

Tax Optimised investment series

Generation Life Investment Bonds

Market commentary



John Laver
Head of Investments at Generation Life

Global markets during the December 2025 quarter were influenced by moderating inflation, increasingly divergent growth outcomes across major economies, and renewed uncertainty arising from global trade, geopolitics and fiscal sustainability. Investor focus shifted away from early-year policy signalling toward the practical economic consequences of tighter financial conditions, slowing global demand and evolving government responses.

Equity markets experienced heightened volatility as investors balanced easing inflation pressures against slowing earnings growth and more cautious corporate guidance. Despite this, global share markets delivered positive returns, with the MSCI World Index (AUD Hedged) rising 3.50% over the quarter. Performance was led by defensive and interest-rate-sensitive sectors such as utilities and consumer staples, while valuation-sensitive growth stocks lagged. In contrast, the Australian share market declined, with the S&P/ASX 200 Accumulation Index falling 1.01% over the quarter, reflecting weaker domestic economic data and subdued sentiment toward cyclical sectors.

Fixed interest markets performed strongly over the quarter. Bond yields declined as inflation continued to ease and markets increasingly priced in the prospect of future monetary easing across several developed economies. This environment supported global bond performance, with the Bloomberg Global Aggregate Index rising over the quarter as duration assets benefited from falling yields.

Domestically, economic conditions in Australia remained challenging. Inflation for the year to 31 December increased to 3.8%, placing Australia among the higher inflation rates observed across developed markets. This inflation differential supported a stronger Australian dollar against a basket of major currencies. However, this strength did not translate into improved economic momentum.

Annual GDP growth to 31 December remained below long-term averages, reflecting constrained household consumption, elevated mortgage servicing costs and subdued business investment. Monetary policy remained restrictive, with the Reserve Bank of Australia maintaining a cautious stance as it balanced moderating inflation against the risk of renewed price pressures. Gold was again a standout performer over the quarter, benefiting from heightened geopolitical uncertainty, fiscal concerns and ongoing market volatility, continuing to play an important defensive and diversification role within portfolios.

Against this backdrop, the Tax Optimised investment series delivered strong outcomes for investors. Average returns for the 12 months to 31 December 2025 were 10.78% pre-tax¹ and 8.16% after tax.² For the 12 months to 31 December 2025, the average after-fees and after-tax return across the reported Tax Optimised options was 7.65%, compared to 5.44% for a comparable investment held directly by an investor on a 47% marginal tax rate (including Medicare levy).³ This represents an uplift of 2.21% p.a. for high marginal tax rate investors, underscoring the material impact of our Tax Optimised investments, providing tax efficiency for long-term investment outcomes.

Capital growth has been a significant driver of pre-tax returns across equity and diversified portfolios over the last three years. The split between income and growth has therefore tilted toward growth earnings, with lesser prevalence of income contributing to earnings. After-tax return outcomes are linked to the makeup of earnings and the tax treatment of each component.

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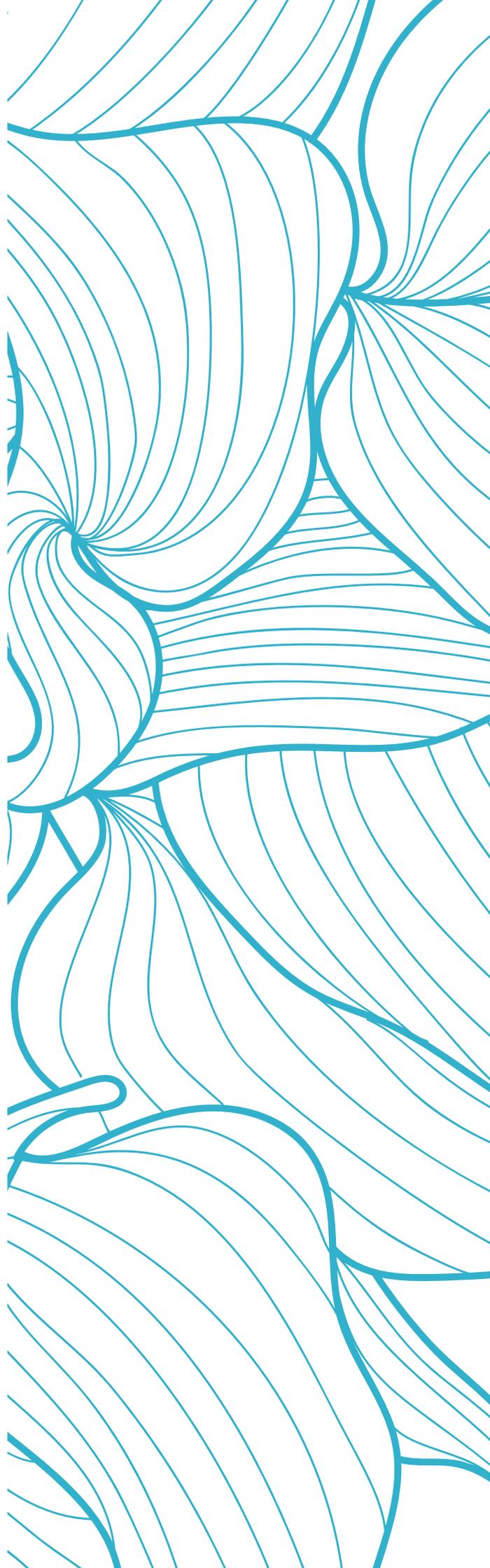
This has resulted in a higher after-tax return outcome for 39% marginal tax rate investors in diversified strategies over the period, than would typically be expected over the long-term on a relative basis. Overall, on an absolute basis, the Tax Optimised strategies have delivered strong after-tax returns relative to holding the same investment strategies directly. For example, over the last five years, the Tax Optimised diversified strategies have delivered additional return benefits through reduced tax costs and the compounding benefits of that tax saving. The overall additional after-tax return benefit over this period was: 0.89% p.a. for a company investor; 0.70% p.a. for a direct investor on a 39% marginal tax rate; and 1.17% p.a. for a direct investor on a 47% total marginal tax rate.

Looking ahead, the coming quarter will see a further expansion of the Investment Bonds investment menu, with new investment options, product features and categories being introduced. These enhancements are designed to significantly broaden the range of solutions available to advisers and clients seeking long-term, tax-effective investment outcomes. We look forward to supporting advisers and clients through 2026 and wish all investors a successful year ahead.



John Laver
Head of Investments, Generation Life

The above 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.



Performance as at 31 December 2025

Generation Life Tax Effective Australian Share Fund - UF35



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	10.35%	9.74%	5.64%	6.48%	7.38%	9.24%
2 years p.a.	10.88%	10.48%	7.64%	8.27%	7.98%	9.98%
3 years p.a.	11.31%	10.58%	8.14%	8.81%	8.57%	10.08%
4 years p.a.	8.05%	8.09%	5.50%	6.08%	6.22%	7.59%
5 years p.a.	9.83%	9.12%	6.94%	7.56%	7.56%	8.62%

Headline and individual after tax returns for the comparative fund are based on the performance of an equivalent S&P/ASX 200 Index ETF.

Generation Life Tax Effective Global Share Fund - UF87



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
6 months	8.89%	10.58%	4.77%	5.48%	6.14%	10.33%

Headline and individual after tax returns for the comparative fund are based on the performance of an equivalent MSCI World ex Australia Index Fund.

Generation Life Tax Effective Growth Fund - UF10



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees) ⁵
1 year	10.65%	7.11%	5.95%	6.77%	7.45%	6.51%
2 years p.a.	12.31%	9.19%	9.10%	9.69%	8.79%	8.59%

Headline and individual after tax returns for the comparative fund are based on the performance of an 70/30 diversified index ETF.

Vanguard High Growth Portfolio - UF30



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	12.39%	9.55%	7.01%	7.95%	8.65%	9.15%
2 years p.a.	15.01%	11.74%	11.05%	11.78%	10.71%	11.34%
3 years p.a.	15.27%	12.00%	11.33%	12.05%	11.00%	11.60%
4 years p.a.	8.44%	6.75%	5.97%	6.44%	6.03%	6.35%
5 years p.a.	10.48%	8.21%	7.10%	7.69%	7.26%	7.81%

Vanguard Growth Portfolio - UF12D



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	10.65%	8.07%	5.95%	6.77%	7.45%	7.67%
2 years p.a.	12.31%	9.40%	9.10%	9.69%	8.79%	9.00%
3 years p.a.	12.67%	9.69%	9.34%	9.93%	9.07%	9.29%
4 years p.a.	6.41%	4.94%	4.47%	4.83%	4.56%	4.54%
5 years p.a.	7.87%	5.99%	5.17%	5.61%	5.31%	5.59%

Vanguard Balanced Portfolio - UF31



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	8.94%	6.53%	4.82%	5.47%	5.95%	6.13%
2 years p.a.	9.66%	7.14%	7.02%	7.48%	6.77%	6.74%
3 years p.a.	10.08%	7.55%	7.38%	7.85%	7.11%	7.15%
4 years p.a.	4.37%	3.24%	2.97%	3.22%	3.05%	2.84%
5 years p.a.	5.28%	3.89%	3.15%	3.45%	3.32%	3.49%

Vanguard Conservative Portfolio - UF12C



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	7.04%	5.11%	3.92%	4.48%	4.91%	4.71%
2 years p.a.	7.07%	5.09%	5.07%	5.38%	4.93%	4.69%
3 years p.a.	7.53%	5.46%	5.39%	5.72%	5.26%	5.06%
4 years p.a.	2.74%	1.90%	1.78%	1.91%	1.89%	1.50%
5 years p.a.	3.09%	2.08%	1.53%	1.72%	1.80%	1.68%

Dimensional World Equity Portfolio - UF28



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	15.39%	12.49%	8.30%	9.48%	10.66%	12.09%
2 years p.a.	16.11%	12.92%	12.01%	12.71%	11.46%	12.52%
3 years p.a.	15.91%	12.51%	11.97%	12.63%	11.49%	12.11%
4 years p.a.	9.26%	7.27%	6.55%	6.96%	6.47%	6.87%

Dimensional World 70/30 Portfolio - UF24



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	12.09%	9.74%	6.26%	7.20%	8.27%	9.34%
2 years p.a.	12.16%	9.63%	8.99%	9.52%	8.59%	9.23%
3 years p.a.	12.46%	9.80%	9.34%	9.87%	8.96%	9.40%
4 years p.a.	6.22%	4.93%	4.31%	4.60%	4.30%	4.53%

Dimensional World 50/50 Portfolio - UF40



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	9.76%	7.51%	5.27%	6.01%	6.76%	7.11%
2 years p.a.	9.80%	7.38%	7.29%	7.73%	6.97%	6.98%
3 years p.a.	10.04%	7.50%	7.57%	8.00%	7.25%	7.10%
4 years p.a.	4.79%	3.58%	3.42%	3.66%	3.44%	3.18%

Dimensional World 30/70 Portfolio - UF62



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	7.43%	5.39%	3.87%	4.45%	5.11%	4.99%
2 years p.a.	7.53%	5.39%	5.26%	5.63%	5.27%	4.99%
3 years p.a.	7.68%	5.51%	5.56%	5.92%	5.48%	5.11%

PIMCO Wholesale Global Bond Fund - UF04



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	6.21%	4.35%	3.10%	3.57%	4.10%	3.75%

Investors Mutual Australian Share Fund - UF06



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	6.52%	5.36%	3.57%	4.16%	3.58%	4.76%
2 years p.a.	6.97%	5.49%	3.87%	4.48%	4.59%	4.89%
3 years p.a.	6.72%	5.30%	3.83%	4.30%	4.24%	4.70%

Martin Currie Equity Income Fund - UF23



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	15.17%	11.87%	9.71%	10.56%	10.29%	11.27%
2 years p.a.	12.09%	9.48%	8.07%	8.78%	8.55%	8.88%
3 years p.a.	10.46%	8.36%	7.03%	7.64%	7.53%	7.76%
4 years p.a.	7.91%	6.30%	4.99%	5.52%	5.82%	5.70%
5 years p.a.	9.18%	7.56%	4.99%	5.52%	5.82%	6.96%

Perpetual Australian Share Fund - UF15



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	5.15%	3.95%	3.20%	3.69%	4.24%	3.35%
2 years p.a.	6.91%	5.34%	5.05%	5.51%	5.47%	4.74%
3 years p.a.	6.22%	4.90%	4.53%	4.95%	4.97%	4.30%
4 years p.a.	5.10%	3.82%	3.43%	3.89%	4.10%	3.22%
5 years p.a.	8.11%	6.26%	5.96%	6.49%	6.40%	5.66%

DNR Capital Australian Emerging Companies Portfolio - UF20



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	31.40%	23.72%	16.29%	18.75%	21.52%	23.12%

Magellan Global Fund - UF08



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	3.00%	0.26%	-2.67%	-1.74%	-4.12%	-0.34%
2 years p.a.	15.55%	11.04%	9.66%	10.59%	8.16%	10.44%
3 years p.a.	17.68%	13.35%	11.23%	12.23%	9.63%	12.75%
4 years p.a.	8.25%	6.24%	4.30%	4.84%	3.48%	5.64%
5 years p.a.	10.37%	7.63%	6.52%	7.10%	5.70%	7.03%

MFS Concentrated Global Equity Portfolio - UF08A



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	5.65%	3.51%	0.35%	1.12%	-0.59%	2.91%

Magellan Infrastructure Fund - UF05B



	Headline investment return	Tax Optimised gross after tax return	47% individual MTR after tax return	39% individual MTR after tax return	Company investor after tax return	Tax Optimised after tax return (after fees)
1 year	16.20%	12.62%	8.25%	9.49%	9.74%	12.02%
2 years p.a.	11.28%	8.71%	7.12%	7.70%	6.18%	8.11%
3 years p.a.	8.61%	6.54%	4.71%	5.26%	3.85%	5.94%

Growing our Tax Optimised investment series

At Generation Life, we continue to grow our range of Tax Optimised investment options.

The following investment options are managed through a model portfolio arrangement and therefore the underlying investment strategy is not directly able to be accessed by investors.

The performance of these investment options are unique to the investment bond and cannot be replicated through direct ownership. It is therefore not possible to provide a comparison against a direct investment on an after-tax basis.

Evergreen Responsible Growth Model



Morningstar Balanced Model



Morningstar Growth Model



Morningstar High Growth Model



Mercer Future Wealth Balanced Portfolio



Evidentia Balanced Portfolio



Evidentia Growth Portfolio



Evidentia High Growth Portfolio



How returns are calculated

- \$25,000 investment amount at start of reporting period.
- The individual Marginal Tax Rate (MTR) applied includes the Medicare levy, while a company tax rate of 30% is assumed. Investors are Australian resident taxpayers and hold their investment directly (not through any third-party platform).
- Individual investors hold investment on capital account while company holds investment on revenue account.
- Capital gains discount of 50% applies to realised gains on investments held for 12 months or more for individual investors while no discount available to capital gains discount available to company investors.
- Buy spread applied on initial purchase of managed fund but sell spread not applied for end of period valuation.
- Buy and sell spreads are used to determine transaction costs for managed fund investments and brokerage costs are used where direct investor exposure is obtained through an exchange traded fund.
- Tax Optimised gross after tax return performance is based on withdrawal to withdrawal price movements over the period including the effect of tax (but excluding fees) at the fund level.
- Tax Optimised after tax return (after fees) performance is based on withdrawal to withdrawal price movements over the period including the effect of fees and tax at the fund level.
- Tax withheld at investor's applicable tax rate upon receipt of distribution.
- Distribution net of tax payment withheld is reinvested as it becomes payable assuming bank processing timeframe of 15 business days from fund manager payment date to reinvestment.
- Tax components and eligible deductions are applied in annual tax return on 31 October of each financial year.
- Minimum investment limits applied on investments in managed funds and exchange traded fund investments.
- Minimum brokerage cost of \$10 on exchange traded fund transactions. Brokerage is determined by transaction value with a sliding scale applied to a limit of 0.12% on transaction values above \$25,000.
- Returns do not take into account any future tax benefits associated with any carried forward losses not utilised as at the performance date.
- All tax offsets and imputation credits can be fully utilised by the investor.
- Cost bases adjusted for tax deferred income.
- Assumes the investment bond is held and that the pre-10 year withdrawal rule does not apply.
- Assumes investment fully sold down at end of return reporting period.



Outthinking today.

Postal address

GPO Box 263, Collins Street West
Melbourne VIC 8007

Email

enquiry@genlife.com.au

Enquiries

Investor services: 1800 806 362
Adviser services: 1800 333 657

Sources:

1. Average of the headline returns of the underlying strategies of all Generation Life tax optimised funds with a 12 month track record, quoted in the attached flyer.
2. Average of the Generation Life tax optimised funds with a 12 month track record, quoted in the attached flyer. Returns are quoted before administration fee is applied.
3. Average of the Generation Life tax optimised funds with a 12 month track record, quoted in the attached flyer. Returns are quoted after headline administration fee is applied. Does not consider any tiered fee rebates for balances above \$50,000. Administration fee is deducted directly from the investment option before unit prices are declared.

Disclaimers:

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