generation life

Tax Optimised

Tax Optimised investment series

Generation Life Investment Bonds

Market commentary

John Laver
Head of Investments at Generation Life

Global markets rebounded strongly during the June 2026 quarter as investor sentiment recovered from the geopolitical and inflation-driven volatility experienced late in the March quarter. Resilient corporate earnings, continued investment associated with artificial intelligence and some moderation in earlier inflation concerns supported renewed appetite for risk assets.

Global equity markets performed strongly, with the MSCI World ex Australia Index returning approximately 12.61% in unhedged Australian dollar terms and 13.96% in AUD-hedged terms over the quarter. Australian equities also recovered, with the S&P/ASX 200 Accumulation Index returning approximately 4.05%. Fixed interest markets generated positive returns, supported by higher running yields and some moderation in earlier inflation concerns.

Domestically, economic conditions remained mixed. Australian GDP grew 0.3% in the March quarter and 2.5% through the year. Inflation remained above the Reserve Bank of Australia's 2–3% target range, with annual CPI inflation easing to 4.0% in May while trimmed mean inflation increased to 3.6%, highlighting persistent underlying price pressures. The RBA increased the cash rate by a further 25 basis points to 4.35% in May before holding it unchanged in June.

Against this backdrop, the Tax Optimised investment options continued to demonstrate strong relative outcomes. Across the 23 reported options, the average headline return for the 12 months to 30 June 2026 was 6.71%. The average Tax Optimised return after fees and tax was 4.74%, compared with an estimated return of 2.06% for an equivalent investment held directly by an investor subject to the highest individual marginal tax rate of 45%, plus the 2% Medicare levy. This represents an estimated average after-tax benefit of approximately 2.67 percentage points.

Returns varied significantly across asset classes and managers. Diversified Tax Optimised strategies produced an average after-fees-and-tax return of approximately 7.49%, while fixed interest strategies averaged 1.51%. Equity outcomes were more dispersed, with strong results from global equities, emerging companies and infrastructure offset by weaker returns from several concentrated active equity strategies.

The benefits of tax optimisation were particularly evident in stronger-performing strategies. The Generation Life Tax Effective Global Share Fund returned 18.06% after fees and tax compared with 7.66% for the equivalent 47% marginal tax rate investor. The Dimensional World Equity Portfolio returned 13.73% compared with 9.26%, while the DNR Capital Australian Emerging Companies Portfolio returned 12.70% compared with 9.67%. Conversely, in strategies experiencing negative returns, the Tax Optimised structure may assist through the recognition and utilisation of eligible tax losses within the structure, reducing the relative after-tax impact compared with the modelled outcome for direct ownership.

A notable feature of the June quarter was the above-average distributions paid by many underlying investment strategies, reflecting both realised investment gains and higher levels of interest income. For directly held managed investments, the associated tax impacts may become more visible once the income and capital gain components of these distributions are incorporated into the after-tax calculations. As a result, subsequent comparative reporting may more fully reflect the tax impact of the June distribution cycle for direct investors, particularly those subject to higher marginal tax rates.

Overall, the results continue to demonstrate the importance of assessing investment returns on an after-tax basis. Strong markets may create opportunities to manage the timing and taxation of realised gains, higher interest rates increase the importance of managing taxable income, while periods of weaker performance may demonstrate the potential value of recognising and utilising eligible investment losses.

Market commentary

Legislation implementing key measures announced in the 2026–27 Federal Budget has materially changed the future relative tax treatment of investment structures. From 1 July 2027, the existing 50% CGT discount for individuals, partnerships and eligible trusts will be replaced by inflation-based cost-base indexation, together with a minimum 30% tax rate on real capital gains accruing from that date, subject to transitional arrangements and applicable exemptions. Budget announcements in May have identified further reforms including the taxation of discretionary trusts at a rate of 30% to be paid by the trustee, subject to specified exclusions. Under the proposal, non-corporate beneficiaries of discretionary trusts are expected to generally receive non-refundable credits for tax paid by the trustee, while corporate beneficiaries are not expected to receive those credits. The proposed changes are expected to reduce the ability to stream discretionary trust distributions to lower taxed trust beneficiaries. Collectively, these proposed changes may increase the relevance of investment structures that apply more predictable taxation rules on accumulated investment income and capital gains. However, the relative outcome will depend on factors including the investor’s circumstances, their marginal tax rate, investment timeframes, return composition, inflation, applicable fees and access to any available exemptions or concessions.

Looking ahead, markets are likely to remain sensitive to inflation, monetary policy, economic growth, geopolitical developments and corporate earnings. In this environment, the ability to actively manage the tax consequences of investment income, realised gains and losses remains an important component of long-term wealth accumulation.

John Laver
Head of Investments, Generation Life

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

Performance as at 30 June 2026

Generation Life Tax Effective Australian Share Fund - UF35

Invesco

	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	6.07%	4.18%	2.96%	3.41%	3.92%	3.68%
2 years p.a.	9.87%	9.40%	6.74%	7.31%	7.09%	8.90%
3 years p.a.	10.58%	10.07%	7.45%	8.09%	7.87%	9.57%
5 years p.a.	7.70%	7.18%	5.28%	5.84%	6.00%	6.68%
7 years p.a.	7.95%	7.49%	5.61%	6.16%	6.28%	6.99%

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

Invesco

	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	14.96%	18.56%	7.66%	8.81%	9.99%	18.06%

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

Fidelity International

	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	10.04%	9.54%	5.49%	6.21%	6.85%	8.94%
2 years p.a.	10.28%	8.26%	7.08%	7.58%	7.07%	7.66%

Headline and individual after tax returns for the comparative fund are based on the performance of an equal weighted holding of all 70/30 diversified portfolios with a direct managed investment vehicle on the LifeBuilder investment menu.

Vanguard All Growth Portfolio - UF46

Vanguard®

	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	13.81%	9.75%	7.33%	8.46%	9.58%	9.35%

Vanguard High Growth Portfolio - UF30

Vanguard®

	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	13.10%	9.65%	6.76%	7.76%	8.66%	9.25%
2 years p.a.	13.82%	10.60%	9.74%	10.41%	9.50%	10.20%
3 years p.a.	13.90%	10.81%	10.05%	10.71%	9.83%	10.41%
4 years p.a.	14.14%	11.03%	10.39%	11.06%	10.21%	10.63%
5 years p.a.	9.09%	7.12%	6.62%	7.20%	6.81%	6.72%

Vanguard Growth Portfolio - UF12D

Vanguard

	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	10.73%	7.80%	5.49%	6.28%	7.06%	7.40%
2 years p.a.	11.69%	8.80%	8.17%	8.74%	8.02%	8.40%
3 years p.a.	11.59%	8.82%	8.31%	8.86%	8.16%	8.42%
4 years p.a.	11.49%	8.76%	8.35%	8.91%	8.25%	8.36%
5 years p.a.	6.98%	5.26%	4.76%	5.15%	4.86%	4.86%

Vanguard Balanced Portfolio - UF31

Vanguard

	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	8.40%	5.79%	4.21%	4.85%	5.47%	5.39%
2 years p.a.	9.58%	6.93%	6.53%	7.00%	6.49%	6.53%
3 years p.a.	9.31%	6.87%	6.54%	7.02%	6.46%	6.47%
4 years p.a.	8.86%	6.58%	6.31%	6.75%	6.26%	6.18%
5 years p.a.	4.87%	3.54%	3.15%	3.45%	3.31%	3.14%

Vanguard Conservative Portfolio - UF12C

Vanguard

	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	6.15%	4.16%	3.06%	3.49%	3.94%	3.76%
2 years p.a.	7.37%	5.26%	4.88%	5.27%	5.00%	4.86%
3 years p.a.	7.05%	5.08%	4.83%	5.18%	4.87%	4.68%
4 years p.a.	6.38%	4.61%	4.40%	4.73%	4.46%	4.21%
5 years p.a.	3.10%	2.06%	1.86%	2.04%	2.07%	1.66%

Dimensional World Equity Portfolio - UF28

Dimensional

	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	17.51%	14.13%	9.26%	10.62%	12.05%	13.73%
2 years p.a.	15.70%	12.69%	11.63%	12.29%	11.05%	12.29%
3 years p.a.	15.37%	12.25%	11.51%	12.15%	11.02%	11.85%
4 years p.a.	15.30%	12.04%	11.35%	11.96%	10.94%	11.64%

Dimensional World 70/30 Portfolio - UF24

Dimensional

	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	13.19%	10.58%	6.83%	7.86%	9.02%	10.18%
2 years p.a.	12.32%	9.83%	9.08%	9.60%	8.63%	9.43%
3 years p.a.	12.09%	9.62%	9.04%	9.54%	8.64%	9.22%
4 years p.a.	11.55%	9.15%	8.52%	8.99%	8.20%	8.75%

Dimensional World 50/50 Portfolio - UF40

Dimensional

	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	10.44%	7.94%	5.53%	6.33%	7.17%	7.54%
2 years p.a.	9.94%	7.58%	7.32%	7.76%	7.01%	7.18%
3 years p.a.	9.82%	7.44%	7.35%	7.77%	7.04%	7.04%
4 years p.a.	9.20%	6.95%	6.86%	7.26%	6.65%	6.55%

Dimensional World 30/70 Portfolio - UF62

Dimensional

	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	8.16%	6.01%	4.22%	4.86%	5.57%	5.61%
2 years p.a.	7.76%	5.66%	5.32%	5.71%	5.37%	5.26%
3 years p.a.	7.74%	5.55%	5.51%	5.88%	5.46%	5.15%

PIMCO Wholesale Global Bond Fund - UF04

PIMCO

	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	3.49%	2.33%	1.30%	1.64%	2.02%	1.73%
2 years p.a.	4.60%	3.26%	2.49%	2.80%	3.03%	2.66%

Macquarie Dynamic Bond Fund - UF54

MACQUARIE

	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	3.07%	1.89%	1.03%	1.32%	1.64%	1.29%

Investors Mutual Australian Share Fund - UF06

IML INVESTORS MUTUAL LTD

	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	-1.00%	-0.97%	-4.68%	-3.87%	-2.97%	-1.57%
2 years p.a.	6.35%	4.98%	2.81%	3.53%	4.32%	4.38%
3 years p.a.	5.65%	4.49%	2.58%	3.14%	3.84%	3.89%

ClearBridge Equity Income Portfolio - UF23

ClearBridge

	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	12.29%	9.71%	6.59%	7.84%	9.25%	9.11%
2 years p.a.	12.79%	9.99%	7.97%	8.97%	9.66%	9.39%
3 years p.a.	10.88%	8.66%	6.94%	7.75%	8.36%	8.06%
4 years p.a.	10.57%	8.51%	6.78%	7.65%	8.06%	7.91%
5 years p.a.	7.80%	6.37%	4.74%	5.41%	5.99%	5.77%

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	3.41%	2.19%	2.02%	2.33%	2.69%	1.59%
2 years p.a.	4.93%	3.77%	3.42%	3.78%	3.89%	3.17%
3 years p.a.	5.28%	4.07%	3.74%	4.11%	4.15%	3.47%
4 years p.a.	7.43%	5.53%	5.31%	5.67%	5.60%	4.93%
5 years p.a.	5.15%	3.90%	3.54%	3.92%	4.09%	3.30%

Bennelong Concentrated Australian Equities Portfolio - UF38

	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	-21.59%	-12.20%	-22.44%	-22.20%	-22.11%	-12.80%

DNR Capital Australian Emerging Companies Portfolio[4] - 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	18.84%	13.30%	9.67%	11.13%	12.77%	12.70%
2 year p.a.	18.43%	13.28%	14.12%	14.82%	13.00%	12.68%
3 year p.a.	16.59%	12.00%	12.36%	12.98%	11.55%	11.40%
4 year p.a.	15.14%	11.00%	10.25%	10.88%	10.02%	10.40%
5 years p.a.	3.66%	2.08%	1.33%	1.54%	1.21%	1.48%

L1 Capital International Portfolio[5] - 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	-7.83%	-7.55%	-12.91%	-12.18%	-12.79%	-8.15%
2 years p.a.	3.20%	1.11%	-1.58%	-0.79%	-2.15%	0.51%
3 years p.a.	8.31%	6.29%	3.79%	4.52%	3.17%	5.69%
4 years p.a.	11.27%	8.27%	6.39%	7.14%	5.61%	7.67%
5 years p.a.	6.21%	4.48%	2.74%	3.24%	2.32%	3.88%

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	-2.92%	-3.56%	-6.80%	-6.06%	-7.75%	-4.16%
2 years p.a.	4.99%	2.77%	0.34%	0.95%	-0.43%	2.17%

Hyperion Global Growth Companies Portfolio - UF53

	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	-2.54%	-2.39%	-3.12%	-3.12%	-3.12%	-2.99%

ATLAS Infrastructure Global Portfolio (Hedged)[6] - 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	16.56%	9.87%	8.13%	9.34%	10.20%	9.27%
2 years p.a.	18.28%	13.08%	12.27%	13.10%	11.21%	12.48%
3 years p.a.	11.80%	8.46%	6.99%	7.64%	6.16%	7.86%

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.

- 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 though 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.

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Money Magazine Awards 2025 Winner — Investment Bond Provider of the Year
Money Magazine Winner 2025 — Intergenerational Wealth, Best of the Best 2025
Money Magazine Awards 2024 Winner — Investment Bond Provider of the Year
Money Magazine Winner 2024 — Tax Aware Investing, Best of the Best 2024
Money Magazine Awards 2023 Winner — Investment Bond Provider of the Year
Money Magazine Awards 2022 Winner — Investment Bond Provider of the Year

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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.
4. Returns for the UF20 investment option reflect the performance of the underlying investment strategies held within the option from the point each strategy was held and since the investment option became tax-optimised in 2021. For further information on the investment strategy history of UF20, please refer to the relevant fact sheet available in the Investment Options Profiles section on the Generation Life website.
5. Returns for the UF08 investment option reflect the performance of the underlying investment strategies held within the option from the point each strategy was held and since the investment option became tax-optimised in 2020. For further information on the investment strategy history of UF08, please refer to the relevant fact sheet available in the Investment Options Profiles section on the Generation Life website.
6. Returns for the UF05B investment option reflect the performance of the underlying investment strategies held within the option from the point each strategy was held and since the investment option became tax-optimised in 2022. For further information on the investment strategy history of UF05B, please refer to the relevant fact sheet available in the Investment Options Profiles section on the Generation Life website.

Disclaimers:

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