generation life

2025 Annual Investment Update

LifeIncome

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Outthinking today.

On reflection

A Look Back at Investment Markets in Financial Year 2025

The 2025 financial year was a volatile journey that ended on a high for investors. Markets entered the second half of the year facing significant headwinds, including heightened geopolitical tensions and trade disruptions, before finishing with strong investment returns across most asset classes. While volatility dominated headlines— including a 10.5% drop in the U.S. share market benchmark S&P 500 index in just two trading days during April 2025 — a resilient U.S. economy, falling global inflation and easing monetary policy ultimately supported a sharp rebound. This enabled investors across shares, bonds, property, and even commodities like gold, to enjoy a surprisingly strong year.

Economic Conditions and Interest Rates

The following general market performance information is provided based on available pre tax and fees general market returns and does not reflect the cost of any fees and taxes that may be incurred or the actual performance of investment options that you may have chosen.

In Australia, inflation gradually declined into the Reserve Bank's target range, prompting the RBA to cut the official cash rate two times — from 4.35% to 3.85% — over the year. This provided welcome relief to mortgage holders and improved the outlook for business investment. Despite these positive developments, Australia's unemployment rate rose to 4.3% by June 2025, and GDP growth was sluggish at 0.2% in the March quarter. Nonetheless, easing inflation (down from 3.8% June 2024 to 2.1% annualised) helped restore confidence in financial markets.

Globally, most central banks also began reducing interest rates as inflation peaked and started to decline. The U.S. Personal Consumption Expenditure Price Index, the Federal Reserve's preferred inflation measure, finished at 2.1% allowing the central bank to join the easing cycle. However, long-term bond yields remained elevated, with Australia's 10-year government bond yield ending the year at 4.2%, well above the pre-COVID level of 1.35%. This suggests markets expect higher interest rates — and possibly higher inflation — over the long term.

Australian Dollar and Currency Markets

The Australian dollar ended the financial year at US$0.65, slightly lower than a year earlier. However, following significant policy shifts in the U.S. in April — including moves away from globalisation and the introduction of new tariffs — the Australian dollar began to strengthen, particularly against the U.S. dollar. European currencies, including the euro and British pound, also gained ground. If U.S. trade policy remains inward-looking, there could be continued downward pressure on the U.S. dollar in the year ahead, which may support a stronger Australian dollar.

Australian and Global Shares

Australian shares had a strong year, with the S&P/ASX 300 Index rising 13.7%. Falling interest rates and slowing inflation supported corporate earnings, while large capital flows into local equities provided additional momentum. Market gains were led by a handful of large-cap stocks, particularly Commonwealth Bank (+52%) and Telstra (+37%). Financials, communications, and industrials were the strongest-performing sectors, while energy and healthcare lagged due to weaker oil prices and international regulatory headwinds.

Australian small companies also posted healthy returns of 12.3% (S&P/ASX Small Ordinaries Index), although they underperformed larger companies overall. Despite this, some smaller stocks delivered standout results, with seven rising more than 100% over the year.

International markets performed even better. The MSCI World ex-Australia Index returned 18.5% unhedged and 13.4% hedged, highlighting the additional benefit of a weaker Australian dollar. Although markets experienced a sharp decline between February and April 2025 — due to U.S. tariffs and geopolitical risks — they recovered strongly in the final quarter, which delivered a 9.45% return. Europe was the best-performing region, with the MSCI Europe Index gaining 18.9%, while China rebounded after several weaker years. The U.S. market lagged, returning 13.7%, while Japan returned 6.6% on a hedged basis and 16.1% unhedged, helped by currency strength.

Gold and Commodities

Amid the uncertainty, gold emerged as one of the best-performing assets, rising more than 45% (unhedged) over the year. Its strong return reflected increased demand from investors seeking safety during periods of global stress, elevated government debt levels, and falling real interest rates. Gold's role as a store of value was reinforced, particularly in portfolios exposed to geopolitical or inflation risks.

Fixed interest and Cash

Fixed interest markets delivered strong gains as interest rates fell. In Australia, the AusBond Composite 0+ Yr Index returned 6.8%, and the Bloomberg Global Aggregate Bond Index (hedged into AUD) returned 5.4%. Floating rate notes performed steadily, returning 5.3%, and cash investments also remained competitive. The Bloomberg AusBond Bank Bill Index returned 4.4%, although returns are expected to decline further if the RBA continues to lower rates.

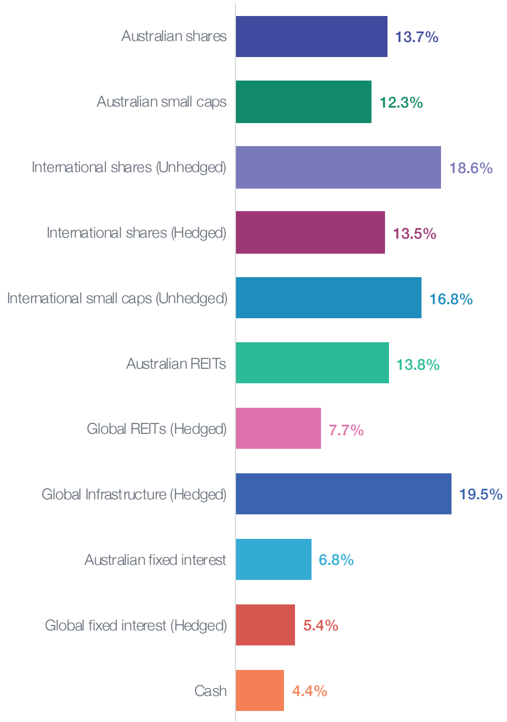
Credit markets also held up well. Corporate bond indices returned strong results despite slower global growth and increased geopolitical risk. The Bloomberg Global Aggregate Corporate Index (hedged into AUD) rose by 6.2%.

Property and Infrastructure

Listed property markets produced mixed but generally positive results. Globally, listed REITs returned 8.7%, with data centres and industrial real estate leading gains, while office and Europe-focused REITs struggled. In Australia, the listed property sector was stronger, with the S&P/ASX 300 A-REIT Index returning 13.8%. Charter Hall was a standout performer, gaining 49% for the year. Infrastructure assets had an excellent year globally, returning 19.5%, as governments ramped up energy and utility investments in response to geopolitical changes.

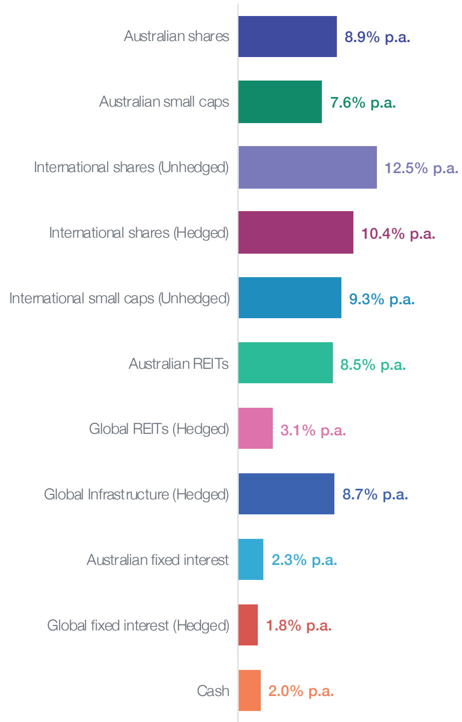
Asset class market returns

The following graph shows the asset class returns for the 2024 - 2025 financial year.



Asset class market returns over 10-year period

The following graph shows the historical asset class returns for the 10-years to 30 June 2025.



Sources: S&P/ASX300 Total Return Index (Australian shares), S&P/ASX Small Ordinaries Total Return Index (Aust small cap), MSCI World Ex Australia Total Return Index (International shares, unhedged), MSCI World Ex Australia Total Return Index Hedged to AUD (International shares, hedged), MSCI World ex Australia Small Cap Total Return Index AUD (International small cap), Bloomberg AusBond Bank Bill Index (Cash), S&P/ASX 300 A-REIT Total Return Index (Aust REITs), FTSE EPRA NAREIT Developed Index Hedged AUD (Global REITs, hedged), S&P Global Infrastructure Total Return Index hedged (Global Infrastructure, hedged), AusBond Composite 0+ Yr Index (Aust fixed interest), Bloomberg Barclays Global Aggregate Index hedged into AUD (Global fixed interest, hedged).

Outlook

for the year ahead and final thoughts

Despite the uncertain start to the year and a backdrop of rising unemployment, soft economic growth, and geopolitical unrest, the 2025 financial year ultimately rewarded investors across a wide range of asset classes. Falling inflation and interest rates were key tailwinds.

After such a strong year for shares and fixed income assets, the outlook for the new financial year is more measured — though still full of opportunity. Investors who stayed the course during over the year, or who leaned into the volatility, were handsomely rewarded. But as we move into next year, a few key themes are likely to influence markets:

The RBA and other global central banks are expected to continue cutting rates, which may provide further support for risk assets like equities and property. With geopolitical tensions still elevated — particularly around trade and global security — market swings are expected to remain part of the landscape.

Investment strategies

With 29 investment options to choose from, from a range of leading Australian and international investment managers, investors have the flexibility to change and switch investment options at almost any time.[1] We recommend that you speak to your financial adviser regarding your portfolio allocation.

Investment option performance

The following table shows the performance of our investment options over the longer term and the last financial year. Returns shown are after all fees and taxes, as at 30 June 2025. The actual returns relating to your investment will be influenced by the timing of payments into and out of the investment, allowing for contributions, taxes, fees, switches between investment options and withdrawals.

Performance reflects the performance of the investment option. Where the current investment manager has been appointed after the inception of the investment option, the performance in the table will not be reflective of the investment manager’s performance prior to their appointment.

1. Switches cannot be made between midday on the third last Business Day of the Financial year and the end of the Financial year.

				Performance as at 30 June 2025					
Investment option	Fund Code	Description	Inception date	1 month	3 months	6 months	1 year	Since Inception (p.a.) 2.5% LifeBooster	Since Inception (p.a.) 5% LifeBooster
PIMCO Wholesale Global Bond Fund	1	Gross return		1.42%	1.69%	3.35%	6.11%	5.46%	4.47%
		2.5% LifeBooster	Jun 2023	1.10%	0.75%	1.46%	2.28%	1.60%	-
		5% LifeBooster	Dec 2022	0.87%	0.15%	0.25%	-0.16%	-	-1.71%
iShares Wholesale Australian Equity Index Fund	2	Gross return		1.99%	10.16%	7.43%	15.33%	9.41%	12.05%
		2.5% LifeBooster	Mar 2022	1.67%	9.16%	5.49%	11.24%	5.49%	-
		5% LifeBooster	Jun 2022	1.46%	8.52%	4.24%	8.60%	-	5.48%
iShares Wholesale International Equity Index Fund	3	Gross return		2.46%	5.90%	3.37%	18.81%	16.44%	19.20%
		2.5% LifeBooster	Mar 2022	2.14%	4.94%	1.48%	14.62%	12.32%	-
		5% LifeBooster	Jun 2022	1.93%	4.31%	0.29%	11.90%	-	12.28%
iShares Hedged International Equity Index Fund	4	Gross return		3.75%	9.31%	6.44%	13.52%	9.86%	14.84%
		2.5% LifeBooster	Mar 2022	3.44%	8.33%	4.52%	9.48%	5.91%	-
		5% LifeBooster	May 2022	3.23%	7.68%	3.29%	6.89%	-	8.14%
iShares Wholesale Australian Listed Property Index Fund	5	Gross return		1.66%	13.25%	5.95%	13.69%	6.78%	17.04%
		2.5% LifeBooster	Mar 2022	1.35%	12.24%	4.03%	9.64%	2.92%	-
		5% LifeBooster	Oct 2022	1.13%	11.57%	2.80%	7.04%	-	10.22%
iShares Wholesale Australian Bond Index Fund	6	Gross return		0.76%	2.65%	3.94%	6.74%	2.11%	3.49%
		2.5% LifeBooster	Mar 2022	0.45%	1.71%	2.06%	2.88%	-1.62%	-
		5% LifeBooster	Dec 2022	0.25%	1.09%	0.85%	0.44%	-	-2.64%
Vanguard Conservative Portfolio	7	Gross return		1.29%	3.61%	3.79%	8.51%	5.44%	5.08%
		2.5% LifeBooster	May 2022	0.96%	2.66%	1.89%	4.61%	1.59%	-
		5% LifeBooster	May 2022	0.76%	2.00%	0.65%	2.07%	-	-1.15%
Vanguard Balanced Portfolio	8	Gross return		1.65%	4.94%	4.35%	10.70%	9.92%	7.67%
		2.5% LifeBooster	Jun 2022	1.34%	3.98%	2.47%	6.75%	5.94%	-
		5% LifeBooster	May 2022	1.12%	3.36%	1.25%	4.22%	-	1.43%
Vanguard Growth Portfolio	9	Gross return		1.96%	6.23%	4.91%	12.91%	12.84%	8.25%
		2.5% LifeBooster	Jun 2022	1.63%	5.25%	2.99%	8.87%	8.78%	-
		5% LifeBooster	Mar 2022	1.42%	4.61%	1.75%	6.27%	-	1.87%
Dimensional World 50/50 Portfolio	10	Gross return		1.54%	4.54%	4.17%	9.78%	9.91%	10.40%
		2.5% LifeBooster	Oct 2022	1.23%	3.58%	2.28%	5.85%	5.97%	-
		5% LifeBooster	Oct 2022	1.02%	2.97%	1.06%	3.33%	-	3.92%
Dimensional World 70/30 Portfolio	11	Gross return		1.95%	5.67%	4.71%	11.67%	12.03%	7.05%
		2.5% LifeBooster	May 2023	1.62%	4.69%	2.81%	7.67%	8.03%	-
		5% LifeBooster	Mar 2022	1.43%	4.07%	1.60%	5.13%	-	0.75%
Schroder Real Return Fund	12	Gross return		1.54%	3.39%	4.58%	10.53%	9.21%	8.88%
		2.5% LifeBooster	May 2023	1.23%	2.44%	2.67%	6.57%	5.29%	-
		5% LifeBooster	Sep 2022	1.03%	1.84%	1.47%	4.04%	-	2.47%

Investment option	Fund Code	Description	Inception date	Performance as at 30 June 2025 1 month	3 months	6 months	1 year	Since Inception (p.a.) 2.5% LifeBooster	Since Inception (p.a.) 5% LifeBooster
Vanguard High Growth Portfolio	13	Gross return		2.25%	7.35%	5.04%	14.57%	14.01%	13.20%
		2.5% LifeBooster	Jun 2024	1.93%	6.37%	3.13%	10.51%	9.87%	-
		5% LifeBooster	Aug 2022	1.72%	5.73%	1.90%	7.88%	-	6.58%
Dimensional World 30/70 Portfolio	14	Gross return		1.14%	3.03%	3.21%	7.36%	7.28%	7.46%
		2.5% LifeBooster	Apr 2023	0.81%	2.08%	1.33%	3.48%	3.41%	-
		5% LifeBooster	Oct 2022	0.61%	1.47%	0.13%	1.04%	-	1.19%
Dimensional World Equity Portfolio	15	Gross return		2.36%	7.20%	5.01%	13.69%	10.79%	11.71%
		2.5% LifeBooster	Jul 2024	2.03%	6.22%	3.10%	-	6.88%	-
		5% LifeBooster	Mar 2025	1.83%	5.59%	-	-	-	5.71%
AB Managed Volatility Equities Fund	16	Gross return		-0.15%	5.20%	8.80%	16.88%	7.60%	10.74%
		2.5% LifeBooster	Apr 2023	-0.47%	4.23%	6.84%	12.75%	3.72%	-
		5% LifeBooster	Oct 2022	-0.67%	3.61%	5.58%	10.07%	-	4.24%
Bennelong Concentrated Australian Equities Fund	17	Gross return		1.87%	5.75%	-5.26%	2.91%	-0.78%	-0.19%
		2.5% LifeBooster	Jul 2024	1.56%	4.78%	-7.03%	-	-4.13%	-
		5% LifeBooster	Mar 2022	1.36%	4.16%	-8.13%	-3.17%	-	-6.13%
Hyperion Global Growth Companies Fund	18	Gross return		2.08%	17.53%	3.44%	39.84%	40.29%	20.92%
		2.5% LifeBooster	Jun 2024	1.76%	16.49%	1.56%	35.07%	35.50%	-
		5% LifeBooster	Mar 2022	1.55%	15.79%	0.35%	31.86%	-	13.90%
Barrow Hanley Global Share Fund	19	Gross return		1.43%	1.69%	6.72%	17.91%	12.75%	14.37%
		2.5% LifeBooster	Jul 2024	1.11%	0.75%	4.79%	-	9.05%	-
		5% LifeBooster	Nov 2023	0.90%	0.14%	3.54%	11.04%	-	7.68%
Magellan Infrastructure Fund	20	Gross return		-0.14%	6.75%	11.20%	19.80%	6.31%	4.91%
		2.5% LifeBooster	Nov 2024	-0.46%	5.78%	9.20%	-	4.03%	-
		5% LifeBooster	May 2022	-0.65%	5.16%	7.91%	12.85%	-	-1.29%
Ardea Real Outcome Fund	21	Gross return		0.35%	1.09%	3.26%	4.28%	2.69%	2.97%
		2.5% LifeBooster	Jul 2022	0.03%	0.15%	1.36%	0.51%	-1.05%	-
		5% LifeBooster	Sep 2022	-0.17%	-0.45%	0.16%	-1.89%	-	-3.13%
Pendal Sustainable Balanced Fund	22	Gross return		1.55%	6.26%	4.51%	11.29%	8.52%	8.69%
		2.5% LifeBooster	Jul 2022	1.23%	5.28%	2.61%	7.30%	4.61%	-
		5% LifeBooster	Nov 2022	1.03%	4.65%	1.39%	4.77%	-	2.30%
Dimensional Global Bond Sustainability Trust	23	Gross return		1.01%	1.79%	2.92%	5.32%	4.28%	3.79%
		2.5% LifeBooster	Jul 2024	0.69%	0.84%	1.03%	-	0.57%	-
		5% LifeBooster	Dec 2022	0.48%	0.23%	-0.17%	-0.88%	-	-2.35%
Stewart Investors Worldwide Sustainability Fund	24	Gross return		3.78%	5.13%	2.82%	12.05%	9.89%	10.31%
		2.5% LifeBooster	Jul 2022	3.45%	4.16%	0.94%	8.04%	5.95%	-
		5% LifeBooster	Jan 2023	3.23%	3.54%	-0.26%	5.47%	-	3.79%

				Performance as at 30 June 2025					
Investment option	Fund Code	Description	Inception date	1 month	3 months	6 months	1 year	Since Inception (p.a.) 2.5% LifeBooster	Since Inception (p.a.) 5% LifeBooster
Investors Mutual Australian Share Fund	25	Gross return		3.32%	10.19%	10.59%	16.59%	12.30%	15.01%
		2.5% LifeBooster	Jul 2024	2.99%	9.18%	8.60%	-	8.58%	-
		5% LifeBooster	Oct 2023	2.78%	8.53%	7.32%	9.80%	-	8.29%
Generation Life Cash & Deposits Portfolio	26	Gross return		0.36%	1.12%	2.28%	4.82%	4.84%	4.84%
		2.5% LifeBooster	Dec 2023	0.05%	0.19%	0.42%	1.02%	1.05%	-
		5% LifeBooster	Jul 2023	-0.15%	-0.41%	-0.77%	-1.37%	-	-1.35%
Generation Life Lifestyle Portfolio	27	Gross return		1.98%	4.20%	1.78%	8.41%	9.30%	9.30%
		2.5% LifeBooster	Jul 2023	1.66%	3.25%	-0.07%	4.52%	5.61%	-
		5% LifeBooster	Jul 2023	1.46%	2.64%	-1.27%	2.04%	-	2.88%
Generation Life Protect Portfolio	28	Gross return		1.46%	2.98%	2.93%	6.49%	5.84%	5.84%
		2.5% LifeBooster	Jul 2023	1.14%	2.03%	1.05%	2.63%	2.05%	-
		5% LifeBooster	Jul 2023	0.94%	1.43%	-0.14%	0.21%	-	-0.41%
MCP Wholesale Investments Trust	30	Gross return		0.67%	2.11%	4.17%	8.60%	7.87%	8.76%
		2.5% LifeBooster	Jul 2024	0.36%	1.17%	2.28%	-	4.29%	-
		5% LifeBooster	Sep 2023	0.15%	0.57%	1.07%	2.21%	-	2.37%

Notes

- Past performance is not indicative of future performance.
- Gross return since the inception date of the 2.5% or 5% LifeBooster investment option is the performance net of investment management fees and transactional and operational costs, excluding the insurance expense and the otherwise applicable LifeBooster rate.
- 2.5% LifeBooster and 5% LifeBooster is the gross return less investment management fee, administration fee and insurance expense, discounted by the relevant LifeBooster rate and the Lifetime Income Protection Provision.
- Returns are not annualised for periods of less than one year.

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Outthinking today.

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