



Investment Rating: **Very Strong**

Product Complexity Indicator: **YELLOW - Complex Product**

## Offer Details

**Issuer:** Centuria Life

**Investment Options:** Various

**Investment Structure:** Investment Bond

**Wholesale/Retail:** Retail

**Category:** Tax-paid investment structure

**Investment Style:** Various

**Inception:** February 2019

**Management Fee:** 0.50% to 0.60% (net of taxes).

**Investment Option Fees:** 0.13% to 0.95% (net)

**Distribution:** Nil

**Product Objective:** The issuer's objective is to provide an investment product that can provide investment, tax planning, and estate planning solutions in one solution. That is, the product is intended to be used to either complement or be used as an alternative to either superannuation and managed funds or investment through an administration platform.

## Review Summary

This investment bond review reflects Australian Rating's current opinion of the quality and utility to investors of the product offer. It takes into account the structure of the product, including fees and ease of use, the diversity and selection process for the investment options, and the strength, compliance, and support provided by the Issuer. This report does not provide a rating for individual investment options.

Centuria Life (CLL) is one of Australia's largest Investment Bond issuers, with issuance going back 38 years. CLL is a fully-owned subsidiary of Centuria Capital Group Ltd, an ASX listed fund manager with assets under management of approximately \$5.6 billion as at 31 December 2018. Centuria Life has assets under management of approximately \$0.8 billion as at 31 December 2018.

Centuria LifeGoals is a well-supported, compliant product that has achieved its objective of providing an investment product that can provide investment, tax planning and estate planning solutions in one solution.

Centuria Life's depth of administrative/management experience and resources, in addition to the rigor of the investment option selection process, are key factors in this rating.

## Investment Options

As at May 2019

Cash & Fixed Interest	<ul style="list-style-type: none"> <li>Enhanced Cash x1</li> <li>Index FI x 1</li> <li>Corporate Bonds ETF x 1</li> </ul>
Diversified	<ul style="list-style-type: none"> <li>Balanced x 3</li> <li>Growth x 4</li> </ul>
Equity	<ul style="list-style-type: none"> <li>Australian Equity x 5</li> <li>Australian Equity (geared – ETF) x1</li> <li>International Equity x 4</li> </ul>
Property / Infrastructure	<ul style="list-style-type: none"> <li>Property x 1</li> <li>Infrastructure x 1</li> </ul>

## Investment Rating & Product Complexity Indicator

A VERY STRONG rating indicates a very strong level of confidence that the product can deliver a well-managed, robust investment structure to investors. The Issuer support for this strategy is very experienced and well-resourced with a solid track record.

Designation as a COMPLEX product indicates that the structure requires more understanding from the investor than a simple investment fund in that it is a tax-paid structure offering a menu of investment options.

The product is very well supported in terms of investor information by the Issuer, allowing relative ease of use.

## Product Details

<b>Product Name</b>	<b>Centuria LifeGoals Investment Bonds</b>
<b>Investment Strategy</b>	Multiple Asset Classes
<b>Product Issuer</b>	Centuria Life Limited, ABN: 79 087 649 054, AFSL: 230 867
<b>KEY FEATURES</b>	<b>DESCRIPTION</b>
<b>Product Inception</b>	4 February 2019
<b>Domicile</b>	Australia
<b>Legal Form</b>	Investment Bonds
<b>Investment Options</b>	As at April 2019, there are 22 Investment Options, including enhanced cash, fixed interest, Australian shares, international shares, property, and diversified investments
<b>Investment Style</b>	Various
<b>Geographic Mandate</b>	Investment Options include Australian and international investments
<b>Open</b>	Yes
<b>Issuer Costs</b>	0.50% to 0.60% (net of taxes)
<b>Investment Option Fees</b>	0.13% to 0.95% (net)
<b>Performance Fee</b>	Applicable to 5 Investment Options – ranging from 10% to 20%
<b>Distributions</b>	Investment Bonds do not make distributions
<b>Minimum Investment</b>	\$500 per Investment Option
<b>Minimum Regular Investment</b>	\$500 one-off contribution, \$100 per month through regular plan
<b>Minimum Switching Amount</b>	\$500
<b>Minimum Withdrawal</b>	\$500
<b>PRIMARY CONTACT</b>	
<b>Name and Title</b>	Michael Blake, Head of Centuria Life
<b>Email Address</b>	<a href="mailto:enquires@centuria.com.au">enquires@centuria.com.au</a>
<b>Telephone Number</b>	1300 50 50 50 – Investor and Adviser Services
<b>Website</b>	<a href="https://lifegoals.centuria.com.au">https://lifegoals.centuria.com.au</a>

## About Investment Bonds

Centuria LifeGoals Investment Bonds are a tax-paid, insurance-related, investment vehicle. Another example of a tax-paid investment vehicle is a superannuation fund. Both can be used for medium-to-long term investments and normally offer a choice of investment funds.

In Australia, this type of product is sometimes referred to as an insurance bond or an insurance-investment bond because it is issued by insurance companies (including Friendly Societies) and has some insurance characteristics. The bonds are technically life insurance policies under the Life Insurance Act 1995. The product is regulated through the Australian Prudential Regulatory Authority (APRA).

Investment bonds have been issued in Australia for some decades, pre-dating superannuation funds. While their use by investors decreased following the introduction of superannuation, they are becoming more attractive as contribution limits to superannuation are reduced and a maximum balance has been introduced. Investment bonds are also increasingly seen as a tax paid alternative to managed funds.

Because Investment Bonds are *tax-paid*, there is generally no personal taxation or capital gains tax reporting or liabilities. Unlike other investments such as shares, managed funds and term deposits, Investment Bonds do not distribute 'taxable income' to investors unless a withdrawal is made within the first 10 years.

*The Centuria LifeGoals Product Disclosure Statement provides a comprehensive description of the differences between investment bonds and superannuation, together with examples of use for a variety of investors.*

## Investment Profile

### HISTORY/BACKGROUND

Centuria Life (CLL) is one of Australia's largest Investment Bond issuers, with issuance going back 38 years. CLL is a fully-owned subsidiary of Centuria Capital Group Ltd, an ASX listed fund manager with assets under management of approximately \$5.6 billion as at 31 December 2018. Centuria Life has assets under management of approximately \$0.8 billion as at 31 December 2018.

Centuria Life began in 1980 as The Over 50's Friendly Society. In 2001, The Over 50's Friendly Society was merged with the Mutual Friendly Society and the combined, demutualised entity was subsequently listed as the OFM Investment Group. In 2006, OFM changed its name to Over Fifty Group Limited. In 2011, the parent listed entity changed its name to Centuria Capital Ltd (CNI) and the Over Fifty Group changed its name to Centuria Life Limited (CLL).

As a life insurance company, CLL is regulated by The Australian Prudential Regulation Authority (APRA). In addition, CLL holds an Australian Financial Services License, which authorises it to deal in and provide general financial product advice on investment life insurance products, such as the Centuria LifeGoals Investment Bonds. Under this licence, Centuria Life is also regulated under the Corporations Act by the Australian Securities and Investments Commission (ASIC).

### OBJECTIVE

The objective for offering an Investment Bond structure is to provide an investment product that can provide investment, tax planning, and estate planning solutions in one solution. That is, the product is intended to be used to either complement or be used as an alternative to either superannuation and managed funds or investment through an administration platform.

### FEES

The fees payable by investors comprise a base management fee and underlying investment manager fees. Both the base management fee and the underlying investment managers fees receive a tax deduction of 30%. This deduction is passed directly to investors. Investment in a Centuria LifeGoals Investment Option does not incur establishment fees, contribution fees, withdrawal fees, Investment Option switching fees, or exit fees. Switching is subject to buy/sell margins.

Centuria LifeGoals reports both gross and net fees to investors in order to provide good transparency. Where a reduction in investment management fee has been negotiated, it is fully rebated to the investor.

<b>Management Fees &amp; Costs</b>	Pendal Enhanced Cash Fund	0.71% (gross)	0.50% (net of tax)
	All other Investment Options	0.86% (gross)	0.60% (net of tax)
<b>Investment Manager Fees &amp; Costs</b>	From 0.13% to 0.95% depending on Investment option		

Centuria management fees accrue daily, are paid monthly in arrears and are based on the gross asset value of the relevant Investment Option. Underlying investment manager fees are deducted by the investment manager and included in the unit price of the relevant Investment Option.

#### Example of gross and net fees – Bennelong Concentrated Australian Equities Investment Option

Bennelong gross management fee	0.85%
<i>less negotiated fee discount</i>	0.20%
<b>Total gross fee</b>	<b>0.65%</b>
<i>less 30% tax rebate</i>	0.20%
<b>Net Investment Management fee</b>	<b>0.45%</b>
Centuria management fee	0.86%
<i>less 30% tax rebate</i>	0.26%
<b>Net Centuria fee</b>	<b>0.60%</b>
<b>Total Investment Option fee</b>	<b>1.05%</b>

### Investment Philosophy

Centuria LifeGoals offers a number of Investment Options for investors to select from. The guiding investment philosophy is to select and review a relatively short, simple to use menu. This should comprise a selection of high-quality index and complementary active investment options in each of the major asset classes to meet the long-term investment needs of investors with differing risk and return profiles.

### Investment Strategy

The objective/strategy for offering an Investment Bond structure is to provide an investment product that can provide investment, tax planning, and estate planning solutions in one solution. That is, the product is intended to be used to either complement or be used as an alternative to either superannuation, a managed fund, or investment through an administrative platform.

Therefore the selection of Investment Options for the Centuria LifeGoals investment bonds is intended to form part of a complete stand-alone wealth management solution, and has been well defined. In particular, the selection process must adhere to the objectives of the Centuria LifeGoals Investment Committee. The objectives are:

- to provide a selection of Investment Options within the investment bond to cater for a range of diverse investment goals over the medium-to-long term;
- to include both active and index investments; and
- to provide a range of investment styles – growth, GARP, quantitative, real return etc..

**It is not an objective of Centuria to include funds that are managed by Centuria Capital. Centuria LifeGoals Investment Options do not include any related party funds.** This differentiates this product from many of its peers where an investment bond has been created to provide in-house funds within an alternative tax structure.

The benefit to investors is that the Investment Options are selected from a wide universe of available investment funds based on rigorous due diligence process.

## Investment Option Selection Process

Essentially, Centuria’s goal for the Investment Options is to provide a comprehensive screening, selection, and monitoring process for the various investment managers. This includes a comprehensive, well-documented research due diligence process including external manager screening and both quantitative and qualitative analysis.

The initial due diligence looks at the universe of potential funds and refines this to a short list using the following process:



Short list candidates are assigned a series of “Traffic Light” (green, yellow, red) indicators to show comparisons between the key metrics and characteristics for each of the funds. This includes quantitative risk and returns characteristics such as:

- 1, 3, and 5 year returns above peer average;
- number of periods that are positively outperforming over 5 years;
- % of number of months of excess volatility on a 1 year rolling basis;
- number of negative drawdowns;
- average drawdown deviation; and
- rolling 1 year Information and Sortino ratios: above average to peers 5 years.

Fund characteristics such as fund size and fees are also reviewed. This “Traffic Light” approach allows for a peer comparison between the funds.

The resulting investment short list is presented to the Investment Committee (IC), which decides whether a fund is a candidate for inclusion as a LifeGoals Investment Option. If so, the investment proceeds to a formal research due diligence review before being considered by the IC as an Investment Option. Secondary back-up funds are also identified as substitutes should an Investment Option be removed.

### Fit within the Centuria LifeGoals Investment Option range

The selected Investment Options must contribute to the objective of providing investment solutions for a diverse range of investors in the medium-to-long term. In addition, the funds must complement the other Investment Options by contributing to the ability to create risk diversified portfolios.

At the time of this report the Investment Options (total 22) include:

Cash and Fixed Interest	Diversified Funds	Equity Funds	Property/Infrastructure
<ul style="list-style-type: none"> <li>• Enhanced Cash (active)</li> <li>• Fixed Interest (Index)</li> <li>• Corporate Bonds (active, ETF)</li> </ul>	<ul style="list-style-type: none"> <li>• Balanced x 3               <ul style="list-style-type: none"> <li>○ 1x index</li> <li>○ 2x multi-manager</li> </ul> </li> <li>• Growth x 4               <ul style="list-style-type: none"> <li>○ 1x index</li> <li>○ 2x multi-manager</li> <li>○ 1x real return</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Australian Equity               <ul style="list-style-type: none"> <li>○ 1x index</li> <li>○ 3x active</li> <li>○ 1x geared ETF</li> <li>○ 1x small cap</li> </ul> </li> <li>• International Equity               <ul style="list-style-type: none"> <li>○ 1x index</li> <li>○ 3x active</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Property x1 (index)</li> <li>• Infrastructure x1 (active)</li> </ul>

### Investment Option Monitoring

Once an Investment Option fund has been approved by Centuria LifeGoals, it is monitored for risk management purposes and to ensure ongoing suitability as part of the product. To assist with monitoring, Centuria uses both risk monitoring software and active monitoring of market/fund information.

Each Investment Option has its own risk-return model, which provides an additional layer of rigour and analysis of the fund's risk-adjusted return metrics and is designed to complement the "traffic light" indicators. These fund models give Lifegoals the ability to monitor the funds on a daily basis.

Key factors such as fund performance, risk statistics (beta, volatility, drawdown), risk adjusted statistics (Sharpe, Information and Sortino ratios), maintenance of investment strategy, and team turnover are monitored. Performance is monitored daily, weekly, and monthly. The Investment options are formally reviewed by the Investment Committee on a quarterly basis. In addition, Centuria meets with the Investment Option managers at least annually.

A manager for an Investment Option may be redeemed should one or more of the following occur:

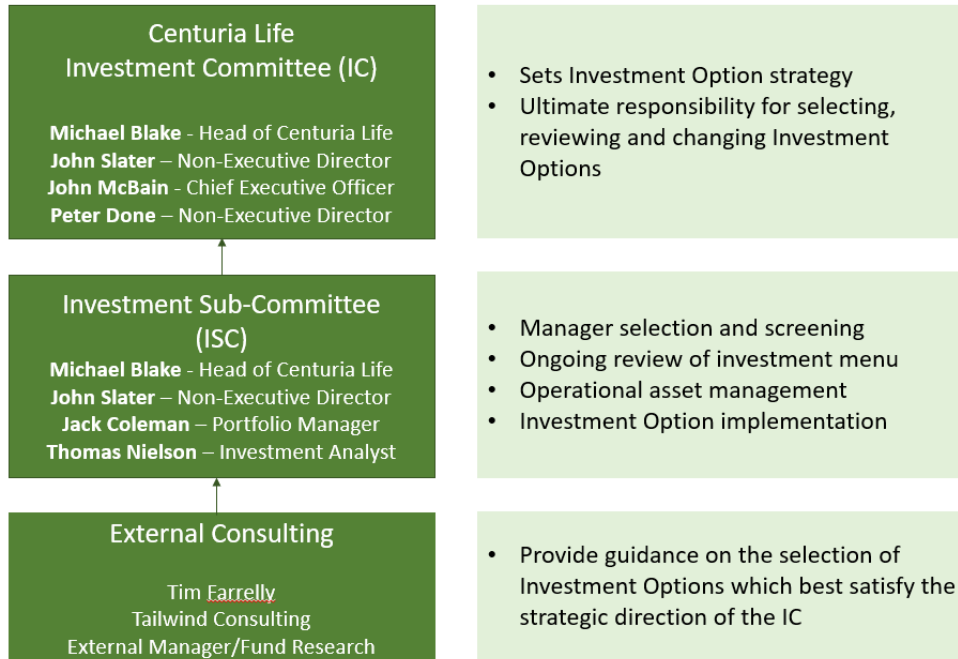
- Extended periods of unexplained underperformance
- Material changes to investment approach/personnel
- A ratings downgrade from a rating house
- Questionable decisions in investment decision making authority

Redemption decisions must be made by the Investment Committee.

## Investment Structure and Team

CLL uses a committee-based decision structure to ensure the following:

- Achievement of investment strategy with respect to the diversification and mix of approved Investment Options
- Levels of rigor around Investment Option selection and monitoring
- No key-man risk



<b>Michael Blake Head of Centuria Life</b>	<p>Michael commenced his career with AAP Reuters Economic Services. He went on to hold senior positions with Heine Funds Management, Mercantile Mutual, Zurich, HSBC Asset Management, and Cromwell Property Group.</p> <p>Michael holds a Bachelor of Financial Administration, Diploma of Financial Planning, Master of Business Administration, and is a Graduate of the Institute of Company Directors. Michael has held board positions locally and offshore.</p>
<b>John Slater Non-Executive Director</b>	<p>John was a senior executive in the KPMG Financial Services practice from 1989 to 1999 and acted as State Director of the Brisbane practice. He has also served on the Investment Committees of KPMG Financial Services, Berkley Group, and Byron Capital and has been an adviser to the Centuria Life Friendly Society Investment Committees since 2011.</p> <p>In 2008, John founded boutique financial advisory firm, Riviera Capital, and has a wealth of financial services experience.</p>
<b>John McBain Executive Director</b>	<p>John joined the Centuria Board (formerly Over Fifty Group) on 10 July 2006. He was appointed as Chief Executive Officer of the Over Fifty Group in April 2008.</p> <p>John was also a founding director and major shareholder in boutique funds manager, Century Funds Management, which was established in 1999 and acquired by Over Fifty Group in July 2006.</p> <p>Prior to forming Century, John founded property funds manager, Waltus Investments Australia Limited, and Hanover Group Pty Limited, a specialised property consultancy. Waltus was formed in 1995 and was one of the first dedicated property funds managers in Australia. Prior to 1990, John held senior positions in a number of property development and property investment companies in Australia, New Zealand, and the United Kingdom.</p> <p>John holds a Diploma in Urban Valuation (University of Auckland).</p>

<p><b>Peter Done</b> <b>Non-Executive Director</b></p>	<p>Peter joined Peat Marwick Mitchell &amp; Co (now known as KPMG) in 1968, where he held the position of partner from 1979 until his retirement in 2006. During his 27 years as partner, he was the lead audit partner for many clients, including those involved in property development, primary production and television and film production and distribution.</p> <p>Peter was appointed to the Board of CPFL in December 2007. He is a member of Centuria Property Fund’s Audit, Risk Management and Compliance Committee (ARMCC), and a Non-Executive Director of Centuria Capital.</p> <p>Peter holds a Bachelor of Commerce (Accounting) from the University of New South Wales, and is a Fellow of Chartered Accountants Australia and New Zealand.</p>
<p><b>Jack Coleman</b> <b>Portfolio Manager</b></p>	<p>Jack joined Centuria in January 2018. His previous experience includes active equities analysis at both Perpetual and State Street Global Advisors in London and as a currency analyst at State Street Global Advisors in Sydney.</p> <p>Jack holds a Bachelor of Agricultural Economics from University of Sydney and a Master of Applied Finance from Macquarie University (MAPPFIN).</p>
<p><b>Thomas Nielsen</b> <b>Investment Analyst</b></p>	<p>Thomas joined Centuria in August 2018. His previous experience includes portfolio performance analysis and unlisted investment valuation at State Street Global Advisers, and audit and accounting at Grant Thornton and O’Brien Palmer.</p> <p>Thomas is currently a CFA program Level 2 candidate. He holds a Bachelor of Commerce and a Master of Finance from Macquarie university, and is a member of FINSIA.</p>

Given that the product was launched in February 2019, this is a new team. However, it is well resourced and the investment committee teams have extensive experience and knowledge.

**Business Management**

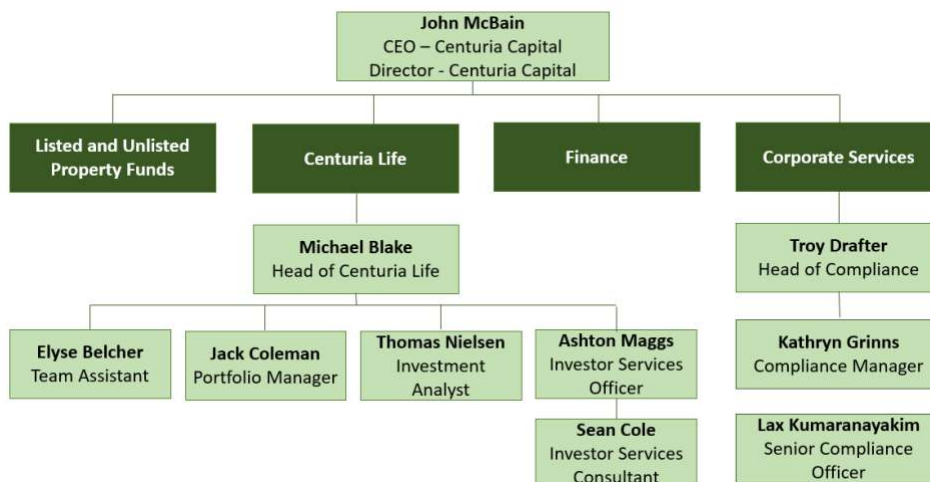
Centuria Life (CLL) is a fully-owned subsidiary of Centuria Capital Group which is listed on the ASX (CNI). Centuria Life has two divisions; the Centuria Life Friendly Society, the issuer of the LifeGoals investment bonds, and Guardian Friendly Society.

Centuria Life (CLL) relies on its parent (CNI) for several business services to support its operations:

- Business infrastructure – including finance, technology, HR, payroll, and tax
- Stability and risk control – including risk management, compliance, operational support, legal, and business continuity
- Client services and marketing

Centuria Life has a rolling 3 year business plan which includes sales, funds under management, and profitability targets. This is registered with APRA and updated on an annual basis.

The high-level management structure for the Centuria LifeGoals Investment Bonds is:





As at January 2019, there were 19 people dedicated to Investment Bond related business within Centuria Capital. The activities covered include investment selection, distribution, product management, investor services, compliance, fund accountancy and corporate accountancy.

### Investor Services

Centuria Life, the issuer of Centuria LifeGoals, supports this product extensively through call centre training and RG416 requirement, financial adviser material and training, fund manager presentations to call centre staff, extensive discussion, and examples in the Product Disclosure Statement and a high level of transparency for fees.

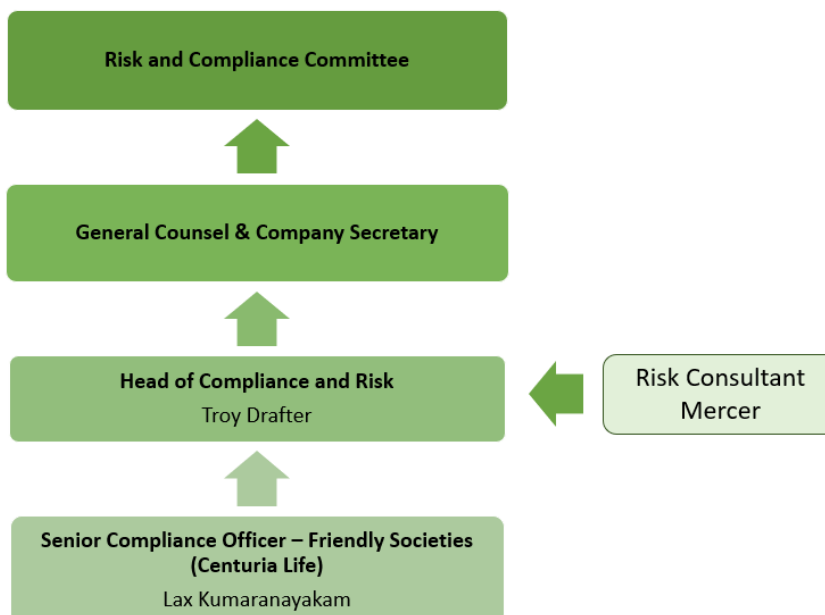
Operationally, registry services have been upgraded after extensive review. Client services include on-line application and switching, B-Pay, direct debit etc..

### Compliance & Risk

Centuria Life is regulated under the Life Insurance Act by the Australian Prudential Regulation Authority (APRA). Centuria Life is also regulated under the Corporations Act by the Australian Securities and Investments Commission and holds an Australian Financial Services Licence, which authorises it to deal in, and provide general financial product advice on, investment products such as Centuria LifeGoals.

Centuria Life maintains a formal Compliance Plan and Risk Management framework. It is also subject to the Centuria Conflicts of Interest Policy, Fit and Proper Policy, Dispute Resolution Policy, and Breach Reporting Policy. Operations of Centuria Life are monitored through three separate Centuria Capital committees; Audit Committee (quarterly), Risk and Compliance Committee (quarterly), and the Conflicts Committee (nine monthly). Centuria Life has a dedicated Compliance Officer who is supported by the parent company’s compliance, legal, and audit resources.

High level compliance structure:



The regulatory reporting requirements of APRA are focussed on disclosure and include regular reporting on risk management, business plans and market risk. There is also a base level capital adequacy requirement. Note that for Centuria Lifegoals Investment Options are entirely investor funded, with no capital guarantees.

**THIRD PARTY & SERVICE ADVISORS**

<b>Unit Registry</b>	<b>Boardroom Pty Ltd</b>
<b>Custodian</b>	One Managed Investment Funds Ltd
<b>Fund Accounting &amp; Unit Pricing</b>	Centuria Fund Accounting (in-house)
<b>Legal Advisor</b>	Legal services are obtained through parent company Centuria Capital Group
<b>Taxation Advisor</b>	KPMG
<b>External Auditor</b>	KPMG
<b>Internal Auditor</b>	Deloitte Australia
<b>Insurance Provider</b>	Insurance is through parent company Centuria Capital Group
<b>Fund Research</b>	Lonsec, Zenith, Morningstar
<b>Market Intelligence</b>	Bloomberg, Morningstar
<b>Consultants</b>	Farrelly's Research & Management, Tailwind Consulting
<b>IT Network Provider</b>	Dancrai

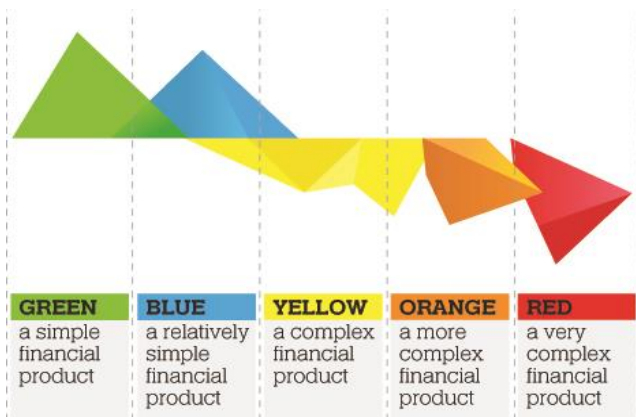
## Investment Rating Scale

The Australia Ratings Analytics investment rating is an opinion on how well we believe a fund will perform against a range of risks.

Rating	Definition
Superior	Indicates the highest level of confidence that the product can deliver a well-managed, robust investment structure to investors.
Very Strong	Indicates a very strong level of confidence that the product can deliver a well-managed, robust investment structure to investors.
Strong	Indicates a strong level of confidence that the product can deliver a well-managed, robust investment structure to investors.
Competent	Indicates that the product may deliver a well-managed, robust investment structure to investors.
Weak	Indicates a view that the fund is unlikely to deliver a well-managed, robust investment structure to investors.

## Product Complexity Indicator

A Product Complexity Indicator (PCI) highlights the complexity of an investment by its terms and conditions' structure and transparency that may affect the investor's return.



## Investment Rating & Product Complexity Methodology

Australia Ratings' methodology for its investment rating and research can be downloaded from its website.

## Financial Services Guide

A copy of the Financial Services Guide of Australia Ratings Analytics Pty Ltd can be found at <http://www.australiaratings.com/investment-ratings/regulatory/financial-services-guide>.

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An **investment fund rating** reflects Australia Ratings' current opinion of a fund or investment's ability to achieve its stated investment objectives in the near term. The rating expresses a view on the expected consistency of the fund or investment's performance within the peer/style groups and the ability of the manager to produce superior performance amongst its peers in the near term with due regard to the medium-term consensus view of the asset class to which the product is benchmarked.

A **superannuation fund or investment bond rating** reflects Australian Ratings' current opinion of the quality and utility to investors of the product offer. It takes into account the structure of the product, including fees and ease of use, the diversity and the selection process for the investment options, and the strength, compliance, and support provided by the Trustee or Issuer.

The rating and research report will maintain current, unless amended, until the anniversary date of the report. The investment rating and research report reflects the research methodology published on the website of Australia Ratings Analytics. Ratings are assigned according to Australia Ratings Analytics investment scale which ranges from Superior to Weak and is described on the website.

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