

2019 Annual Investor Update



Thank you For your support this year



Thank you for trusting Generation Life with your investment in 2019 and for your continued support. We understand how valuable your investment is to you.

2019 has been a pivotal year for Generation Life as we have worked hard to deliver on our vision of being 'Australia's most forward-thinking financial services organisation'. At the core of this is our focus on designing innovative and flexible tax effective investment solutions to help you achieve your goals.

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.

This has been a watershed year for the financial services industry. Following the Royal Commission, the message was clear that the industry has neglected its core responsibility - to do what is right for the customer. This was precisely what attracted us to this organisation almost two years ago, with an opportunity to lead the way on culture in the industry. We are proud of what the team has achieved over the past 12 months and it has been in service of our clients, making Generation Life the leading provider of tax effective investment solutions in Australia.

Product and service offering



New investment menu

Access to leading fund managers, through our tax effective structure, has always been one of the key reasons to invest in an investment bond. During the year, we added 12 new funds across four asset classes to our investment menu - providing a greater choice of market-leading funds.

We launched the Generation Life Tax Effective Australian Share Fund this year. This is an industry first and a game-changer for tax aware investing. Tax can be the single biggest drag on investors' returns. This fund aims to lower the overall tax rate to between 9% and 11%* per year. We believe tax awareness is critical when maximising investment returns.

With the continued clamping down of superannuation concessions, there is an ever-increasing need for alternative solutions. The Generation Life Tax Effective Australian Share Fund is the first of several innovative solutions we will be launching at Generation Life.



Enhanced product and service offering

During the year, we also reviewed our product offering and made a number of enhancements.

- Heightened our approach to tax management with the aim of improving after tax returns to investors
- Launched the new Investor Online portal for our clients to view and track their accounts online
- Introduced BPAY® to make contributing to your investment even easier
- Expanded the Future Event facility to give you more control of transferring your wealth

You can find out more about these and other changes and updates to our product range on page 10.

* Expected long-term effective tax rate paid by the fund is in the range of 9-11%. The actual effective tax rate may vary and future performance and effective tax rates are not guaranteed.

Market leading growth

Generation Life is the market leader in the investment bonds space and was ranked number one for new business from the most recently available industry report¹.

We believe that our market-leading investment menu, value for money offer and personal service have earned us this growth, and we will continue to invest and innovate to ensure that your investment remains in the best of hands.

Independence

Generation Life is not aligned to any wealth advisory services provider. We continue to believe in the value of good, transparent financial advice and work closely with our clients and their advisers to achieve the very best outcomes for our clients.

Looking ahead

At Generation Life, we are optimistic about the future. We will continue to bring you Australia's best investment bond platform, and to drive the conversation and product development on tax aware investing. We are passionate about ensuring that investors grow and protect their investments and are proud to be leading the way in our industry.

Thank you again for your support.



Catherine van der Veen
Chief Executive Officer



Lucy Foster
Chief Executive Officer



125% Opportunity

Did you know?

Did you know, in your first year of investment you can make unlimited contributions without impacting your investment's valuable tax status? Basically, the more you invest in your first year, the greater the opportunity will be to make larger contributions in subsequent years to maximise your tax benefits.

In each subsequent year, which starts on the anniversary date of your investment, you can make additional contributions up to the value of 125% of your previous year's contributions.

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

How to make additional contributions

BPAY

Biller code: 249979

Reference: Your BPAY reference number is unique to your investment bond number.

If you do not know your BPAY reference number, please contact us on 1800 806 362 to obtain your number.

Direct Debit

Please complete the direct debit authorisation section of the Additional Investment form at genlife.com.au/forms-and-resources

EFT / Direct Credit

Please transfer funds to:

BSB: 083 817

Account No.: 14 924 6690

Please include your investment bond number in the reference details.

Cheque

Send your cheque made payable to Generation Life Ltd <Investor name> and cross it "Not negotiable".

Market & investment update

For the year 2018-19

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

The year to 30 June 2019 was an interesting period for investors. Australian and global shares, as well as Australian listed property, delivered positive returns for the year – although there were many ups and downs along the way.

The global economy continued to grow at a reasonable rate over the period although towards the end of the year it started to show signs of slowing. Cash rates are a good example of this slowdown in the market playing out. After a period of consolidation and in some instances increases in short term interest rates, reserve banks around the world went back to their toolkits and either implemented or prepared markets for a resumption of measures to stimulate their respective economies which included interest rate cuts.

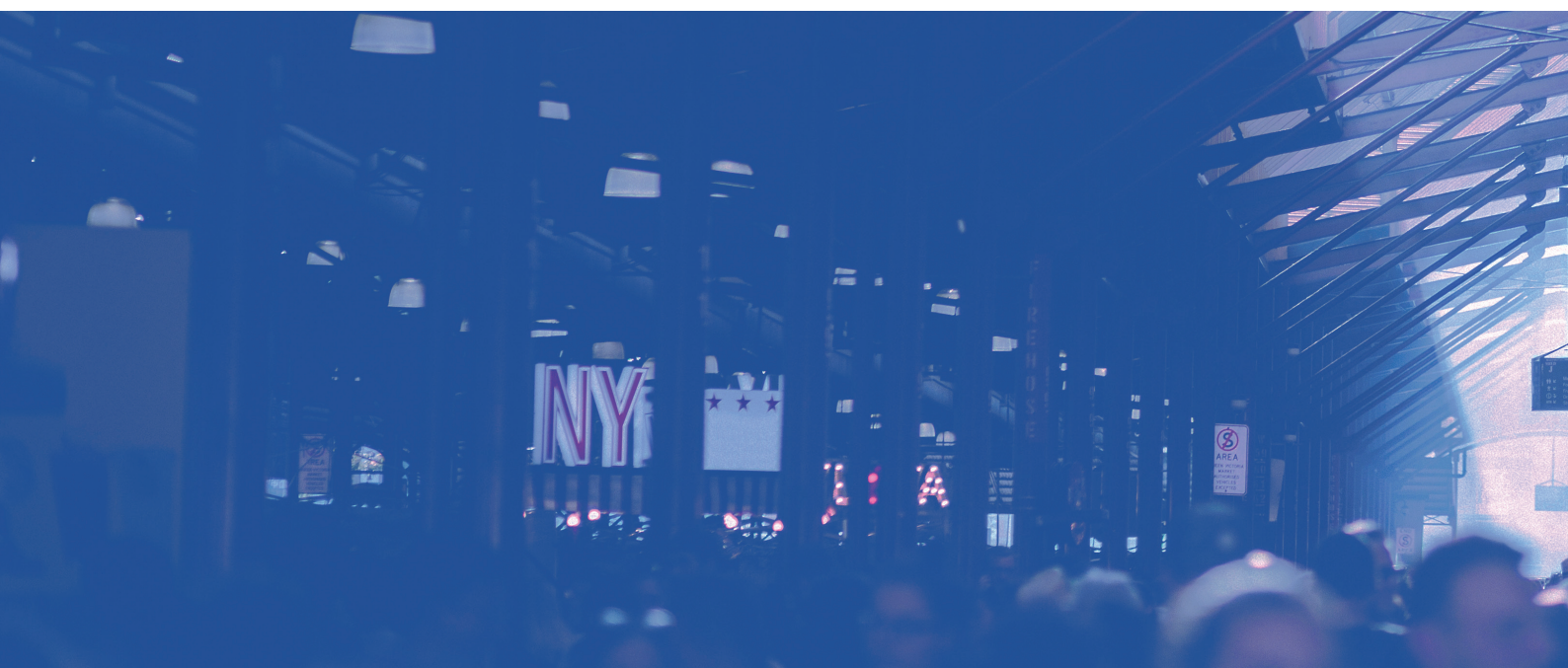
After a long period of interest rates remaining stable in Australia, the Reserve Bank of Australia moved hard to support the economy late in the financial year. The Reserve Bank of Australia cut the official cash rate to just 1.00% two days after the end of the financial year – this is a new record low in Australia for official cash rates.

Moving into the new financial year, cash and fixed interest yields are at historically low levels which presents a challenging environment for investors seeking an income stream from defensive assets.

The main driver of the uncertainty around future economic growth has been the increase in geo-political conflicts surfacing around the world. Tariffs and trade threats have arisen between a number of nations in a move towards protectionist policy not seen globally for decades.

The US and China sit as the centrepiece of this new trend and during the year markets were ultra-sensitive to any positive or negative commentary coming out of this dispute between the two largest economies in the world. Equity markets locally and globally remain fixated on how this structural dispute plays out and the outcome is expected to have a significant impact on global economic growth, the markets broadly and the performance of specific industries and geographic regions.

The Australian share market returned 11.42% for the year, propelled by the election result and official cash rate reduction. However, the uncertain economic growth conditions affected the Australian small companies sector with a return of only 0.45% for the period. This showed that despite some of the stimulus measures, investors remained concerned about the ability of companies to grow their earnings significantly and looked for the relative safety of stocks from large companies.

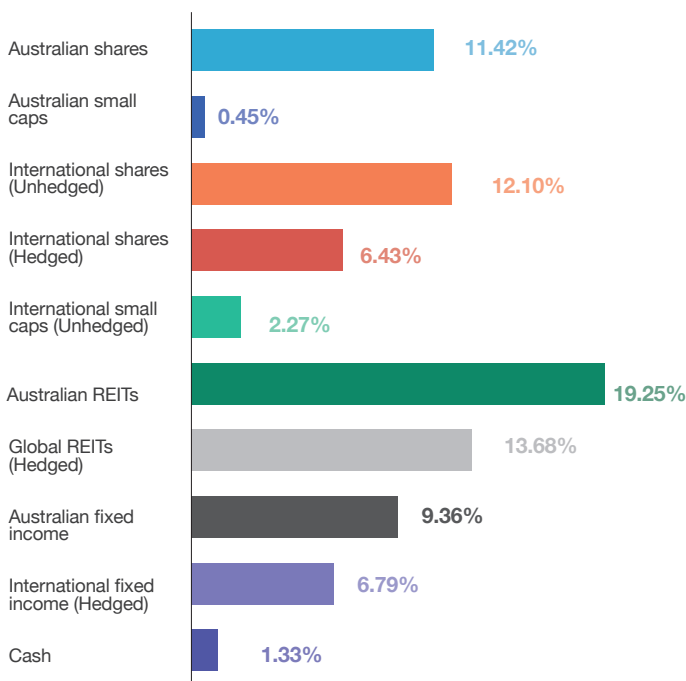


The major international share index recorded a 12.10% return (unhedged) for the period. Significant weakness in the Australian dollar over the year saw unhedged returns materially outperform its hedged counterpart which provided a below average but reasonable 6.43% return (hedged). The hedged return was a tale of two halves, with a return split of -9.98% in the first half of the year and a healthy 16.41% in the second half. The concerns around growth domestically were mirrored on a global scale with the global small company sector posting 2.27% over the period, with them only positive due to Australian currency weakness assisting unhedged returns.

The Australian fixed interest sector outperformed its global counterpart with the index returning an impressive 9.36% for the year. Low inflation and heightened geopolitical risks kept yields at extremely low levels with 10 year Australian Government bonds yielding only 1.33% at the end of the year. International fixed interest markets returned a healthy 6.79% for the period due to lower yields arising from uncertainty about future global economic growth.

Australian REITs (property) was the main beneficiary of flat fixed interest yields and was the standout category recording an impressive 19.25% return over the year. The global property market had a similar tailwind, producing a significant 13.68% return for the year.

The following graph shows the asset class returns for the 2018 - 2019 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 49 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 12 new investment options added to the menu across four asset classes.

Australian shares

- Bennelong Concentrated Australian Equities Fund
- Generation Life Tax Effective Australian Share Fund

International shares

- Legg Mason Martin Currie Emerging Markets Fund
- MFS Concentrated Global Equity Trust

Ethical

- Pandal Sustainable Australian Share Fund
- Pandal Sustainable Balanced Fund

Diversified

- Dimensional World Allocation 50/50 Trust
- MLC Horizon 2 Income Portfolio
- MLC Horizon 3 Conservative Growth Portfolio
- MLC Horizon 6 Share Portfolio
- Vanguard Balanced Index Fund
- Vanguard High Growth Index Fund

In addition to the above new investment options, the underlying investment manager for the MLC Property Securities Fund was replaced with Legg Mason Martin Currie. The investment approach was amended and the name changed to the Legg Mason Martin Currie Real Income Fund to reflect the new underlying investment fund.

The Generation Life Sectoral Blend Fund was renamed the Russell Investments Balanced Fund to better reflect the name of the underlying investment fund strategy.

Investment options performance

The table on the next page 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 2019. 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.

Returns (after fees and taxes) to 30 June 2019

Investment option	Code	2018-19 financial year	3 years p.a	5 years p.a	10 years p.a
AMP Capital Dynamic Markets Fund	10B	-3.45%	-	-	-
AMP Capital Global Property Securities Fund	5A	6.44%	3.06%	4.17%	8.64%
Bennelong Concentrated Australian Equities Fund	38	9.75%*	-	-	-
Dimensional Global Small Company Trust	9	-0.42%	5.50%	6.31%	9.06%
Dimensional World Allocation 50/50 Trust	40	7.04%*	-	-	-
Dimensional World Allocation 70/30 Trust	24	4.80%	6.59%	5.48%	-
Ellerston Australian Market Neutral Fund	6A	-6.42%	-	-	-
EQT Wholesale Mortgage Income Fund	25	1.74%	1.60%	1.73%	-
Generation Life Tax Effective Australian Share Fund	35	5.91%**	-	-	-
Generation Life Term Deposit Fund	14A	1.14%	1.08%	1.26%	-
Investors Mutual Australian Share Fund	6	5.41%	6.14%	5.25%	6.46%
Investors Mutual Future Leaders Fund	7	-2.20%	2.18%	3.71%	6.92%
iShares Hedged International Equity Index Fund	12	3.40%	7.81%	5.68%	8.52%
iShares Wholesale Australian Bond Index Fund	12A	5.79%	1.89%	2.48%	3.07%
iShares Wholesale Australian Equity Index Fund	11	8.14%	9.04%	6.09%	7.09%
iShares Wholesale Australian Listed Property Index Fund	12B	12.41%	4.86%	8.72%	8.95%
iShares Wholesale International Equity Index Fund	11A	7.50%	-	-	-
Kapstream Absolute Return Income Fund	10A	1.46%	-	-	-
Legg Mason Martin Currie Emerging Markets Fund	36	11.98%*	-	-	-
Legg Mason Martin Currie Real Income Fund	5	10.75%	4.40%	8.38%	10.09%
Macquarie Treasury Fund	1	0.98%	0.94%	1.10%	1.77%
Magellan Global Fund	8	14.00%	11.72%	10.50%	8.32%
Magellan Infrastructure Fund	5B	11.39%	6.80%	-	-
MFS Concentrated Global Equity Trust	8A	13.9%*	-	-	-
MLC Horizon 2 Income Portfolio	32	3.30%*	-	-	-
MLC Horizon 3 Conservative Growth Portfolio	33	5.24%*	-	-	-
MLC Horizon 4 Balanced Portfolio	22	3.95%	5.62%	4.49%	5.69%
MLC Horizon 6 Share Portfolio	34	10.15%*	-	-	-
MLC Wholesale IncomeBuilder™	23	4.66%	5.50%	4.02%	-
Mutual 50 Leaders Australian Shares Fund	14	4.93%	7.96%	3.98%	6.26%
Mutual ADI/Bank Securities	14B	1.68%	1.78%	-	-
Pendal Enhanced Credit Fund	3	4.25%	2.09%	1.85%	4.98%
Pendal Sustainable Australian Share Fund	39	13.19%*	-	-	-
Pendal Sustainable Balanced Fund	41	8.08%*	-	-	-
Perpetual Wholesale Australian Share Fund	15	4.69%	7.39%	3.74%	7.19%
Perpetual Wholesale Balanced Growth Fund	19	5.20%	4.98%	3.88%	5.55%
Perpetual Wholesale Conservative Growth Fund	26	4.58%	-	-	-
Perpetual Wholesale Ethical SRI Fund	21	-0.19%	4.16%	4.58%	9.77%
Perpetual Wholesale Geared Australian Share Fund	16	8.91%	15.22%	6.04%	13.37%
Perpetual Wholesale Industrial Share Fund	20	3.02%	5.81%	3.56%	7.33%
Perpetual Wholesale International Share Fund	17	6.91%	10.05%	8.64%	6.91%
PIMCO Wholesale Australian Bond Fund	2	5.41%	1.91%	2.51%	3.15%
PIMCO Wholesale Global Bond Fund	4	3.65%	1.88%	2.69%	3.48%
Russell Investments Balanced Fund	10	3.44%	4.06%	4.87%	6.56%
Schroder Absolute Return Income Fund	13	2.37%	1.99%	1.35%	2.59%
Vanguard Balanced Index Fund	31	9.31%*	-	-	-
Vanguard Conservative Index Fund	12C	5.38%	-	-	-
Vanguard Growth Index Fund	12D	6.58%	-	-	-
Vanguard High Growth Index Fund	30	12.57%*	-	-	-

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

* Since Inception Return (based on Exit Price of \$1). Inception Date 21st Nov 2018

** Since Inception Return (based on Exit Price of \$1). Inception Date 20th May 2019

Changes to our products

In the last year, we introduced improvements to a number of our product features.

Introduction of BPAY

Investors can now make contributions via BPAY. This option will make it easier for investors to make additional and ongoing contributions.

Investor Online service

Investor Online is an online portal that was launched to allow investors access to their accounts at any time.

Investor Online provides portfolio information to investors including:

- Account valuation and details
- Transaction information
- Performance
- Asset allocation

Investors can register for Investor Online access via the Generation Life website (genlife.com.au/investoronlinesignup).

Default Investment Allocation

Default Investment Allocation will be introduced by the end of 2019 where additional one off contributions by an investor will be invested according to the Default Investment Allocation in the account without a need to provide an investment allocation instruction each time.

This new feature has been designed to reduce delays associated with confirming investment instructions.

Your most recently advised investment allocation instruction that you have provided will be used as your current Default Investment Allocation. You can change your Default Investment Allocation at any time by providing new Default Investment Allocation instructions to us.

Default Investment Allocation will apply to additional one-off contributions made by BPAY, EFT/direct credit, direct debit (without specific one off investment instructions) and cheque payments.

If you would like to provide specific investment instructions for a one off contribution (and not rely on the Default Investment Allocation), you can do so by completing an Additional Investment form which can be found on our website. The form should include details of the specific investment allocation instruction and an election to have your contributions deducted by way of a direct debit from your financial institution's account.

It is important to ensure you only use the direct debit facility to make specific one off investment instructions, otherwise any funds received by us will be invested in accordance with your Default Investment Allocation.

The Default Investment Allocation will also be used for the auto-rebalancing facility if you have elected to use this feature.

If you request a switch or one off rebalance of your investment, the Default Investment Allocation will be updated according to the investment allocation provided for the switch or one off rebalance.

Auto-rebalancing facility

Auto-rebalancing will use the Default Investment Allocation instruction to re-align investors' investment portfolios.

Prior to the introduction of Default Investment Allocation, investment allocation instructions for the following features must all be the same for investors who elected to use the auto-rebalance facility:

- Regular Savings Plan
- Regular Withdrawal Facility
- Progressive Investing

This means further flexibility will be introduced to enable investors who elected to use auto-rebalancing to provide separate investment allocation instructions for all these features as part of the introduction of Default Investment Allocation.

Investors who have elected to use auto-rebalancing should speak to their financial adviser before providing investment allocation instructions for the above features that differ from their Default Investment Allocation.

Progressive investing

The progressive investment facility has been updated to provide a maximum of 12 equal monthly investment instructions.

Future Event Transfer Facility

The Future Event Transfer Facility was enhanced to remove the need to obtain signatures of the intended transferees. This has been designed to assist those investors who wish to maintain confidentiality of their intended future transfer.

In addition, the Future Event Transfer Facility now provides the option to restrict an investor's estate representative from making a withdrawal from, transferring ownership of, or using the investment bond as loan security where the investor has passed and a future date has been nominated for transfer. This is designed to limit the estate representative's ability to deal with the investment bond other than in accordance with the original investment bond owner's transfer instructions.

Life insured

Further flexibility was introduced to enable investors to nominate the life insured that triggers a death benefit payment (where multiple lives insured are nominated) to the nominated beneficiaries or the owner (where the policy owner is not the life insured). A benefit payment can occur on:

- the death of the last surviving life insured (default)
- the occurrence of the first death of a life insured
- the death of a particular named life insured.

This provides investors with further estate planning flexibility to help manage the distribution of benefits to nominated beneficiaries as required.

Changes to Product Rules

During the 2019 financial year the Product Rules were amended in order to facilitate the introduction of the addition of benefit fund numbers 8A, 30, 31, 32, 33, 34, 35, 36, 38, 39, 40 and 41, 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.

Disclaimer:

Generation Life Limited (Generation Life) AFSL 225408 is the issuer of Investment Bonds (including LifeBuilder, ChildBuilder and FuneralBond). This information is general information only and does not take into account any particular person's objectives, financial situation or needs. Neither Generation Life or the underlying investment managers make any guarantee, warranty or representation as to the accuracy of the general information provided, and you should not rely on it. No responsibility for any errors or omissions or any negligence is accepted by Generation Life or the underlying investment managers. The latest Product Disclosure Statement should be considered in deciding whether to acquire, or continue to hold an investment bond.

1. Source: Strategic Insight Actuaries & Researchers - Investment Bonds Inflows report for the year ended March 2019



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