

# Target Market Determination

## Generation Life Tax Effective Equity Income Fund – Class D

This target market determination (TMD) is made under section 994B of the Corporations Act 2001 (Cth) (Act). It sets out the target market of customers (investors) for the product, triggers to review the target market and certain other information.

This document is not a summary of the product, the product rules of the product, or the Product Disclosure Statement (PDS) for the product. It does not (and is not intended to) set out a summary of the terms or features of the product.

This document does not (and is not intended to) provide or constitute financial product advice. The target market described in this TMD is general in nature only and does not make any statement or representation that a particular person is or is not in the target market described in this TMD. This TMD does not take into account the objectives, financial situation and needs of any particular person and no representation is made as to whether or not the product is suitable for any particular person.

Prior to making any decision in relation to the product, investors should obtain and consider the PDS available at [genlife.com.au](http://genlife.com.au), and obtain financial product advice if necessary.

<b>Product name</b>	Generation Life Tax Effective Equity Income Fund – Class D
<b>APIR code</b>	ALL1167AU
<b>Product issuer</b>	Generation Life Limited ABN 68 092 843 902 AFSL no. 225408 (Generation Life, us, we, or our)
<b>Date of this TMD</b>	13 December 2023
<b>TMD version</b>	3.0

An investment in the product is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and performance of the product may differ materially from the forecasts, estimates and opinions set out in this TMD. No guarantee as to the repayment of capital, the performance of the product or any rate of return described in this TMD is made by us or any other person.

This material is not intended for distribution to, or use by, any person in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

Generation Life, and its officers, employees, agents and advisers, believe that the information in this TMD and the sources on which the information is based (which may be sourced from third parties) are correct as at the date of this TMD. While every care has been taken in the preparation of this TMD, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by Generation Life, or its officers, employees, agents or advisers. To the fullest extent permitted under law, Generation Life excludes all liability for information provided in this TMD.

# Target Market

## Likely objectives, financial situation and needs of customers (investors) in the target market

### Investment objectives

Investors (including trusts, companies, and individuals and joint individuals aged at least 10 years) seeking to achieve one or more of the following objectives:

- investing in a product designed to generate a tax optimised return and a growing income stream, through investment in a diversified portfolio of income orientated securities that are traded on the Australian Securities Exchange;
- investing in a product with a high risk profile (i.e. the ability to bear up to 6 negative return years over a 20 year period) in order to target a higher target return; and/or
- creating certainty in estate planning outcomes and to pass on wealth in a simple, cost effective and tax-effective manner to an intended recipient or beneficiaries outside of an estate.

## Product description

The product is an investment bond that is an investment-linked life policy, governed by the Life Insurance Act 1995 (Cth) and subject to APRA regulation. An investor is a policyholder and is required to nominate at least one life insured.

The product is a 'tax paid' investment where tax on the product's earnings is paid by Generation Life at its tax rate of 30%, rather than at an investor's personal marginal tax rate. These ongoing earnings do not count as an investor's personal taxable income. From year to year, the actual tax paid by the product can be effectively less than 30% of the earnings because of the favourable effects of imputation credits, other tax credits, effective tax management and tax provisioning undertaken.

Based on the historical investment and transacting profile of the product's stated investment strategy, and current tax legislation, the long-term effective annual tax rate for the product is estimated to be in the range of 10-15% of the product's net earnings. The estimated effective annual tax rate range is assumed over a long term and through a full market cycle. The actual level of tax incurred by the product may vary and will be dependent on the product's actual level of earnings and investment and transacting profile.

The product generally makes regular payments quarterly for the periods ending 30 June, 30 September, 31 December and 31 March. The payment amount at the end of the quarter will be determined by Generation Life based on the product's underlying net earnings for the quarter. An investor has the option of electing not to continue receiving a regular payment amount or resuming a payment at a later time.

A portion of the payment received by an investor will be treated as a tax-free component with the balance treated as tax assessable income taxed at the investor's marginal tax rate (where received in the first 10 years of investment). The tax assessable component will also receive an automatically calculated tax offset (currently equal to 30% of the tax assessable amount) which can be used to reduce the investor's annual tax liability in the financial year that the regular payment was made. This tax offset can be used to reduce any personal tax liability associated with the investment, or any other tax liability the investor may have incurred during the financial year. After 10 years, the product's regular payments will be received tax-free in the hands of the investor.

If the life insured dies or suffers an accident, serious illness or other disability within the 10-year period, then the proceeds will not be tax assessable. Similarly, in the event of an unforeseen serious financial hardship being experienced by the investor within the 10-year period, a withdrawal will also not be tax assessable.

The product can be used to transfer wealth on the death of the life insured to any third-party beneficiary nominated without needing to bequeath the investment in a will or a testamentary trust, and is treated as a non-estate asset.

**Likely objectives, financial situation and needs of customers (investors) in the target market**

**Product description**

**Investment objectives (continued)**

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The product can be used to transfer wealth on the death of the life insured to any third party beneficiary nominated without needing to bequeath the investment in a will or a testamentary trust, and is treated as a non-estate asset.

The product can be set up to provide for:

- payments to beneficiaries on the death of a life insured;
- the transfer of ownership to future intended transferee recipients on the death of the policyowner or at a specified future date; or
- the transfer to a third party at any time,

without any tax impact to the investor or recipients provided there was nil without any tax impact to the investor or recipients provided there was nil consideration or payment received by the investor. The investor can control when a transferee recipient can make withdrawals and limit the amount that a transferee recipient can withdraw each year.

The product can be acquired and configured to enable nominated beneficiaries to be elected or for the transfer of ownership at the time of death of the policy owner such that the investment is treated as a non-estate asset.

There is no need to provide Generation Life with a tax file number.

The product may be used by an investor as security for lending purposes (subject to the lender's requirements). The product is protected from creditors under the Bankruptcy Act 1966. This protection applies to the investment bond itself as well as any proceeds from the investment bond received on or after the date of bankruptcy, provided it wasn't the intention of the investor to defeat creditors by investing in the product.

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**Financial situation**

Investors in the following financial situations:

- investors on higher marginal tax rates or investors looking to manage their marginal tax position;
- investors with investable assets that meet the minimum Product investment requirements; and/or
- investors with investable assets that are designated to be transferred or passed onto particular persons or entities in the future.

There is a minimum initial investment of \$250,000 and a minimum additional investment of \$5,000. There is no maximum initial or additional investment amount.

In relation to other product features that are relevant to the other financial situations, see above.

**Likely objectives, financial situation and needs of customers (investors) in the target market**

**Product description**

**Needs**

Investors that have one or more of the following investment needs:

- seeking regular cash payments with no limits on how much could be contributed to the investment;
- seeking medium diversification of investment risk by investing in a product that is invested broadly in one asset class that is highly tradeable;
- seeking to acquire the Product either as part of a diversified portfolio of assets or on a standalone basis and for it to be held over the medium term (i.e. at least 5 years);
- the ability to access funds at any time if required with a high level of liquidity (either partially or fully); and/or
- the ability to make unlimited initial and additional investments (including regular investments) without regulatory limits.

The product can be acquired to achieve any number of investment objectives described above, including:

- holding the product over time as part of a diversified portfolio held by the investor; or
- holding the product on a standalone basis, given that diversity of underlying securities held, or where the investment objective is to achieve a benefit for a nominated beneficiary or other third parties.

The product has an investment term of 99 years, however, the Investor is able to make a full or partial withdrawal at any time subject to liquidity (noting the tax impact of doing so within the first 10 years).

All investment proceeds are invested by Generation Life in cash and listed securities held in accordance with the Life Insurance Act 1995 (Cth), the Product's rules and APRA regulation.

The product's disclosed risk level of High (6) corresponds to risk levels represented by the Standard Risk Measure (SRM) developed by the Association of Superannuation Funds of Australia and the Financial Services Council.

The product is primarily invested in listed securities with a high level of liquidity. Generation Life reasonably expects that such assets can be generally realised at market value within 30 days and typically within 10 business days.

A withdrawal of some or all of an investment in the product can be requested at any time, however delays may occur depending on the liquidity of the underlying assets of the fund and any delays in valuing investments.

**Appropriateness of the target market and product attributes**

The product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of investors in the target market on the basis of:

- the relationship between the key attributes of the product and the target market as set out in this TMD;
- the terms of issue of the product;
- our assessment of the risks and benefits of the product; and
- our assessment of the likely investor outcomes of the product.

## Distribution conditions

This product can be distributed either directly via our website [genlife.com.au](http://genlife.com.au) or via third party licensed financial advisers.

### All distributors

This product may only be offered and/or issued in accordance with the product's terms and conditions detailed in the PDS (as amended from time to time).

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### Licensed financial advisers

Licensed financial advisers must be authorised to provide personal financial product advice in respect of, and deal in, investment linked life policies.

Licensed financial advisers must:

- confirm to us that the acquisition of the product is consistent with the personal financial product advice provided by the licensed financial adviser;
- confirm to us that the licensed financial adviser believes the customer is within the target market described in this TMD; and
- explain to us that, if the customer is not within the target market described in this TMD, the reason for recommending the investment to the customer.

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### Directly

Investors can apply directly only by completing the application form available electronically via [genlife.com.au](http://genlife.com.au).

Each investor must provide all information and answer all questions required under the application form to determine the investor's profile and read and accept the terms of the PDS. The application form includes a questionnaire which helps to assess whether an investor is likely to be in the target market for the product.

### Appropriateness of the distribution conditions

The distribution conditions will make it more likely that the investors who acquire the product are in the target market on the basis of:

- the way the product is distributed, namely that the product is available only via the provision of personal advice to investors from a licensed financial adviser, or through direct acquisition from the product issuer;
- the criteria that we have implemented and the questions we have designed in the questionnaire used for direct distribution, which identifies when an investor is not likely to be in the target market for the product;
- the confirmation provided as part of the personal advice process that the licensed financial adviser has considered whether the product is suitable for the investor's objectives, financial situation and needs;
- the restrictions imposed by, and level of supervision required under, the terms of any distribution agreements entered into by us and licensed financial advisers of the product;
- our assessment of licensed financial advisers based on their performance against professional standards, conduct and behaviours as required or expected by the Australian Securities and Investments Commission from time to time;
- any other relevant information about a licensed financial adviser, about which we are aware; and
- our experience of direct distribution of our products.

## Review triggers and review periods

### Review triggers

The following events and circumstances are considered likely to indicate that this TMD may no longer be appropriate and a review of this TMD may be required:

- where we consider that there has been a material change to the product offering, product description (including its key attributes), or taxation consequences on investors in the product;
- where we consider that there has been a material change to legislation that may materially impact the product or the usage by investors;
- a significant number, or an unexpectedly high number, of complaints about the product's appropriateness or its distribution that would reasonably suggest that the TMD is no longer appropriate;
- a significant number of unexpected withdrawal requests over a 12-month period (excluding maturities and death benefit payments) that would reasonably suggest that the TMD is no longer appropriate;
- a significant dealing(s) in this product that is inconsistent with this TMD that would reasonably suggest that the TMD is no longer appropriate; and
- any inquiry, surveillance, direction, notice, investigation or enforceable instrument by or from ASIC about or relating to the product's features, target market or distribution strategy that would reasonably suggest that the TMD is no longer appropriate.

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### First review date

5 October 2023 (Completed).

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### Review periods

Every 24 months from the date of the last review of the TMD (for whatever reason).

## Distributor reporting requirements

Information to be reported		Reporting period	Provider
<b>Complaints</b>	The number of complaints in relation to the product's design, features, availability and distribution, the substance of such complaints and outcomes of the complaints having regard to customer privacy.	Within 10 business days following the end of each calendar quarter commencing from the date of this TMD.	Licensed financial adviser
<b>General feedback</b>	General feedback (if any) relating to the product and its performance.	Within 10 business days following the end of each calendar quarter commencing from the date of this TMD.	Licensed financial adviser
<b>Significant dealings</b>	To the extent the distributor is aware, particulars of any significant dealing not consistent with this TMD, including the reasons why the customer is outside the target market and whether such dealings occurred in the context of the giving of personal advice in relation to the product.	As soon as practicable, but no later than 10 business days after becoming aware of the significant dealing.	Licensed financial adviser
<b>Dealings outside of the target market</b>	To the extent the distributor is aware, particulars of any dealings where a customer is outside of the target market, including the reasons why the customer is outside of the target market and whether such dealings occurred in the context of the giving of personal advice in relation to the product.	At the time of application for the product is made or as soon as practicable, but no later than 10 business days following the end of each calendar quarter commencing from the date of this TMD.	Licensed financial adviser

All licensed financial advisers must report to Generation Life, as required under the distributor reporting requirements and within the required timeframe, using the email address [DDO@genlife.com.au](mailto:DDO@genlife.com.au) or other means as advised by Generation Life from time to time. The Financial Services Council data standards should be used where practicable.

All questions in regard to Generation Life's TMDs can also be directed to [DDO@genlife.com.au](mailto:DDO@genlife.com.au).

A copy of this and all Generation Life TMDs are available at [genlife.com.au](http://genlife.com.au).

## Significant dealings

Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning.

The issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.

Dealings outside this TMD may be significant because:

- they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product; or
- they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer).

In each case, the distributor should have regard to:

- the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes);
- the actual or potential harm to a consumer (which may be indicated by the value of the consumer's investment, their intended product use or their ability to bear loss); and
- the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of customer attributes not identified in the TMD).

Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:

- it constitutes more than a third of the distributor's total retail product distribution conduct in relation to the product over the reporting period; or
- the consumer has 3 or more customer attributes that are not identified in the TMD.