

# Tax Optimised investment series

## Generation Life Investment Bonds

Performance as at 30 June 2024

### Generation Life Tax Effective Australian Share Fund - UF35

 Invesco

|              | 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       | 12.09%                     | 11.43%                               | 6.47%                               | 7.44%                               | 8.50%                             | 10.93%                                      |
| 2 years p.a. | 13.29%                     | 11.51%                               | 10.28%                              | 11.16%                              | 10.83%                            | 11.01%                                      |
| 3 years p.a. | 6.28%                      | 5.72%                                | 4.06%                               | 4.58%                               | 4.96%                             | 5.22%                                       |
| 4 years p.a. | 11.28%                     | 9.88%                                | 8.05%                               | 8.72%                               | 8.62%                             | 9.38%                                       |
| 5 years p.a. | 7.18%                      | 6.74%                                | 5.26%                               | 5.84%                               | 6.01%                             | 6.24%                                       |

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

 Vanguard®

|              | 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       | 15.00%                     | 11.23%                               | 7.27%                               | 8.35%                               | 9.47%                             | 10.83%                                      |
| 2 years p.a. | 14.74%                     | 11.46%                               | 10.33%                              | 11.05%                              | 10.15%                            | 11.06%                                      |
| 3 years p.a. | 6.22%                      | 4.86%                                | 3.85%                               | 4.25%                               | 4.09%                             | 4.46%                                       |

### Vanguard Growth Portfolio - UF12D

 Vanguard®

|              | 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       | 12.33%                     | 8.85%                                | 5.89%                               | 6.77%                               | 7.64%                             | 8.45%                                       |
| 2 years p.a. | 11.63%                     | 8.72%                                | 8.02%                               | 8.58%                               | 7.91%                             | 8.32%                                       |
| 3 years p.a. | 4.11%                      | 2.97%                                | 2.40%                               | 2.65%                               | 2.65%                             | 2.57%                                       |

### Vanguard Balanced Portfolio - UF31

 Vanguard®

|              | 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       | 9.58%                      | 6.74%                                | 4.42%                               | 5.13%                               | 5.80%                             | 6.34%                                       |
| 2 years p.a. | 8.49%                      | 6.23%                                | 5.74%                               | 6.14%                               | 5.63%                             | 5.83%                                       |
| 3 years p.a. | 1.98%                      | 1.34%                                | 0.61%                               | 0.82%                               | 0.83%                             | 0.94%                                       |

### Vanguard Conservative Portfolio - UF12C

 Vanguard®

|              | 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       | 6.89%                      | 4.74%                                | 3.23%                               | 3.72%                               | 4.21%                             | 4.34%                                       |
| 2 years p.a. | 5.64%                      | 3.96%                                | 3.72%                               | 3.99%                               | 3.68%                             | 3.56%                                       |
| 3 years p.a. | 0.43%                      | -0.02%                               | -0.59%                              | -0.47%                              | -0.44%                            | -0.42%                                      |

**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       | 19.29%                     | 17.45%                               | 8.39%                               | 10.13%                              | 10.67%                            | 16.85%                                      |
| 2 years p.a. | 19.97%                     | 15.94%                               | 13.13%                              | 14.13%                              | 11.91%                            | 15.34%                                      |
| 3 years p.a. | 8.27%                      | 6.80%                                | 4.76%                               | 5.22%                               | 4.34%                             | 6.20%                                       |
| 4 years p.a. | 8.89%                      | 6.81%                                | 4.93%                               | 5.44%                               | 4.41%                             | 6.21%                                       |

**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 | -0.12%                     | -0.22%                               | -2.09%                              | -1.80%                              | -1.63%                            | -0.82%                                      |

**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       | 14.72%                     | 11.38%                               | 7.70%                               | 8.86%                               | 10.16%                            | 10.98%                                      |
| 2 years p.a. | 14.91%                     | 11.40%                               | 10.79%                              | 11.46%                              | 10.48%                            | 11.00%                                      |

**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       | 11.64%                     | 9.18%                                | 6.10%                               | 7.02%                               | 8.06%                             | 8.78%                                       |
| 2 years p.a. | 10.81%                     | 8.46%                                | 7.82%                               | 8.30%                               | 7.57%                             | 8.06%                                       |

**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       | 9.58%                      | 7.15%                                | 5.04%                               | 5.80%                               | 6.65%                             | 6.75%                                       |
| 2 years p.a. | 8.47%                      | 6.32%                                | 6.21%                               | 6.62%                               | 6.09%                             | 5.92%                                       |

**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       | 7.69%                      | 5.35%                                | 4.02%                               | 4.62%                               | 5.31%                             | 4.95%                                       |
| 2 years p.a. | 6.42%                      | 4.51%                                | 4.73%                               | 5.02%                               | 4.56%                             | 4.11%                                       |

**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       | 5.99%                      | 4.68%                                | 3.16%                               | 3.66%                               | 4.21%                             | 4.08%                                       |
| 2 years p.a. | 9.99%                      | 7.32%                                | 6.91%                               | 7.33%                               | 7.06%                             | 6.72%                                       |
| 3 years p.a. | 5.30%                      | 3.98%                                | 3.53%                               | 3.93%                               | 4.07%                             | 3.38%                                       |
| 4 years p.a. | 12.87%                     | 9.63%                                | 9.63%                               | 10.30%                              | 9.80%                             | 9.03%                                       |

**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       | 7.15%                      | 6.05%                                | 3.77%                               | 4.34%                               | 4.98%                             | 5.45%                                       |
| 2 years p.a. | 8.38%                      | 7.05%                                | 5.58%                               | 6.14%                               | 6.26%                             | 6.45%                                       |
| 3 years p.a. | 4.59%                      | 4.02%                                | 2.64%                               | 3.08%                               | 3.58%                             | 3.42%                                       |

**DNR Capital Australian Emerging Companies Portfolio - UF20**

|        | 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 | 12.99%                     | 9.49%                                | 6.99%                               | 7.91%                               | 8.38%                             | 8.89%                                       |

**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 | 4.28%                      | 3.52%                                | 1.54%                               | 1.97%                               | 2.08%                             | 2.92%                                       |

**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.

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.

Generation Life Tax Effective Growth Fund



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 global economic and policy outlook is increasingly uneven and so too was market performance in the June quarter. While the U.S. remains resilient, European economic activity and markets remain soft with June quarter results ranging from 7.4% for the NASDAQ 100 to -2.0% for Eurozone stocks as measured by the S&P Eurozone Hedged AUD Index.

Overall, global share markets were flat with the MSCI World Ex Australia Index producing a return of 0.30% for the June quarter, while closer to home the S&P/ASX300 Index returned -1.23%.

Global fixed interest was disappointing for the quarter generating a return of -0.43% as measured by the Bloomberg Barclays Global Aggregate Index hedged into AUD, while Australian fixed interest produced -0.88% as measured by the AusBond Composite 0+ Yr Index.

The 2024 financial year was a strong year for investors exposed to growth investments or defensive assets that benefited from higher interest rate levels. The combination of strengthening economic conditions in the United States, slowing inflation in many parts of the world and positive sentiment towards technology and artificial intelligence sectors saw investment markets brush off the uncertainty in the previous three years to deliver strong returns.

Australia's economic environment contrasted markedly with other developed nations, with persistently higher inflation present in our market. With global markets starting to discuss when interest rates might be cut in 2025, the Reserve Bank of Australia (RBA) is grappling with how deal with persistently high inflation levels. The official cash rate at 4.35% by year end remained broadly steady throughout the year. Housing supply deteriorated further with knock on impacts to rents and housing affordability, leaving Australia with one of the most expensive housing markets globally.

Australian equities values remain close to their all-time highs and continue to exhibit overall buoyancy. The Australian share market as measured by the S&P/ASX300 Index experienced a strong 11.9% return for the financial year on a pre-tax basis. The largest annual gains for the year were in the Information Technology sector (28.2%), while the Financial and Consumer Discretionary sectors delivered strong gains of 29% and 22.3% respectively, despite the challenge of higher inflation and interest rates. The clear standouts were the major banks, with NAB leading the charge with a 34.5% gain for the year. At the other end of the spectrum the Resources sector delivered a negative return of -3.2% given concerns over China's growth prospects.

Globally, the seven largest companies in the world led strongly in terms of returns, with a significant 57.0% gain for the year on a market weighted basis, over double that of the global index return. Microsoft alone now has a market capitalisation value that is nearly twice as large as all Australian sharemarket companies combined. The international share market, represented by the MSCI World Ex Australia Index, returned 19.9% (unhedged) and 20.2% (hedged) on a pre-tax basis for the 12 months to 30 June 2024.

With broad global inflation on a downward trend, we have seen a stabilisation of overall yields for fixed interest assets, supported by the higher coupon rates (price of debt from issuers) and interest rates. Higher interest rates have proven to be beneficial for floating rate securities (where income payments are linked to movements in interest rates) with the Bloomberg AusBond Credit FRN 0+ Yr returning 5.6% for the year. The slowdown in interest rate rises has been beneficial for fixed interest securities resulting in minimal capital movement losses whilst benefiting from higher interest rates on new issuances. Locally, the AusBond Composite 0+ Yr Index returned 3.7% for the financial year, whilst globally the Bloomberg Barclays Global Aggregate Index hedged into AUD returned 2.7%

The average after-fees and tax returns on the reported Tax Optimised investment options for the 12 months to 30 June 2024 was 7.30%, whereas the comparable average pre-fees and after-tax return for an investor on a 47% marginal tax rate (including Medicare levy) was 4.79%. This equates to an average improvement of 2.51% after-tax for these investors, which highlights the significant impact that tax can have on returns.

The average returns across all 27 Tax Optimised investment options for the last 12 months was 9.94% on a pre-tax basis and 7.80% on an after-tax return basis.

With a focus on maximising the after-tax return for our investors in a tax-effective environment, the average tax savings benefit generated by all 68 investment options this year was 1.41% (when compared against a standard investment bond tax management process).

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.

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