

Tax Optimised investment series

Generation Life Investment Bonds

Performance as at 31 December 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	12.18%	10.23%	6.75%	7.76%	8.84%	9.73%
2 years p.a.	5.30%	5.75%	3.12%	3.65%	4.16%	5.25%
3 years p.a.	9.13%	8.22%	6.35%	6.98%	7.13%	7.72%
4 years p.a.	7.16%	6.97%	5.09%	5.64%	5.84%	6.47%

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	15.81%	12.33%	8.36%	9.60%	10.84%	11.93%
2 years p.a.	2.24%	1.98%	0.67%	1.00%	1.05%	1.58%
3 years p.a.	7.56%	5.92%	4.92%	5.40%	5.21%	5.52%

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	13.38%	10.08%	7.09%	8.12%	9.15%	9.68%
2 years p.a.	0.82%	0.67%	-0.47%	-0.25%	-0.19%	0.27%
3 years p.a.	5.00%	3.77%	2.96%	3.32%	3.34%	3.37%

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	10.92%	8.15%	5.63%	6.51%	7.38%	7.75%
2 years p.a.	-0.67%	-0.52%	-1.69%	-1.50%	-1.49%	-0.92%
3 years p.a.	2.45%	1.79%	0.55%	0.85%	0.89%	1.39%

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	8.44%	5.99%	4.31%	4.97%	5.68%	5.59%
2 years p.a.	-1.42%	-1.19%	-2.22%	-2.09%	-2.06%	-1.59%
3 years p.a.	0.51%	0.11%	-1.07%	-0.85%	-0.76%	-0.29%

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	13.06%	9.91%	7.13%	8.20%	9.41%	9.51%
2 years p.a.	0.60%	0.43%	0.14%	0.30%	0.33%	0.03%

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	10.52%	7.58%	5.63%	6.48%	7.44%	7.18%
2 years p.a.	0.01%	-0.08%	-0.56%	-0.42%	-0.26%	-0.48%

Dimensional World 30/70 Portfolio - UF62

	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	7.99%	5.59%	4.25%	4.89%	5.58%	5.19%

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	15.50%	11.42%	8.30%	9.55%	10.96%	11.02%
2 years p.a.	2.82%	1.90%	1.63%	1.84%	1.95%	1.50%

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	7.26%	5.93%	4.15%	4.49%	4.87%	5.33%
2 years p.a.	3.89%	3.21%	2.02%	2.53%	3.09%	2.61%
3 years p.a.	7.29%	6.30%	4.95%	5.51%	5.86%	5.70%

Investors Mutual Australian Share Fund - UF06

	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	6.20%	4.37%	4.33%	4.68%	4.22%	3.77%

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	22.05%	18.09%	9.78%	11.79%	11.75%	17.49%
2 years p.a.	1.41%	1.64%	-1.12%	-0.75%	-1.58%	1.04%
3 years p.a.	7.05%	5.41%	4.62%	5.09%	4.15%	4.81%

Magellan Infrastructure Fund - UF05B

	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	3.47%	2.02%	1.82%	2.03%	1.83%	1.42%

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	4.86%	4.02%	2.41%	2.77%	3.18%	3.42%
2 years p.a.	3.32%	2.31%	1.11%	1.59%	1.70%	1.71%
3 years p.a.	8.92%	6.88%	6.39%	6.91%	6.71%	6.28%
4 years p.a.	7.53%	5.68%	5.27%	5.72%	5.70%	5.08%

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



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 market was very kind to investors in most major asset classes during the December quarter, driven by a positive change in the narrative around inflation and Global Central Banks easing monetary conditions earlier than expected in 2024. A more supportive tone from the U.S. Reserve Bank in December started the trend, but markets quickly started to reprice the outlook for the world's other major central banks to follow suit.

Global share markets experienced heady returns with the MSCI World Index gaining 4.2% over the month of December and emerging markets up by 3.2% (or 10.0% and 5.6% respectively over the quarter). Fixed interest yields also continued to decline, and the Bloomberg Global Aggregate index rose by 4.2% over the month (8.1% for the quarter) (total returns in local currency). In the month of November, the S&P ASX 300 Accumulation Index registered positive returns, having the best month since January 2023. This was followed in December by Australian share markets remaining the standout performer across the wider Asia-Pacific region with all sectors positive over the month with a final quarterly return of 8.36%.

For Australian investors, economic conditions also started to stabilise during the December quarter. The Reserve Bank of Australia (RBA) raised interest rates only once by 25bps to 4.35% which was in line with forecasts and 3rd quarter GDP was revised up to 2.1%, which came in below market expectations. CPI inflation fell from 6.0% to 5.4% showing some relief in the cost of living in Australia. The unemployment rate ticked up slightly from 3.8% to 3.9%. All these adjustments provided the market with a sense that the inflation experience and response may be starting to move in the right direction for the RBA to release the pressure valve at some point in 2024.

The average after fees and tax returns on the reported Tax Optimised options for the 12 months to 31 December 2023 was 8.27%, whereas the comparable average after fees and tax return of an investor assuming a 47% marginal tax rate (including Medicare levy), was 5.71%. This equates to an uplift in average after fees and after-tax returns of 2.56% for these high marginal tax rate investors.

Our average Tax Optimised investment series returns for the last 12 months was 10.83% on a pre-tax basis and 8.27% on an after-tax return basis. At Generation Life, our investment performance considers the tax paid on income annually and considers what the impact of tax would be if withdrawing and selling down the assets in our funds at the end of the investment. Investors get to keep this return and there is no further tax to be paid by investors in their personal tax return, if held for more than ten years. Our core focus at Generation Life is to review tax and costs on portfolio returns for our investors and generate better after-tax outcomes.

The average annual uplift in performance for our Tax Optimised series over the last 3 years assuming a 30% company tax investor was 0.79%, with the Generation Life Tax Effective Australian Share Fund being the best performing with a 1.87% p.a. uplift in returns on an after-tax basis.

Since inception of the portfolio in May 2019, the after-tax return of the Tax Effective Australian Share Fund has been 7.88% p.a. Over the same period, the pre-tax S&P ASX Accumulation Index return was 7.76% p.a. Pleasingly, our fund has since inception provided investors with an after tax return greater the pre-tax S&P ASX Accumulation Index return.

Utilising a Generation Life investment bond can generate significant tax alpha over time without increasing investment risk for investors.

Warm regards



John Laver

Head of Investment, Generation Life

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.



Outthinking today.

Postal address

GPO Box 263, Collins Street West
Melbourne VIC 8007

Email

enquiry@genlife.com.au

Enquiries

Investor services: 1800 806 362
Adviser services: 1800 333 657

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