

A compelling story of high yields, security and tax advantages

(Wholesale Investors only)

What are TEPs

A TEP, (Traded Endowment Policy), is a second-hand conventional life policy with capital guaranteed values issued by AMP, AXA, AIA and MLC.

AMP/AXA/AIA/MLC policies are now managed by Resolution Life.

Resolution Life is owned by Nippon Life of Japan.

Resolution Life will pay the maturity amount of the TEP within 7-10 days of maturity.

Resolution Life carries an “A” credit rating on its capacity to payout the maturity sums as and when they fall due.

How to invest in TEPs?

The Aussie TEP Fund is the only way to get access to this asset class in Australia.

This is a wholesale managed fund with a minimum investment of \$50k.

Platform access

The Aussie TEP Fund is available to wholesale Netwealth investors or direct investors.

Suitable Investors

An investment in The Aussie TEP Fund will suit investors with medium term, tax efficient, conservative investment goals.

Likely investors with include;

- Super and Pension Funds
- Family Trusts
- Charities
- Family Offices
- Institutions
- High Net Worth investors

TEP risk during major market falls

The nature of the asset class offers high returns that are tax effective/tax exempt and very stable in nature.

During significant market disruption events, like;

- 9/11,
- 2008 GFC,
- Covid19,
- 2026 Iran war

There have been no liquidity lockups and, at worse, a loss of 50bpts in yield in 2008 maturities only.

TEP gains are paid on time by the issuing life company.

Who supplies TEPs to The Aussie TEP fund?

The Outlook Group Pty Ltd has an exclusive supply agreement to deliver TEPs to The Aussie TEP Fund.

The Outlook Group Pty Ltd has 29 years' experience in acquiring TEPs for investors.

Traditionally, TEPs were bundled together and sold as directly held investments with durations, (like a bond), of 5-10 years.

How much is the possible supply of TEPs?

Resolution Life acquired AMP, AXA, AIA, MLC life companies' conventional book of policies (Whole of Life/Endowment contract).

This company still has over \$4bn in value of these old policies on their books which are owned by retail clients.

The Outlook Group Pty Ltd anticipates over \$100m in possible TEP supply per annum from this pool for at least the next 15 years.

How is the TEP purchase price determined for the fund

Each month, a price is set for purchases by the fund that month.

The buy price is set at the average of the 5/10-year Commonwealth bond rates at the start of a month.

The buy price is expressed as 200bpts, (pre-tax language) above the average bond rate.

This sets a default buy price for that month and is subject to normal supply/demand constraints between Supplier and the fund.

The Aussie TEP fund distributions?

TEPs are a growth only asset that don't pay income. The gain on a TEP upon maturity is given special tax treatment, (like an Insurance Bond).

The fund is 5-6 years old and has started to receive maturity proceeds on the 5-year TEPs acquired in the early years of the fund.

Once historic running costs of the fund are recouped from TEP gains, a distributable surplus will arise.

This will allow the fund to start paying quarterly distributions.

The Aussie TEP Fund expects to pay quarterly, tax-paid, (i.e., with an attached 30% tax offset); distributions from the 2028 income year.

Part of the future distributions will include tax exempt components from the 2029 year.

From the 2030 year, most quarterly fund distributions are expected to be tax exempt.

DRP Option

Investors will have the option to DRP quarterly distributions. The tax outcomes of such distributions will appear in the tax year of the investor's tax return. That is; the assessable distribution, exempt distribution and tax offset components.

Future Annuity like cashflows

Once the fund commences distributions, we expect the quarterly tax paid/exempt distributions will see the fund distributing characteristics of an annuity income stream carrying either 30% tax offsets and/or tax-exempt components.

What is the TEP yield made up of?

The investment return on a TEP is somewhat like a Franked/Exempt dividend received.

You receive your investment result from 2 people. The fund paying the distribution in cash and the ATO providing tax offset/tax exemption.

Cash gains on maturing TEPs are assessable income on maturity if under 8 years of asset ownership by the fund. They carry a 30% tax offset.

Maturing TEPs between 8-10 years of ownership progress towards tax exempt gains.

All TEPs maturing after 10 years provide tax exempt gains.

How do we work out the Pre-Tax equivalent yield in The Aussie TEP Fund?

Most investments are measured in a pre-tax number.

With different taxpayers in Australia, we work out the pre-tax yield for each investor type, being the addition of the Life Company cash yield plus the ATO tax offset/exemption.

Our web site shows the pre-tax yield for Individual, Company and tax paying Superfund investors.

Current Pre-Tax yields (before fund expenses) effective May 2026 are;

Individual Investor- (Top Marginal Tax Rate)	9.86% pa
Company Investor	8.16% pa
Tax paying Superfund Investor	8.16% pa

Taxation

The Aussie TEP Fund has ATO Private Binding Tax Rulings confirming the gains on TEPs are treated under the 10-year Insurance Bond rules.

Gains on TEPs with a duration of upto 8 years are taxed in the year of maturity and receive a 30% Tax Offset.

TEPs maturing between years 8 and 10 have 1/3, then 2/3's of the gain excluded from taxable income.

After 10 years the TEPs are tax free.

Unique Tax Position for a Managed fund

The Aussie TEP Fund is the only managed fund in Australia with 10-year insurance bond tax rulings.

This presents opportunities for investors in how they structure their investment in this fund.

TEPs Liquidity

The Life Act 1995 requires the Life Companies to payout the surrender value of a TEP on any given day.

This is effectively a buyer-of-last-resort feature.

All the TEPs in the fund can be cashed within 7-10 days.

There are other liquidity features of TEPs that offer the fund ability to manage its cashflows.

The Aussie TEP Fund Liquidity

Unitholders can cash units on a quarterly basis.

The Aussie TEP Fund is designed for medium term investors who take a 5-year investment time frame.

There are no exit discounts for Netwealth investors for quarterly redemptions.

To avoid the fund being treated as a cash equivalent fund by direct investors;

Direct unitholder redemptions are exposed to an early redemption discount within the first 2 years; 1.95% (year 1), reducing to 0.95% (year 2).

Unit Pricing

The fund is valued monthly.

The TEP values are certified by an independent actuary each month.

TEPs security of title

The Aussie TEP Fund's title to ownership of a TEP is guaranteed by the Life Act 1995.

Uncorrelated Fixed Interest/Alternative Asset

The annual capital guaranteed bonuses on a TEP ensure its guaranteed value will always rise.

In a rising interest rate environment, The Aussie TEP Fund is a unique asset class that is immune from the capital losses that Bond funds and Fixed Interest assets are exposed to.

The underlying bonus rates driving the TEP growth often rise during such interest rate cycles.

Super bonus returns?

Recent bonus rate history and market data, may suggest that the Statutory Fund assets backing the TEP gains, could well be sitting on an undistributed surplus.

Once all the conventional contracts held by Resolutions Life are due to mature, surrender or are paid out on death, then, the allocated statutory fund assets need to have reduced to nil.

The only way Resolution Life can control an equitable distribution of these assets is to

- increase surrender values (they did this by a significant amount in 2023).
- raise bonus rates above the normal market driven considerations in a policy year when setting the future rates.

We anticipate the residual life of most contracts to be upto 15-18 years from now, if held to the life insured's natural policy maturity date.

Why Invest in the Aussie TEP Fund?

The Aussie TEP Fund is targeted at Individual investors, (on top marginal or high, tax rates), Institutions, Charities, Corporate investors and Super/Pension fund investors.

This is a very safe, conservative asset class, that will outperform its peers because of 3 key factors;

- *An in-built investment subsidy left behind by the original policy owner*
- *80 years of Life Companies "smoothing" the returns they allocate to TEPs*
- *Grandfathered tax concessions that aren't matched by modern financial products*

TEPs gains have consistently achieved over 2.00%-3.00% above the Commonwealth Bond rate over the last two decades.

The purchase price of TEPs are 90-110% capital guaranteed on purchase.

The annual increasing value of a TEP is also capital guaranteed.

The current value of the guarantee is "A" rated.

TEPs can be liquidated within 7-10 days with the issuing Life Company acting as buyer-of-last-resort.

TEPs are likely to provide highly predictable tax paid quarterly cashflows from 2028 onwards like an annuity.

TEPs are uncorrelated to capital losses in a rising interest rate cycle, unlike bonds.

The Aussie TEP fund overheads are targeted to be 1% pa.

TEPs are not a volatile asset.

Growth rates are highly predictable because of 80 years of actuarial smoothing of bonus rates on the TEPs.

For more details please visit our website www.aussieteps.com.au

or

Contact Brad Traynor on +61413673366

Disclaimer

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