

Generation Development Group
HY21 Results Pack



Presenters:

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Chief Executive Officer of Generation Life

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Chief Financial Officer of Generation Development

Outthinking today.



Generation Development Group

A compelling shareholder value
building model

Generation Development Group (ASX:GDG) is a
licensed Pooled Development Fund (PDF) that delivers
tax free capital gains and tax-exempt dividends.

Invested in rapidly growing segments of the financial
services industry

Why Generation Development Group? ┘



Number one inflows for three years running

- 20%* sales growth
- 23%* FUM growth



Strong and sustained NPAT growth

- 53%* UNPAT growth



Resilient business model with “sticky FUM” even through market downturns

- 13.9 average duration



Track record of product innovation

Launched Tax Aware Series and Equity Income Fund and now developing new lifetime annuity product



Licensed PDF delivering tax-free capital gains on shares and tax-exempt dividends



Capital light business model



Positive sales outlook

- 26%* growth in Active Financial Advisers



Well positioned for future growth in financial services

* 3 year CAGR from December 2017 on a half year basis



HY-21 Financial result summary



	HY21	HY20	Change	Change %
Revenue* (A\$'000)	12,262	9,758	2,504	26
Expenses* (A\$'000)	(10,138)	(8,296)	(1,842)	(22)
Underlying NPAT (A\$'000) – Life / Admin business	2,124	1,462	662	45
Income from associates (A\$'000)	337	-	337	nm
Product development costs (net of tax) (A\$'000)	(230)	-	(230)	nm
Underlying profit after tax (A\$'000)	2,231	1,462	769	53
DPS (A\$)	0.01	0.01	-	-
FUM (A\$'bn)	1.5	1.2	0.3	21
Cash and cash equivalent** (A\$'000)	30,062	10,225	19,837	194

* Underlying excluding Benefit Funds, Ascalon and non-recurring, including income tax benefit

** Includes term deposits, excluding cash attributable to Benefit Funds



HY-21 highlights and key performance measures

Generation Life



Life Business FUM

\$1.5 bn

Up 21%



Life Product Sales

\$166 m

Down 4%



Market share

37.3%* (rolling 12-month avg)

30 September 2020



APL's

455

Up 16%



Product rating

Highly Recommended
Zenith

Highly Recommended
Lonsec



Active Financial Advisers

1,325

Up 22%



New Bond Numbers

6,570

Up 54%



Savings Plan

\$24 m

Up 61%



50 investment options



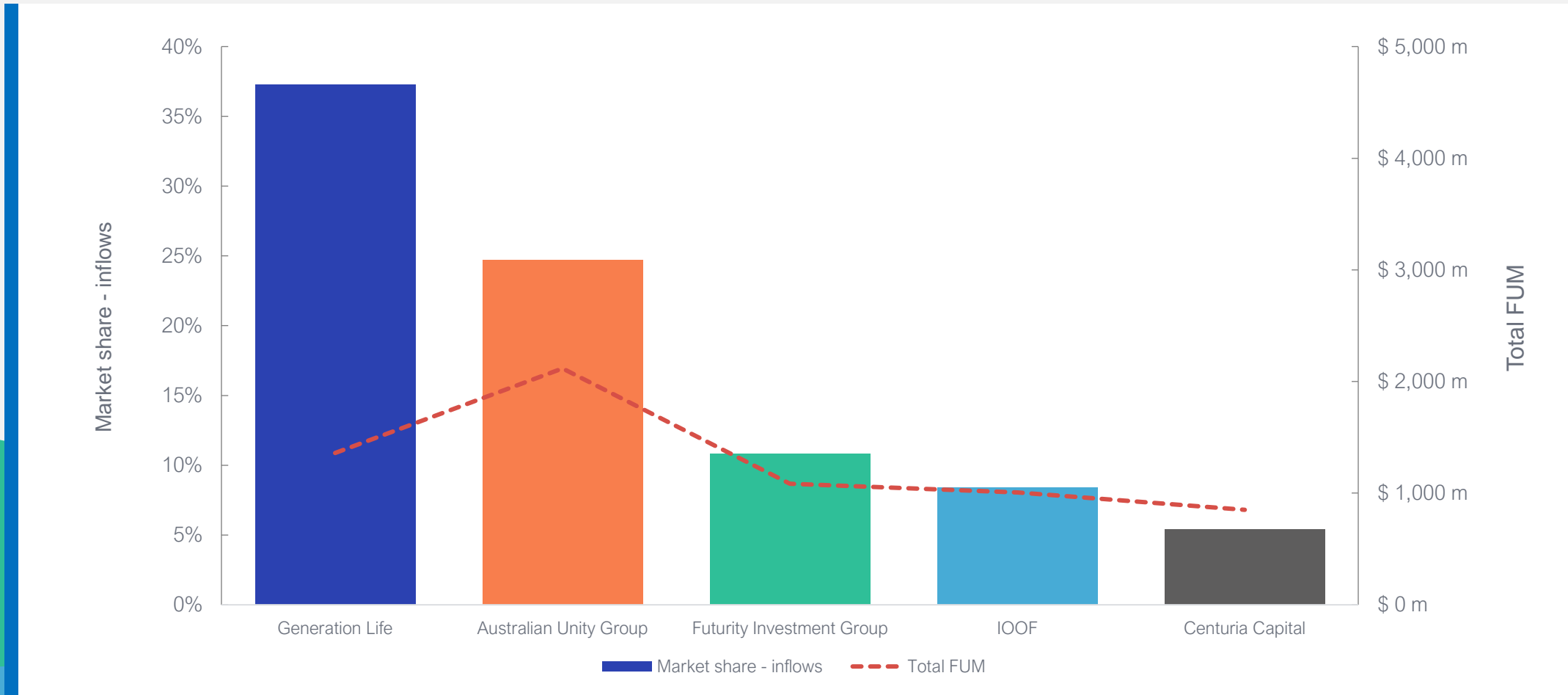
Average investment term

13.9 years

* Strategic Insight Actuaries & Researchers

No.1 in inflows

Generation Life - 2nd in total FUM



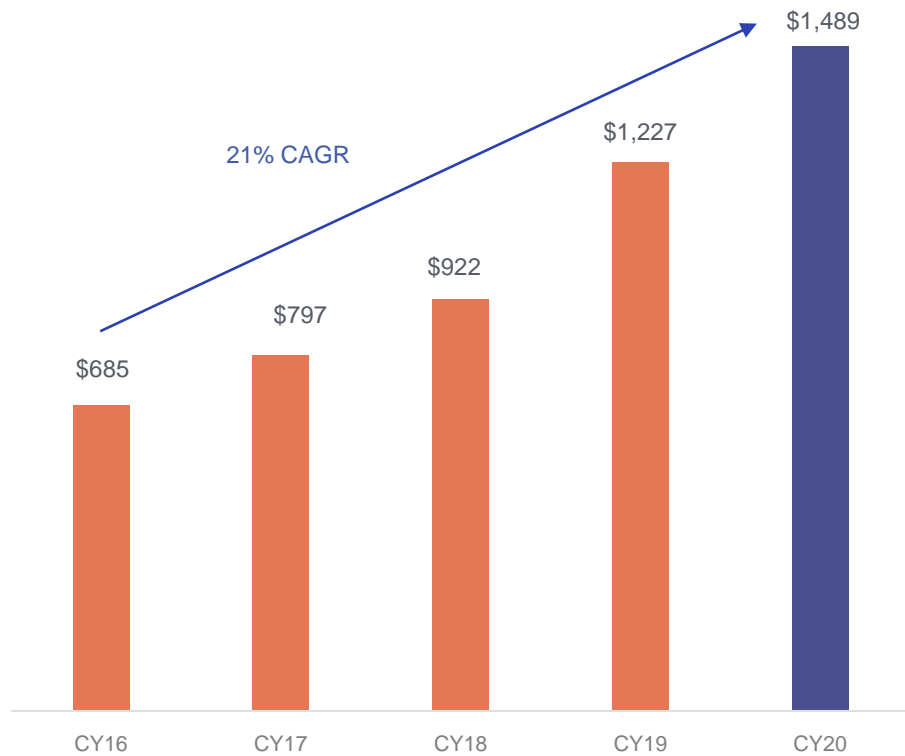
For the 12 month period ended 30 September 2020



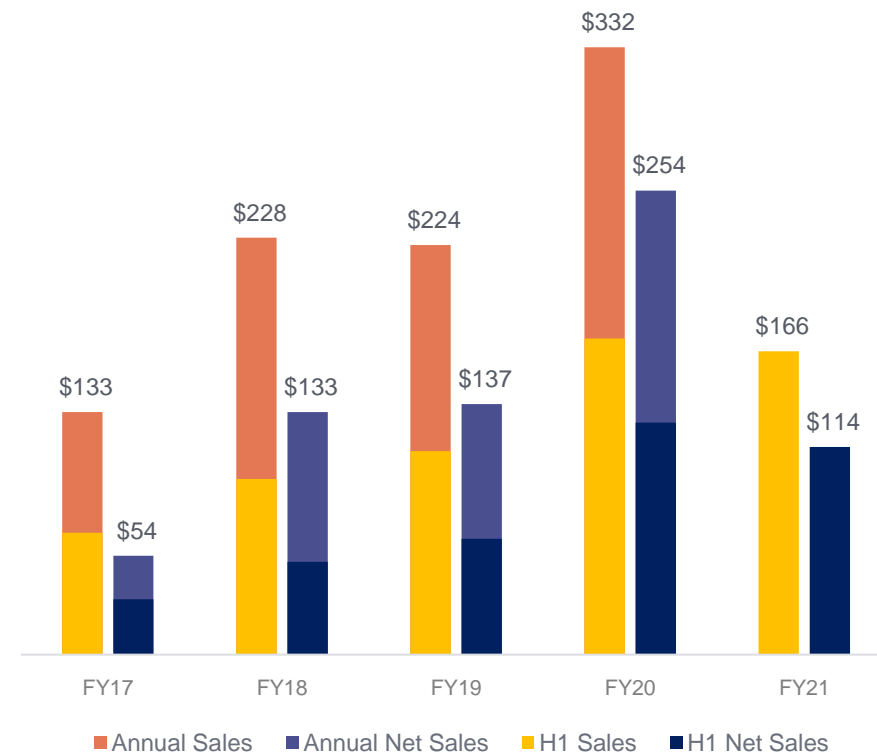
Increasing FUM growth

Generation Life

Closing FUM in \$m (December)



Annual Sales & Net Inflows in \$m



Recent Initiatives



Investment in Lonsec

Company overview

Acquired 37% stake
in Lonsec

1H21 Revenue
\$16.3m* (Up 11% on PCP)

1H21 EBITDA
\$5.0m* (Up 48% on PCP)

One of Australia's largest
qualitative research firms
whose research ratings are
used industry wide

Post the Royal Commission,
Lonsec is well positioned to
independently assess
portfolio constructions and
other ancillary investment
solutions

Lonsec



Lonsec Research: Money Management Magazine
research house of the year

Lonsec Research

Lonsec Investment
Solutions



iRate

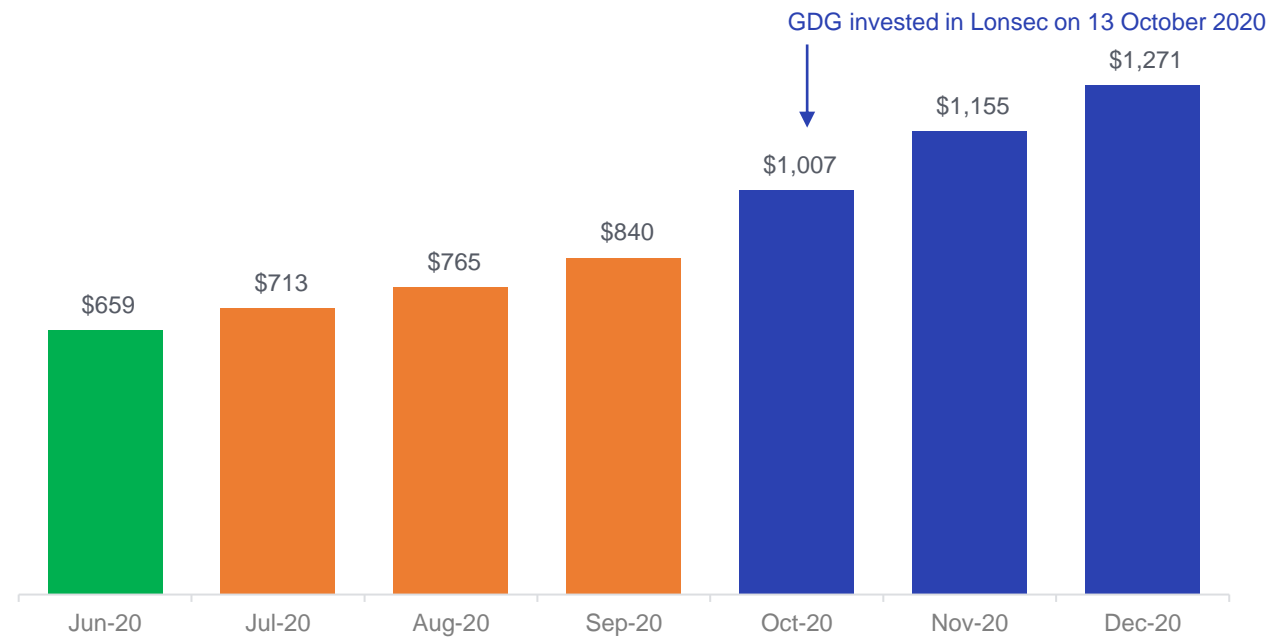
* Unaudited revenue and underlying EBITDA

Lonsec

Listed Investment Solutions FUM Growth

Listed Investment Solutions is a fast-growing emerging player catering for diversified managed account portfolios and separately managed accounts

Closing FUM in \$m



Product innovation

Generation Life Tax Aware Series

Unique to Generation Life, our investment menu now offers three levels of innovative, tax efficient investment options as part of our new tax aware series.



Tax Optimised



Tax Enhanced



Tax Advantage

0.4% - 2.9% p.a.
Increased return*

Generation Life Equity Income Fund

The search for yield appears unstoppable.

- + Market opportunity approximately \$800bn with strong investor appetite for income producing products with no additional risk
- + Develop and launch an equity-based income fund with quarterly distributions
- + IM bookbuild commenced December 2020, retail launch in April 2021

< 10% p.a.
Long term tax rate** – distributions paid quarterly

* Refer to last page for performance disclaimer¹.
**Refer to last page for assumptions².



Generation Life Investment Linked Annuity

The longevity landscape



Key challenges facing Australians is managing the retirement risk of longevity and outliving their savings. Aiming to be the first to introduce an investment linked lifetime annuity to address these challenges.



Allows you to access more of the age pension and additional benefits



Guarantees income for life



Generating an additional 20-30% return in comparison to traditional lifetime annuities.*

People need lifetime income streams

- + Insurance against outliving savings
- + Ability to spend confidently in retirement
- + Covers the essential costs for life that frees up other savings for discretionary spending

*Assuming the gross annual return on the underlying investment option in the GLLP is 7% and CPI in the TLA is 2.5% and using the Challenger rates as of 15 June 2020

A better Lifetime Annuity

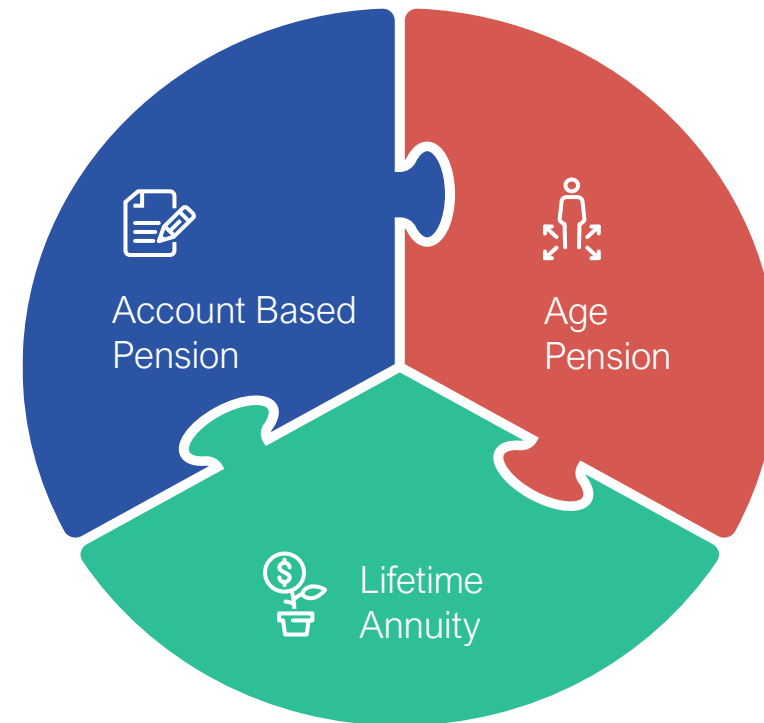
The missing piece of the puzzle



An investment-linked lifetime annuity provides:

- + Income for life
- + An income stream that grows in line with investment market
- + A good return on investment
- + Attractive Age Pension benefits

Market predicted to grow to \$1.185 trillion by 2030*



* Deloitte Dynamics of the Australian Superannuation System – November 2019 (Updated August 2020)

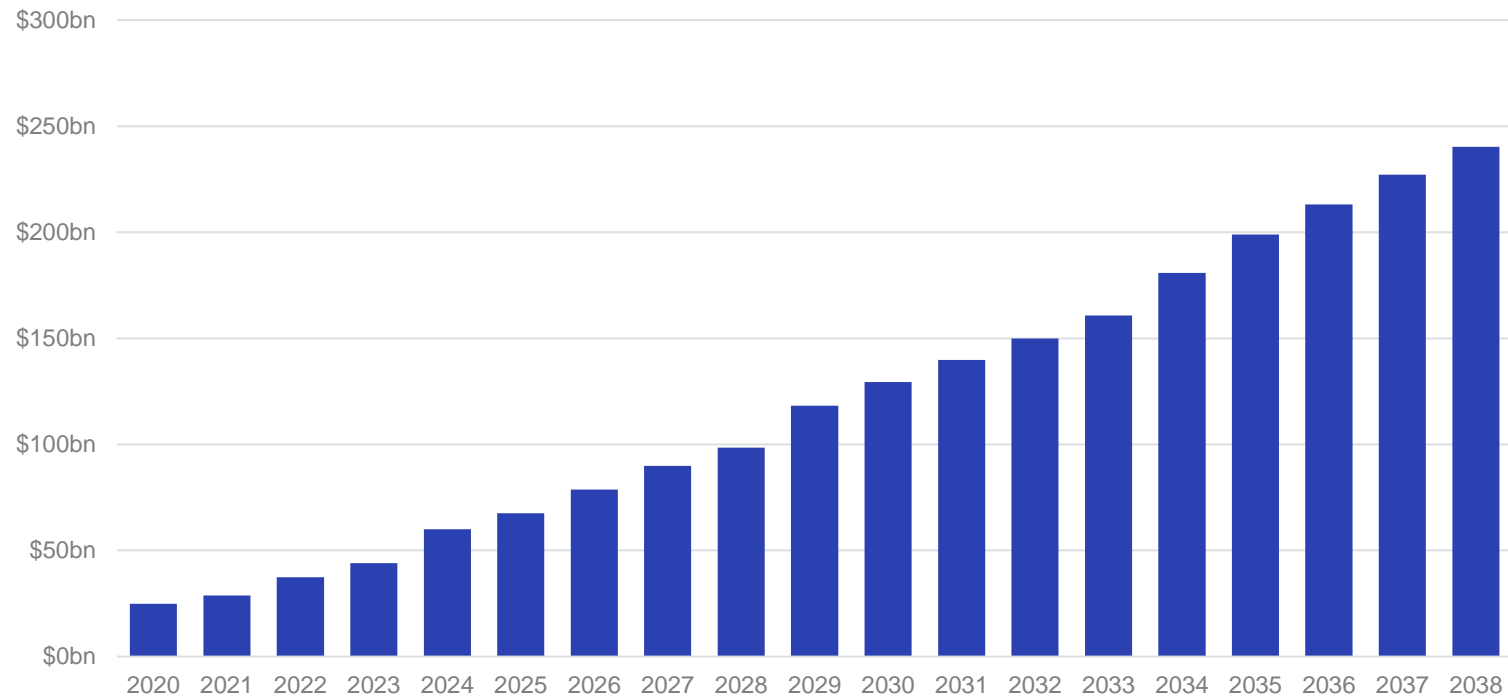


Australian Retirement Income Market

Projected Transition to Retirement

Annual flows moving from accumulation to retirement is forecasted to be

- + \$25bn in 2020
- + \$100bn by 2028
- + \$200bn by 2035



Source: Deloitte Actuaries & Consultants, 2020



Potential Annual Inflows

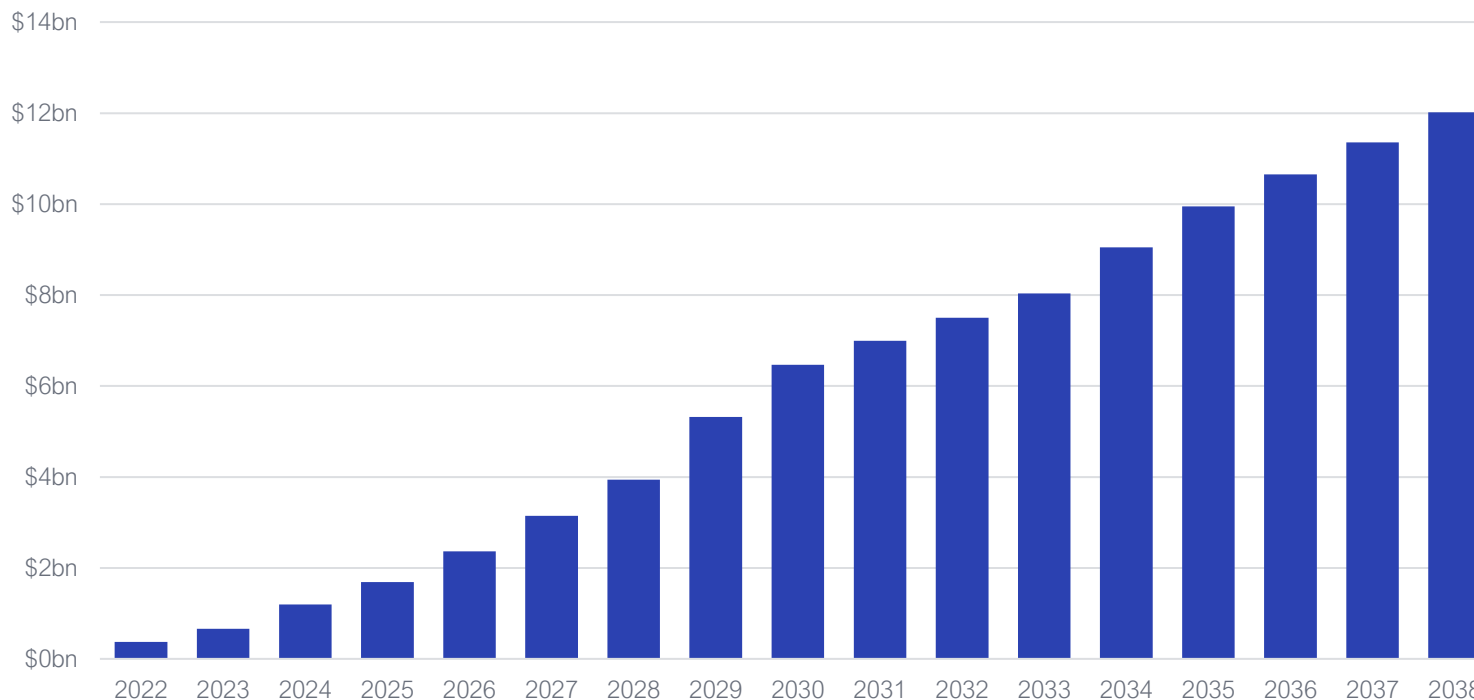
Generation Life Investment Linked Annuity

Projected Transition to Retirement

Potential annual inflows

- + \$1bn (2.0% mkt share of inflows) in 2024
- + \$5bn (4.5%) in 2029
- + \$10bn (5.0%) in 2036

No assumption made on potential inflows from the current post retirement assets market totaling \$566bn¹



Source: Assumes 1% market share in 2022, growing by 0.5% every 2 years to 5% by 2030
 1. Deloitte Dynamics of the Australian Superannuation System – November 2019 (Updated August 2020)



Generation Development Group outlook



Expect sales to exceed FY20



Successfully launched the Equity Income Fund which has been well received by the market



Product development on lifetime annuity on track and achieving key milestones



Open to investment opportunities that are complementary or that are well positioned for future growth in the financial services sector



Appendices



Key features of investment bonds



Max tax rate of 30%



No distributions and access to funds at anytime



Tax paid after 10 years – tax advantages pre 10 years



125% advantage



Tax free transfers



No personal CGT on switching



No tax file number required



Creditor protection



Can be structured as a non-estate asset



5 core uses of investment bonds



Alternative to superannuation

The most tax effective investment solution after super



Estate planning

Be in control of transferring wealth



Trusts

Reducing distributable income within trusts



Saving for a child

Meeting the rising costs of future generations



Government entitlement

Improving pension entitlements



Generation Life

Highly recommended for over a decade



50 investment options across all asset classes

- + 2 x Cash and term deposits
- + 5 x Australian fixed interest
- + 3 x International fixed interest
- + 11 x Australian shares
- + 3 x Ethical
- + 7 x International shares
- + 4 x Property
- + 13 x Diversified
- + 1 x Alternatives
- + 1 x Equity Income Fund



The only provider in the market to hold a “Highly Recommended” rating with both Lonsec and Zenith Investment Partners



Generation Life Investment Linked Annuity initiative



<p>Capital light model</p>	<p>Pays income for life</p>	<p>Investment linked Level of income paid is based on the underlying performance of investments chosen</p>	<p>Indicative initial capital requirement of ~\$10 million</p> <ul style="list-style-type: none"> • \$5.0m product development costs • \$5.0m regulatory capital <p>Development timeframe – approx. Q4 CY21 subject to regulatory approval</p>
<p>Potential to deliver higher customer returns</p>	<p>Death benefit</p>	<p>Ability to link and access the age pension</p>	
<p>Very positive adviser feedback Compelling proposition to deliver more income to their clients for longer</p>	<p>Commenced discussions with regulators and signed agreement with partner</p>	<p>Longevity risk lies with reinsurer</p>	

Reconciliation of statutory profit to underlying earnings

Generation Development Group



	HY21	HY20	Change	Change %
Underlying net profit after tax (A\$'000) – Life / Administration business	2,124	1,462	662	45
Income from associates (A\$'000)	337	-	337	nm
Product development costs (net of tax) (A\$'000)	(230)	-	(230)	nm
Underlying profit after tax (A\$'000)	2,231	1,462	769	53
Other items (net of applicable tax):				
Ascalon (net) operating costs (A\$'000)	(640)	(1,421)	781	55
Deferred tax on carry-forward losses (A\$'000)	(553)	(1,185)	632	53
Transaction costs (A\$'000)	(484)	-	(484)	nm
Termination benefits (A\$'000)	-	(76)	76	nm
Statutory profit after tax (A\$'000)	554	(1,220)	1,774	145

FUM Growth

Generation Development Group

	HY-21 \$'m	HY-20 \$'m	Change \$'m	Change %
Opening FUM	1,295	1,073	222	21
Sales inflow	166	173	(7)	(4)
Investment performance	81	28	53	189
Exits	(53)	(47)	(6)	13
Closing FUM	1,489	1,227	262	21



Thank you



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This Results Pack has been authorised by the Board.

Performance and assumptions

1. The tax optimised performance information presented represents back-tested performance for the period 1 June 2010 to 31 May 2020 based on simulated data using the underlying return of the fund's investment strategy together with the Generation Life Tax Optimised management approach, an assumed investor turnover of 11% and assuming a consistent turnover of the underlying assets throughout the observed period. Back-tested performance is hypothetical and is provided for informational purposes only to indicate historical performance differences between the Tax Optimised management approaches had they been available over the relevant time period and does not represent actual fund performance and does not factor in administration fees or tax provisions. Back-tested performance also differs due to consistent application of cashflow assumptions rather than actual cashflow movements. As a result, the portfolio trading approach theoretically may vary from time to time and the effect on performance results and tax paid could be either favourable or unfavourable. Past performance or back-tested performance is not guaranteed.
2. Based on the historical investment and transacting profile of the Fund's strategy, the Fund's investment strategy and assumed investment profile, and current tax legislation, the long-term tax payable amount for the Fund is expected to be in the range of 10-15% of the Fund's net earnings. The expected tax payable range is assumed over a long-term and through a full market cycle. The actual level of tax incurred by the Fund may vary and will be dependent on the Fund's level of earnings and investment and transacting profile.