

Investment Bonds

Geared investment options

Generation Life provides access to professionally managed geared investment options within its tax-effective investment bond product range. Investing in geared investment strategies through an investment bond can provide a simple tax-effective way to leverage your investment.

What is a geared investment fund?

A geared investment fund is designed for investors who are seeking to enhance long-term capital growth through investment that uses borrowing (gearing) to invest. The long-term return potential of the investment is boosted by gearing (borrowing) with the fund.

A geared investment fund uses internal borrowing to increase the total amount invested. This magnifies both gains and losses. By using gearing at the fund level, investors access leveraged returns without personally taking on a loan or facing margin calls.

Why investors use geared funds

Gearing increases your exposure to the underlying investments, which over the long-term would be expected to deliver higher long term growth, when compared to ungeared exposures.

Component	Explanation
Investor capital	Your initial investment (e.g. \$10,000)
Fund borrowing	The fund borrows additional capital (e.g. \$5,000) inside the fund
Total market exposure	\$15,000 exposure on \$10,000 invested—33% geared exposure

Why gearing inside an investment bond can be beneficial

Investing in geared strategies through an investment bond can provide additional structural advantages compared with holding geared investments personally.

- **No personal borrowing required:** Because borrowing occurs inside the investment bond structure, investors do not need to apply for personal loans, pledge assets as collateral, or manage loan facilities.
- **Tax-paid investment structure:** Investment earnings within the investment bond are taxed internally at a maximum rate of 30%, rather than the investor's marginal tax rate. For investors on higher tax rates, this can improve the after-tax returns over time.
- **Reduced annual tax administration:** Unlike personally held geared portfolios, investors are not required to manage annual tax reporting for income, realised capital gains, or portfolio turnover.
- **Designed for long-term investing:** Investment bonds are designed to assist with long-term investing, which naturally aligns with the longer-term investment horizon typically associated with geared strategies.
- **No loan management obligations:** There are no personal loan applications required, and no loan management obligations, including no personal margin calls by the lender.
- **Cost of borrowings:** As an institutional borrower, an investment bond's interest costs can be significantly lower than if personally borrowing to invest, such as through a margin lending arrangement.

How is the level of gearing measured?

Just like a home lender determines the level of borrowings a borrower will be provided, the level of gearing or leverage used for investments is usually expressed as a loan to valuation ratio. A loan to valuation ratio of 50% means that the level of borrowed funds represents 50% of the total value of the assets (or loan security) held.




For example, an investment loan of \$100,000 with the value of shares held as security of \$200,000, results in a gearing level (or loan to valuation ratio) of 50%. This means that the value of the shares would need to fall significantly to equal the level of borrowings outstanding.

Geared investment options available through Generation Life

Generation Life provides geared investment options through its LifeBuilder, ChildBuilder and FuneralBond investment bond solutions, providing a tax-effective way to obtain geared exposure, with conservative gearing levels.

<p>Generation Life Tax Effective Australian Share Fund (Geared)</p> <p>Sector Australian shares</p> <p>Investment manager Invesco Australia Ltd</p> <p> Tax Optimised</p> <p>Target gearing (loan to valuation) range 35-50%¹</p>	<p>iShares Hedged International Equity Index Fund (Geared)</p> <p>Sector International shares</p> <p>Investment manager BlackRock</p> <p> Tax Enhanced</p> <p>Target gearing (loan to valuation) range 35-50%¹</p>	<p>Perpetual Geared Australian Share Fund</p> <p>Sector Australian shares</p> <p>Investment manager Perpetual Investments</p> <p> Tax Enhanced</p> <p>Target gearing (loan to valuation) range 50-60%²</p>
--	---	---

Who is a geared fund suitable for?

	<p>Growth oriented investors Seeking higher long term return potential.</p>	
	<p>Investors with longer timeframes Typically 7+ years.</p>	
	<p>Investors who understand and can accept volatility Gearing amplifies both gains and losses.</p>	

Understanding the risks of gearing

Loss magnification

If markets fall, losses are magnified by the gearing level—just as gains are magnified during rising markets.

Increased volatility

Gearing can increase the fund's sensitivity to market movements, causing greater fluctuations in values.

Manager & borrowing risk

Borrowing costs, facility availability, and gearing management practices can affect overall returns.

Investment risks still apply

Market risks such as stock specific, sector specific, and macroeconomic risks remain.

Illustrative scenario

Positive market example

Market rises **+10%**

Gearing at **50%**

Potential return \approx **+15%** (before fees and costs)

Negative market example

Market falls **-10%**

Gearing at **50%**

Potential return \approx **-15%** (before fees and costs)

These are not actual results but illustrate how gearing works.

What to ask before investing

Investors considering using geared investments should be comfortable with how gearing works.

Can I tolerate amplified losses?

Do I understand how gearing levels change over time?

Am I comfortable delegating borrowing decisions to a manager?

Am I investing for long term wealth creation?

Geared funds can be powerful tools for long term investors seeking accelerated market exposure with professionally managed leverage. However, they are higher risk strategies and must be matched to your personal risk tolerance and investment goals.

About Generation Life



At Generation Life, we are committed to helping Australians navigate tomorrow with confidence, clarity and optimism.

We've been helping Australians since 2004 across all life stages and across multiple generations. Today, we are a pioneer in providing market-leading tax-effective investment bond and investment-linked lifetime annuity solutions to help secure the financial future of many Australians and their families.

As part of an ASX listed company, we're passionate about innovating and providing the best outcomes for our investors. We believe in putting our investors at the heart of everything we do.

To find out more about Generation Life's geared investment options speak to your financial adviser.



Outthinking today.

Contact us

Investor services

1800 806 362

Adviser services

1800 333 657

Enquiries

enquiry@genlife.com.au

1. The option has a gearing range of 0-60%, with the typical target level within this range being between 35-50%. This target is only an indication of the targeted gearing level of the option. Actual gearing levels of the option may differ.
2. The option has a gearing range of 0-60%, with the typical target level within this range being between 50-60%. This target is only an indication of the targeted gearing level of the underlying fund. Actual gearing levels of the underlying fund may differ.

Generation Life Limited AFSL 225408 ABN 68 092 843 902 (Generation Life) is the product issuer and provides general financial product advice and other services related to investment life insurance products and life risk insurance products. The information provided is general in nature and does not consider the investment objectives, financial situation or needs of any person and is not intended to constitute personal financial advice. The product's Product Disclosure Statement (PDS) and Target Market Determination (TMD) are available at www.genlife.com.au and should be considered in deciding whether to acquire, hold or dispose of the product. Investments carry risks. Generation Life excludes, to the maximum extent permitted by law, any liability (including negligence) that might arise from this information or any reliance on it. Generation Life does not make any guarantee or representation as to any particular level of investment returns and the currency, accuracy, completeness, availability or suitability of any information provided. It is not intended to create any legal or fiduciary relationship. Professional financial advice is recommended.