

Tax Optimised investment series

Generation Life Investment Bonds

Performance as at 30 June 2023

Generation Life Tax Effective Australian Share Fund - UF35



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	14.59%	11.59%	9.25%	10.57%	11.88%	11.09%
2 years p.a.	3.51%	2.98%	1.10%	1.60%	2.03%	2.48%
3 years p.a.	11.03%	9.38%	7.58%	8.24%	8.15%	8.88%
4 years p.a.	6.02%	5.59%	3.98%	4.46%	4.77%	5.09%

Headline and individual after tax returns for the comparative fund are based on the performance of an equivalent S&P/ASX 200 Index ETF.

Vanguard High Growth Portfolio - UF30



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	14.88%	11.68%	7.90%	9.01%	10.03%	11.28%
2 years p.a.	2.25%	1.81%	0.29%	0.62%	0.59%	1.41%

Vanguard Growth Portfolio - UF12D



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	11.20%	8.58%	5.98%	6.80%	7.57%	8.18%
2 years p.a.	0.42%	0.15%	-1.18%	-0.93%	-0.93%	-0.25%

Vanguard Balanced Portfolio - UF31



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	7.52%	5.74%	4.03%	4.56%	5.03%	5.34%
2 years p.a.	-1.45%	-1.25%	-2.87%	-2.65%	-2.67%	-1.65%

Vanguard Conservative Portfolio - UF12C



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	4.40%	3.18%	2.31%	2.62%	2.86%	2.78%
2 years p.a.	-2.55%	-2.32%	-3.60%	-3.46%	-3.48%	-2.72%

Dimensional World 70/30 Portfolio - UF24

	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	9.98%	7.75%	4.66%	5.31%	5.94%	7.35%
2 years p.a.	0.06%	-0.97%	-1.47%	-1.30%	-1.17%	-1.37%

Dimensional World 50/50 Portfolio - UF40

	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	7.37%	5.48%	4.06%	4.61%	5.13%	5.08%
2 years p.a.	-0.95%	-0.97%	-1.59%	-1.46%	-1.35%	-1.37%

Dimensional World 30/70 Portfolio - UF24

	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	5.16%	3.68%	2.91%	3.25%	3.77%	3.28%

Dimensional World Equity Portfolio - UF28

	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	15.10%	11.43%	8.24%	9.35%	10.38%	11.03%
2 years p.a.	3.30%	2.32%	2.34%	2.47%	2.51%	1.92%

Martin Currie Equity Income Fund - UF23

	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	9.62%	8.07%	4.59%	5.28%	6.06%	7.47%
2 years p.a.	3.34%	3.03%	0.92%	1.39%	1.91%	2.43%

Magellan Global Fund - UF08

	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	20.65%	14.44%	10.69%	12.27%	13.57%	13.84%
2 years p.a.	3.15%	1.84%	1.44%	1.67%	1.54%	1.24%
3 years p.a.	5.63%	3.48%	2.94%	3.32%	2.75%	2.88%




Perpetual Australian Share Fund - UF15

	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	14.14%	10.03%	8.88%	9.80%	9.93%	9.43%
2 years p.a.	4.96%	3.64%	2.85%	3.34%	3.33%	3.04%
3 years p.a.	15.26%	11.33%	11.36%	12.14%	11.44%	10.73%

Growing our Tax Optimised investment series

At Generation Life, we continue to grow our range of Tax Optimised investment options.


The following investment options have been available as part of our Tax Optimised Series for less than a full financial year. After-tax return analysis will be available once a full financial year of returns has been completed.

DNR Capital Australian Emerging Companies Portfolio	
Generation Life Tax Effective Growth Fund*	
Investors Mutual Australian Share Fund	
Magellan Infrastructure Fund	

* Available from 25 August 2023

The following investment options are managed through a model portfolio arrangement and therefore the underlying investment strategy is not directly able to be accessed by investors.

The performance of these investment options are unique to the investment bond and cannot be replicated through direct ownership. It is therefore not possible to provide a comparison against a direct investment on an after-tax basis.

Evergreen Responsible Growth Model	
Morningstar Balanced Model	
Morningstar Growth Model	
Morningstar High Growth Model	
Mercer Future Wealth Balanced Portfolio	

Market commentary



John Laver
Head of Investment at Generation Life

The year to 30 June 2023 saw a continuance of the divergence between economic conditions and financial market performance. Investors were reminded that financial market impacts can often precede a worsening economic environment by periods that can span many months, with sharemarkets globally experiencing significant positive returns for the year.

Locally, the S&P/ASX 200 index returned 14.78% for the financial year while globally, the MSCI World Ex Australia Index was much stronger spurred by a well performing technology sector, posting a 22.59% return (unhedged) on a pre-tax basis. The RBA raised the official cash rate by 3.25% over the year, finishing the year at 4.1%. This was the fastest and most aggressive rise in interest rates since 1988, driven by the need to help curb inflation.

Pleasingly, in this strong financial market environment, over 50% of the Tax Optimised investment series were in a net tax receivable position for the year. The remaining Tax Optimised investment options on average paid less than 0.50% on fund value in tax, resulting in a strong post-tax return position for the year.

The key driver for this tax efficiency was systematic rebalancing within the investment portfolios which reduced the taxable earnings - lowering the overall tax impact on returns. The sharp increase in interest rates and additional volatility in the fixed interest asset class created tax alpha opportunities for the diversified funds in particular.

With up to 3.28% in additional tax alpha generated during the last twelve months across the Tax Optimised series of investment options, these investment options will benefit from having more capital available to invest going forward. To highlight what this means over the longer term, a 1.5% increase in annualised return* (as a result of more capital being available to invest) over a ten-year period into a MSCI World Ex Australia Index fund would have added a further 43% cumulative value for an investor over the last ten years to 30 June.

The power of compounding tax alpha over time without increasing investment risk enables more of the headline investment strategy return to be delivered back to investors.

* Illustrative return assuming an additional improvement in after-tax returns over a 10-year period. This is not a forecast or projection of after-tax returns to be achieved.

How returns are calculated

- \$25,000 investment amount at start of reporting period.
- The individual Marginal Tax Rate (MTR) applied includes the Medicare levy, while a company tax rate of 30% is assumed. Investors are Australian resident taxpayers and hold their investment directly (not through any third-party platform).
- Individual investors hold investment on capital account while company holds investment on revenue account.
- Capital gains discount of 50% applies to realised gains on investments held for 12 months or more for individual investors while no discount available to capital gains discount available to company investors.
- Buy spread applied on initial purchase of managed fund but sell spread not applied for end of period valuation.
- Buy and sell spreads are used to determine transaction costs for managed fund investments and brokerage costs are used where direct investor exposure is obtained through an exchange traded fund.
- Tax Optimised gross after tax return performance is based on withdrawal to withdrawal price movements over the period including the effect of tax (but excluding fees) at the fund level.
- Tax Optimised after tax return (after fees) performance is based on withdrawal to withdrawal price movements over the period including the effect of fees and tax at the fund level.
- Tax withheld at investor's applicable tax rate upon receipt of distribution.
- Distribution net of tax payment withheld is reinvested as it becomes payable assuming bank processing timeframe of 15 business days from fund manager payment date to reinvestment.
- Tax components and eligible deductions are applied in annual tax return on 31 October of each financial year.
- Minimum investment limits applied on investments in managed funds and exchange traded fund investments.
- Minimum brokerage cost of \$10 on exchange traded fund transactions. Brokerage is determined by transaction value with a sliding scale applied to a limit of 0.12% on transaction values above \$25,000.
- Returns do not take into account any future tax benefits associated with any carried forward losses not utilised as at the performance date
- All tax offsets and imputation credits can be fully utilised by the investor.
- Cost bases adjusted for tax deferred income.
- Assumes the investment bond is held and that the pre-10 year withdrawal rule does not apply.
- Assumes investment fully sold down at end of return reporting period.



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