year of transformation for Generation Life. We feel privileged and excited to take over as Joint Chief Executive Officers to work with the team on delivering our vision of being 'Australia's most forward-thinking financial services organisation'.

We are a new breed of financial services provider, designing tax effective and goal specific financial solutions. At the heart of everything we do is our core purpose of helping customers like you achieve what's important to you.

Resurgence of investment bonds

The recent reductions in superannuation concessions and the restrictions on the use of superannuation as a wealth generating and estate planning vehicle have driven a renewed interest in the investment bond market. There is also an increased awareness of the investment, tax and estate planning benefits that investment bonds can provide.

Investment bonds are the most tax effective investments outside superannuation, with no capped contribution limits and no restrictions on when and how to withdraw your money.

During the year we were also pleased to maintain our Highly Recommended rating from independent researchers Zenith Investment Partners for the 10th year in a row.

Market-leading growth

Over this period, Generation Life was ranked number one for net new business².

The increase in the size of our business has positioned us well to deliver new products and features to our existing suite of investment solutions. Importantly however, we have not and will not lose sight of your needs.

Our service approach

While technology plays a big part in everything we do, our focus will be to continue to provide a uniquely human approach to servicing you and your financial adviser. When you call us, you will speak to a person.

Independence

We are proud to say that Generation Life has been and continues to be an independent provider of investment solutions with no ownership alignment to any distribution channels or large institutions. This allows us to focus on what matters to our customers and how best to continue to meet their investment needs.

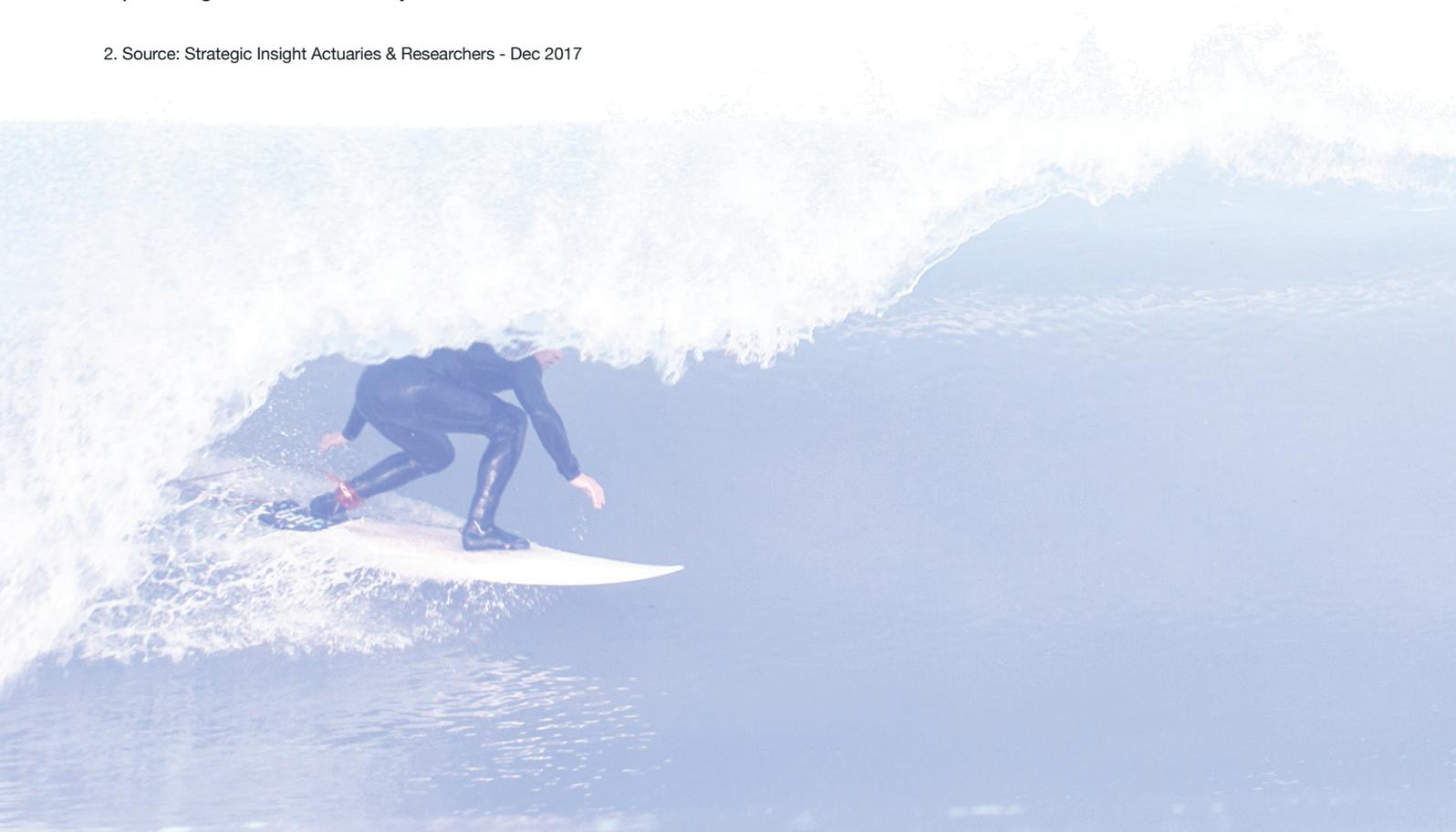
We believe in the value of good advice and work closely with our community of financial advisers to ensure that our investment bonds deliver great outcomes for customers and represent good value for money.

2. Source: Strategic Insight Actuaries & Researchers - Dec 2017

An investment into our products and service

This year, we made a significant investment to improve our products, service and grow our business. Highlights include:

- Renaming and rebranding the business to Generation Life (previously Austock Life)
- Appointing a new Independent Chairman, Chris Freeman, who has 40 years experience in financial services
- The recruitment of new talent into the management team including new Joint Chief Executive Officers, customer services and operations, marketing, risk, finance, distribution and product professionals
- The launch of our new website www.genlife.com.au with improved navigation and content and our new financial adviser portal to help provide better self-service functionality (the investor portal is on its way)
- A new online application form making new applications quicker and easier
- Improving our administration and operations efficiencies.



We also undertook a comprehensive review of our products and made a number of enhancements including:

- Removing investment switching charges
- Adding four new investment options
- Introducing new investing features including an auto rebalancing feature and the ability to increase your regular savings amounts each year to take advantage of the 125% opportunity
- The new EstatePlanner feature called the Future Event Transfer facility to tax effectively help with estate planning and the intergenerational transfer of investment ownership
- A new product called FuneralBond to tax effectively save for funeral expenses.

You can find out more about all our product enhancements on page 10.

Our new brand

Our ambition is to help you embrace the future with excitement, rather than fear. We want you to know that the money you set aside today can be used to manage big future events like a child's wedding, a grandchild's nest egg or to finance a retirement that keeps you independent and doing the things you love.

Our brand stands for optimism, clarity, being forward thinking and proactive. We seek to be a new breed of financial services provider, not an adaptation of the old.

Our aim is to be a 'high value, high performance' financial services organisation by having an investor centric approach in everything we do.

We look forward to continuing to meet your investment needs.



Catherine van der Veen
Joint Chief Executive Officer

Lucy Foster
Joint Chief Executive Officer

Market & investment update

For the year 2017-18

This investment commentary relates to the performance of investment markets (not the performance of the investment options) in the last financial year.

Australia continued to remain in an ultra-low interest rate environment over the year, although signs of increased economic growth started to appear toward the end of the period, with annual inflation recorded at 2.1% (well within the Reserve Bank of Australia's target range). There were also signs of improvement in lower unemployment rates and an increase in workforce participation rates that are expected to further stimulate economic growth.

The Reserve Bank of Australia made no change to the official cash rate which remained at a record low of 1.50% for the entire period.

Globally the improving economic data in the US and Europe, strong commodity prices and a better-than-expected Chinese growth story led to significant optimism regarding the global growth outlook. While short periods of volatility occurred as geopolitical tensions arose over trade between the US and China and as the US Federal Reserve central bank made steps towards normalising money supply and controlling inflation.

Equity markets locally and globally enjoyed strong returns during the 2017-18 financial year.

The Australian share market returned 13.24% for the year, propelled by strong domestic earnings results and an increase in commodity prices. This was amplified in the Australian small companies' sector which returned 24.25% led by resources stocks which increased by 49% over the period.

The major international share index recorded an exceptional 15.39% (unhedged) return with technology stocks being a large contributor to performance together with the depreciation of the Australian dollar. On a hedged basis, the index produced a 10.81% return for the period. This growth story filtered down to a global small company sector which posted an impressive 19.19% return on an unhedged basis.

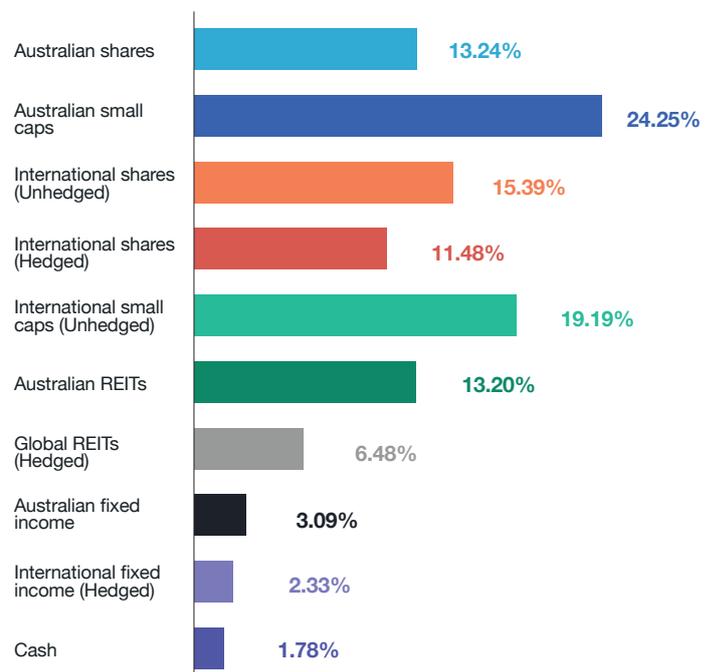
The Australian fixed interest sector outperformed its global counterpart albeit at below trend levels with the index returning 3.10%. Low inflation and heightened geopolitical risks kept yields steady with 10 year Australian Government bonds rising by only 0.06% for the year. International fixed interest markets returned a modest 2.33% for the period due to interest rate increases in the US and no significant change in interest rates in Europe and the UK.

Australian REITs (property) had a very strong year against a backdrop of flat bond yields and an increase in corporate activity with the index Australian REIT recording a 13.20% return. The global property market had a mixed year with strong global economic growth and rate increases in the US neutralising each other, producing a measured 6.40% return for the year.

Asset class performance for 12 months to 30 June 2018

Returns were positive over the year for all asset classes, with strong returns in particular for small caps (both Australian and international). Solid returns were seen in Australian and international shares (hedged and unhedged) and Australian REITs (Australian property).

International REITs returns were more subdued due in part to an increase in US interest rates. The following graph shows the asset class returns for the 2017 - 2018 financial year:



Performance of investment options

Investment strategies

We aim to give you access to a range of leading Australian and international investment managers and provide our investors with the flexibility to change and switch investment options.

Our investment menu provides a choice of 37 investment options, covering a range of risk profiles and asset classes, as well as diversified investment options and low cost indexed investment options. Investors can build their own portfolio by investing in a single asset investment option or using one of the diversified investment options to suit their desired risk profile.

To ensure that our investment options continue to remain relevant and meet our investors' needs, their stated objectives and our investment requirements, we regularly monitor and review our investment managers.

Summary of changes to the investment options during the year

Over the year there were four new investment options added to the menu - all in new asset class categories. In December 2017 the Kapstream Absolute Return Income Fund, AMP Dynamic Markets Fund, Ellerston Australian Market Neutral Fund and Perpetual Wholesale Conservative Growth Fund were added to provide a wider range of strategies for clients with different investment goals.

At Generation Life we are constantly looking at how we can improve the investment performance and after tax returns of our portfolios for clients.

In December 2017 we switched the investment management of our five single asset sector index funds from Vanguard Investments to BlackRock Investment Management. This change resulted in a reduction in the ongoing investment management fee to 0.10% p.a. Previous investment management costs for these options ranged from 0.18% to 0.24% p.a.

The underlying investment for the Australian shares (Investors Mutual/Fidelity) option was changed to be 100% invested in the Investors Mutual Australian Shares Fund in December 2017. We also replaced the Fairview Equity Partners Emerging Companies Fund with the Investors Mutual Future Wholesale Leaders Fund.

Russell Investments was appointed as the manager of the Generation Life Sectoral Blend option in June 2018.

During the year the BT Wholesale Enhanced Credit Fund was re-named as the Pandal Enhanced Credit Fund following a change of name to the investment manager. The Schroders Credit Securities Fund also re-named to the Schroder Absolute Return Income Fund.

New online additional investment form

We've made it even easier for you to continue to grow your Generation Life investment bond. Did you know you can now add to your investment bond/s by using our new online additional investment form?

The new online form makes it easier and more convenient for you to make additional investments to your investment bond. There is no paperwork required, you can simply complete the form online and provide an electronic signature for straight through processing.

You can access this form by visiting our website at:

www.genlife.com.au/forms-and-resources.

generation life

Section 2 - Individual and Joint Investors

● Required ✓ Completed ○ Optional

✓ Applicant 1
(Applicants must be at least 10 years of age)

Personal details

✓ Title
 Mr Mrs Miss
 Ms Other

✓ Given name(s)

○ Middle name(s)

Investment options performance

The table below shows the performance of our investment options over the longer term and the last financial year. Returns shown are after all fees and taxes as at 30 June 2018. The actual returns relating to your investment will be influenced by the timing of payments into and out of the investment, allowing for contributions, taxes, fees, switches between investment options and withdrawals.

Investment option	Code	Returns (after fees and taxes) to 30 June 2018			
		2017-18 financial year	3 years p.a.	5 years p.a.	10 years p.a.
AMP Capital Dynamic Markets Fund	UF10B	0.01% ³	-	-	-
AMP Capital Global Property Securities Fund	UF05A	4.15%	2.93%	4.98%	4.11%
Dimensional Global Small Company Trust	UF09	10.94%	3.69%	10.82%	6.90%
Dimensional World Allocation 70/30 Trust	UF24	6.90%	5.28%	6.96%	-
Ellerston Australian Market Neutral Fund	UF06A	1.01% ³	-	-	-
EQT Wholesale Mortgage Income Fund	UF25	1.61%	1.57%	1.90%	-
Generation Life Sectoral Blend Fund	UF10	4.80%	4.42%	6.58%	4.28%
Generation Life Term Deposit Fund	UF14A	0.97%	1.15%	1.44%	-
Investors Mutual Australian Shares Fund	UF06	5.04%	5.08%	6.94%	4.31%
Investors Mutual Future Leaders Fund	UF07	11.82%	6.51%	6.71%	4.29%
iShares Hedged International Equity Index Fund	UF12	6.60%	5.87%	8.40%	5.65%
iShares Wholesale Australian Bond Index Fund	UF12A	0.97%	1.27%	2.01%	3.06%
iShares Wholesale Australian Equity Index Fund	UF11	9.31%	6.40%	7.08%	4.50%
iShares Wholesale Australian Listed Property Index Fund	UF12B	8.04%	6.24%	7.98%	4.30%
iShares Wholesale International Equity Index Fund	UF11A	10.46%	-	-	-
Kapstream Absolute Return Income Fund	UF10A	0.02% ³	-	-	-
Macquarie Treasury Fund	UF01	0.89%	1.00%	1.22%	2.03%
Magellan Global Fund	UF08	11.25%	6.49%	9.13%	5.43%
Magellan Infrastructure Fund	UF05B	4.23%	6.74%	-	-
MLC Horizon 4 Balanced Portfolio	UF22	5.60%	4.02%	5.66%	3.71%
MLC Property Securities Fund	UF05	7.96%	6.29%	7.90%	5.04%
MLC Wholesale IncomeBuilderTM	UF23	2.48%	2.86%	5.54%	-
Mutual 50 Leaders Australian Share Fund	UF14	8.70%	4.05%	5.44%	3.90%
Mutual ADI/Bank Securities	UF14B	1.38%	1.82%	-	-
Pendal Enhanced Credit Fund	UF03	1.39%	0.95%	2.17%	3.66%
Perpetual Wholesale Australian Share Fund	UF15	8.09%	4.50%	5.49%	5.01%
Perpetual Wholesale Balanced Growth Fund	UF19	4.15%	3.32%	4.94%	4.09%
Perpetual Wholesale Conservative Growth Fund	UF26	0.01% ³	-	-	-
Perpetual Wholesale Ethical SRI Fund	UF21	3.94%	5.39%	7.33%	8.76%
Perpetual Wholesale Geared Australian Share Fund	UF16	17.07%	7.53%	10.50%	7.17%
Perpetual Wholesale Industrial Share Fund	UF20	4.13%	3.50%	5.78%	6.16%
Perpetual Wholesale International Share Fund	UF17	10.02%	5.95%	9.69%	5.48%
PIMCO Wholesale Australian Bond fund	UF02	1.00%	1.36%	2.07%	3.32%
PIMCO Wholesale Global Bond Fund	UF04	0.70%	2.26%	3.04%	2.06%
Schroder Absolute Return Income Fund	UF13	0.84%	1.28%	1.53%	0.94%
Vanguard Diversified Conservative Index Fund	UF12C	3.26%	-	-	-
Vanguard Diversified Growth Index Fund	UF12D	6.97%	-	-	-

Past performance is not indicative of future performance. Performance as measured by the unit price movements of the investment options (after tax and management fees).

3. Inception date was 4 December 2017

Changing your investment strategy

Your personal circumstances may not stay the same. A regular assessment of your savings goals and making appropriate changes to your investment strategy will keep your future on track. You can easily switch your investment options by lodging a request with our Client Services team. We recommend that you consult your financial adviser to determine the most appropriate investment portfolio for your needs.

If you choose to switch your investments, you should keep in mind that changing from one investment option to another may require the sale and purchase of units, which may incur a 'buy/sell spread'. Refer to the Product Disclosure Statement for an explanation of how buy/sell spreads and other fees and costs may affect your investment.

Taking advantage of the 125% opportunity



Taking advantage of the 125% opportunity

Are you aware of one of the key features of your Generation Life investment bond?

Each year you have the opportunity to contribute up to 125% of your previous year's contribution amount without impacting your investment bond's current tax status.

This is a valuable feature of your Generation Life investment bond if you have already reached your superannuation caps and you're looking for an alternative tax effective investment opportunity for additional contributions.



What is the 125% opportunity?

As you know, if you hold your Generation Life investment bond for at least 10 years, any withdrawals made after 10 years do not attract any personal tax liability.

One of the key benefits of an investment bond is that you can continue making contributions for the life of your investment without impacting its valuable tax status. In your second and subsequent investment years (marked by the date you first opened your investment bond) you can make additional contributions of up to 125% of the level of contributions you made in the previous investment year.

Remember though that you need to continue making contributions to take advantage of this opportunity. Please refer to the current Product Disclosure Statement to find out more.



How do I make additional contributions to my investment bond?

Simply use our new online investment form for a simple and convenient way to add to your investment and take advantage of this valuable feature of your investment bond. You can access this form online on our website at:

www.genlife.com.au/forms-and-resources.

Changes to our products

In December 2017, we relaunched our product range with a number of new features and enhancements and also introduced our new brand.

Changes to names and our brand

We officially changed our name to Generation Life Limited with a new brand and refreshed look. Our brand is designed to reflect our ambition of being Australia's most forward thinking financial services company by providing simple and forward thinking financial solutions for all generations.

We also re-named the Imputation Bond to LifeBuilder to better reflect the flexibility it offers throughout all life stages.

Minimum investment amounts

During the year we reduced the minimum investment balance required to \$1,000 for all investment bonds. The minimum regular savings plan amount was also reduced to \$100 per month, while the minimum additional investment amount required was changed to \$100 with \$50 per investment option.

Investment switching fee removed

We removed the fee for switching between investment options. There is now no fee for switching between investment options, however a buy/sell spread applies to cover the cost of buying or selling the assets held by the investment options. You can find out more about buy/sell spreads in the Product Disclosure Statement.

Investment auto-rebalancing

We introduced our automatic rebalancing facility which gives investors the convenience of choosing to have their investment allocations automatically rebalanced annually (in May of each year).

Automatically increase regular savings amounts

We introduced the ability to automatically increase the amount invested through our regular savings plan facility. Automatically increasing regular savings is a convenient way of taking advantage of the investment bond 125% opportunity that allows investors to increase their contribution amount without re-setting the 10-year period.

Progressive investing (dollar cost averaging)

For additional or new investments of \$25,000 or more, investors can now choose to progressively invest (dollar cost average) into their selected investment option(s). This can help manage risk by averaging out the price that they buy into an investment option.

Estate planning

Our new Future Event Transfer feature lets investors transfer their LifeBuilder investment at a future date or event (including death) to a nominated person or persons with the benefit of the investment's 10-year period not re-setting when it's transferred. Investors can also specify a future date that a withdrawal can first be made and also set a limit on the value of withdrawals made in any given year.

For ChildBuilder investments, investors can now control when the child makes a withdrawal by specifying a future date after the vesting date. Investors can also set a maximum amount that can be withdrawn in a year by the nominated child after vesting.

New funeral bond

Our new FuneralBond provides a tax-effective way to save for funeral costs. Importantly, the FuneralBond can qualify as an exempt asset for social security income and asset testing purposes and can be used as part of a pre-paid funeral arrangement. The FuneralBond also has access to the full range of investment options available to LifeBuilder.

New website – we promised we'd continue to innovate

Earlier this year we were excited to launch our brand new website in line with our new name and brand. The website has an innovative design, making it easier for you to navigate through. Some of the key features of our new website include:

- Mobile responsiveness - so you can access our website anytime, anywhere, with any device
- New strategy articles with case studies - to help you identify your investment needs and find out how investment bonds can help you achieve your financial goals
- Enhanced unit pricing and performance reporting – making it easier for you to understand how your investment is performing
- Access to all our relevant forms, documents and other resources.

Update to cut-off times for processing instructions

From 1 July 2018, the cut-off time for the receipt of any initial and additional applications, investment switches or withdrawal requests (collectively referred to as “requests”) was changed to 12.00 noon (Melbourne time) on a Melbourne business day. We will generally process these requests received up to 12.00 noon (Melbourne time) on a Melbourne business day using the unit price applying to the close of business on the day the request is received. Requests received after 12.00 noon (Melbourne time) on a Melbourne business day will generally be processed using the unit price applying to the following business day.

Changes to Product Rules

During the 2018 financial year the Product Rules were amended in order to facilitate the introduction of a new policy type (FuneralBond), the Future Event Transfer facility, buy/sell spreads, the addition of benefit fund Nos 6A, 8A, 10A, 10B, 26, 27 and 28, the deletion of benefit fund No. 18 and effect other miscellaneous changes.

Changes to Generation Life's Constitution

There were no changes to Generation Life's constitution over the last financial year.

Future Event Transfer Facility

Did you know - Your Generation Life investment bond offers you the ability to select a future date or event (such as your passing) where your investment bond will transfer to someone else nominated by you and still maintain the investment bond's valuable tax status? This is especially helpful when thinking about your next generation and considering transferring your wealth to your loved ones.

This is called the Future Event Transfer Facility and can be easily set up by completing the EstatePlanner Future Event Transfer Form available at www.genlife.com.au/forms-and-resources, by contacting us on 1800 806 362 or emailing enquiry@genlife.com.au. Please refer to the current Product Disclosure Statement to find out more.

Don't forget that if you have already nominated beneficiaries, you will need to cancel that nomination in order to use the Future Event Transfer Facility.





genlife.com.au

Outthinking today.

Contact Us

 1800 806 362

 enquiry@genlife.com.au

 **GPO Box 263, Collins Street West
Melbourne VIC 8007**

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