generation life

Financial Year 2026

Annual Investment Update

Generation Life LifeIncome

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Outthinking today.

On reflection

A look back at investment markets in the 2026 financial year

The 2026 financial year delivered another positive year for diversified investors, although the path was far from straightforward. Markets navigated persistent inflation, changing expectations for interest rates, escalating geopolitical tensions and considerable divergence between countries and sectors.

Strong investment in artificial intelligence and data-centre infrastructure supported global corporate earnings and share markets, while conflict in the Middle East contributed to higher energy prices and renewed inflationary pressure.

Global shares produced particularly strong returns, while Australian shares recorded more modest gains. Emerging markets were among the strongest performers, supported by exceptional returns from several Asian technology markets.

Bonds and cash generated positive but comparatively subdued returns as inflation and higher interest rates weighed on longer-dated fixed-interest assets. Overall, investors who remained diversified and maintained a long-term perspective were rewarded despite periods of significant volatility.

Economic Conditions and Interest Rates

Australian inflation increased materially during the year. Annual headline inflation rose from 1.9% in June 2025 to 4.0% in May 2026, while trimmed-mean inflation reached 3.6%. Housing, electricity, food and transport were among the largest contributors to the increase in household costs.

The Reserve Bank of Australia initially reduced the cash rate by 0.25% in August 2025, from 3.85% to 3.60%. However, stronger demand and renewed inflationary pressure subsequently led the RBA to increase the cash rate three times during 2026. The cash rate ended the financial year at 4.35%, 0.50% higher than at the beginning of the 2026 financial year.

The Australian economy grew by 0.3% in the March 2026 quarter and by 2.5% over the year. Growth was supported by business investment, including investment in data-centre infrastructure, but was constrained by subdued household spending and disruptions to mining production and exports from rising global conflict. The unemployment rate was 4.4% in June 2026, with employment conditions being consistently strong during the year.

Globally, central banks followed increasingly different paths. The U.S. Federal Reserve held its target range at 3.50% to 3.75% for the second half of the year as economic activity remained solid but inflation stayed above its objective. By contrast, the European Central Bank increased its key interest rates by 0.25% in June in response to higher energy-related inflation.

Australian Dollar and Currency Markets

The Australian dollar appreciated relative to the USD over the financial year, supported by higher domestic interest rates, commodity-price movements and changing expectations for monetary policy. The stronger Australian dollar reduced the returns Australian investors received from unhedged international assets when overseas returns were converted back into Australian dollars.

This currency effect was significant during the 2026 financial year. Currency positioning was therefore an important contributor to relative investment outcomes during the year.

Australian and Global Shares

Australian shares generated a positive but comparatively modest return, with the S&P/ASX 300 Total Return Index gaining approximately 6.2%. Performance varied considerably across companies and sectors. Resources benefited from stronger commodity prices, while parts of the healthcare and technology sectors experienced material declines.

Smaller Australian companies produced stronger results than many large companies, although performance was uneven. The MSCI Australian Shares Small Cap Index returned approximately 11.2% for the year to 30 June 2026.

International shares substantially outperformed the Australian share market. Global shares returned 15.0% unhedged and 22.7% hedged into Australian dollars. The U.S. S&P 500 gained approximately 20.8% in local-currency terms, supported by strong earnings growth and continued investor optimism regarding artificial intelligence and technology investment.

Performance across Asia was particularly diverse. Japan delivered a very strong return, while technology-related markets including Korea and Taiwan benefited from expectations of continued demand for semiconductors and artificial-intelligence infrastructure. Emerging-market shares returned approximately 35.8% in Australian dollars. China was a notable exception, with its share market declining as weak property conditions and cautious consumer spending continued to weigh on confidence.

Gold and Commodities

Gold recorded another strong financial year, returning approximately 15.9% in Australian dollars for the year to 30 June 2026. Demand was supported by geopolitical uncertainty, central-bank purchasing, concerns regarding government debt and periods of heightened financial-market volatility.

Commodity markets experienced significant volatility. Energy prices rose sharply during periods of increased Middle East tension, contributing to higher inflation expectations. Gold and selected industrial commodities also benefited from structural demand associated with electrification, defence expenditure and the construction of data centres and artificial-intelligence infrastructure.

Fixed interest and Cash

Fixed-interest markets generated positive but relatively subdued returns. The Bloomberg AusBond Composite 0+ Year Index returned approximately 1.5%, while the Bloomberg Global Aggregate Bond Index hedged into Australian dollars returned approximately 2.9%. Higher inflation and the increase in Australian interest rates placed downward pressure on government-bond prices, particularly for longer-duration securities.

Cash remained competitive, with the Bloomberg AusBond Bank Bill Index returning 3.9%. Australian floating-rate securities also continued to provide steady income, with senior Australian corporate floating-rate securities returning 4.9% as measured by the Bloomberg AusBond Credit FRN Index reflecting a strong baseline yield and price appreciation through spreads tightening during the year.

Credit markets remained broadly resilient despite slower economic growth and geopolitical uncertainty. Global high-yield bonds returned approximately 5.8% on a hedged basis. Elevated starting yields supported returns, although narrow credit spreads and the potential for weaker corporate conditions reinforced the importance of security selection and diversification.

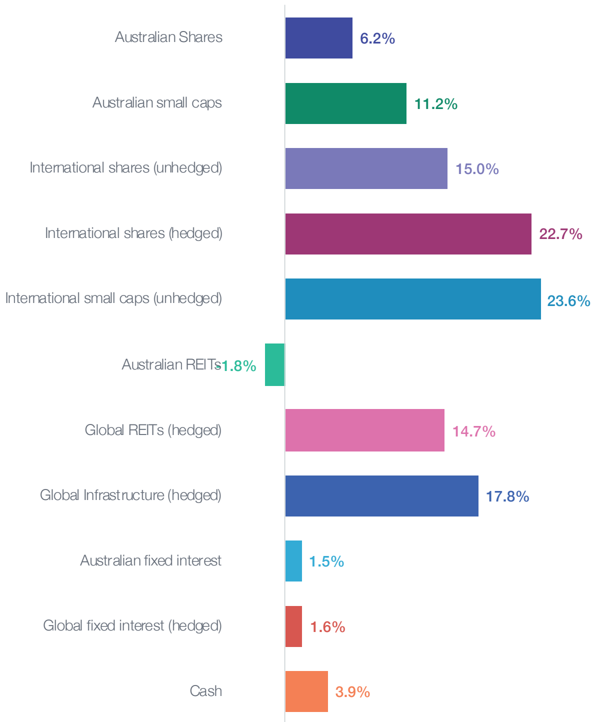
Property and Infrastructure

Listed property and infrastructure generated strong returns. Global listed property securities returned approximately 14.3% on a hedged basis over the financial year, while global listed infrastructure returned 16.6%. Infrastructure assets benefited from investment in electricity networks, data centres, utilities and energy security, while selected property sectors were supported by resilient rental income and improving financing conditions earlier in the year.

Performance remained uneven across property sectors. Data centres, logistics and selected residential assets were generally supported by structural demand, while highly leveraged assets and parts of the office market remained exposed to higher borrowing costs and changing occupancy patterns.

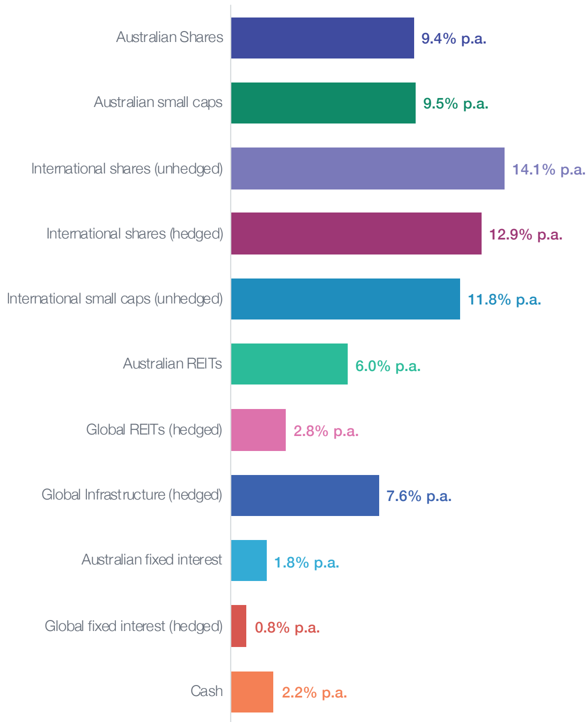
Asset class market returns

The following graph indicates the asset class returns for the 2026 financial year.



Asset class market returns over 10-year period

The following graph indicates the asset class returns for the 10-years to 30 June 2026.



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

The 2026 financial year was characterised by strong global share-market returns, more moderate Australian equity performance and renewed inflationary pressure. Global shares, emerging markets, listed infrastructure and property generated strong returns, while cash and floating-rate investments continued to provide attractive income. Traditional fixed-interest assets produced more subdued outcomes as bond yields increased.

The one-year investment option performance demonstrates that the LifeBooster structure continued to deliver positive investment outcomes. At the 2.5% LifeBooster rate, 21 of the 29 investment options delivered positive returns after discounting the LifeBooster rate, with particularly strong outcomes from international equities. Even at the higher 5% LifeBooster rate, which provides a higher starting income, 14 options remained positive, including a broad range of diversified portfolios.

These outcomes provide a positive foundation for growing lifetime income within the product. Strong returns from growth-oriented and diversified options increased value after allowing for the discount of the LifeBooster rates, creating a lift in future income increases.

Importantly, this was not limited to concentrated equity strategies: for 5% LifeBooster rate, the Vanguard Balanced Portfolio returned 1.58%, while the Vanguard Growth Portfolio, Dimensional World 50/50 Portfolio, Schroder Real Return Fund, Generation Life Lifestyle Portfolio and MCP Wholesale Investments Trust returned between 2.17% and 5.53%. The results demonstrate how appropriately diversified portfolios can support both the consistency of income and the potential for that income to grow over time, while also illustrating the importance of investment selection and managing the higher return hurdle associated with a larger LifeBooster rate.

The investment environment entering the 2027 financial year remains uncertain. Persistent inflation may keep interest rates higher for longer, while geopolitical risks, trade policy and energy prices are likely to contribute to periods of volatility. At the same time, continued investment in technology, energy infrastructure and data centres may provide opportunities across shares, credit, property and infrastructure.

For investors drawing income, maintaining an appropriate balance between income generation, capital stability, liquidity and long-term growth remains important. Diversification and regular portfolio review can assist investors in managing changing market and economic conditions.

Responsible investing

Generation Life offers a dedicated menu of 3 responsible-investment options managed by established Australian and international investment managers.

The available strategies incorporate environmental, social and governance considerations in different ways. Some focus on particular sustainability or impact themes, while others integrate ESG factors into broader equity, fixed-interest or diversified investment processes.

Generation Life expects responsible investment managers to pursue their stated financial objectives while demonstrating a clear and repeatable approach to incorporating relevant ESG risks and opportunities into investment decisions.

The Generation Life investment team monitors the responsible-investment menu using quantitative and qualitative assessments, including:

- independent responsible-investment and ESG research;
- the extent to which responsible-investment principles are embedded in the manager's investment process;
- the manager's team, governance, research capability and track record;
- portfolio holdings and alignment with the option's stated investment approach;
- proxy-voting, engagement and stewardship activity; and
- performance against the option's stated financial and responsible-investment objectives.

During the 2026 financial year, Generation Life continued to strengthen its responsible-investment governance and reporting framework, including the assessment of manager stewardship and proxy-voting practices and preparations for broader sustainability and emissions-reporting requirements.

Responsible investing remains an evolving area, and Generation Life is committed to providing diverse and high-quality investment options.

Investment strategies

LifeIncome provides access to **29 investment options** managed by a range of Australian and international investment managers.

Investors have the flexibility to switch investment options at almost anytime.[1] Investors should speak with their financial adviser before making changes to their portfolio allocation.

Investment option changes

The latest investment options can be found in the Product Disclosure Statement available on our website at genlife.com.au.

On 14 May 2026, the following investment options changes were made:

- The Magellan Infrastructure Fund Unitised No 20 management and investment strategy transferred to ATLAS Infrastructure (Australia) Pty Ltd (a global listed infrastructure specialist) and was renamed the ATLAS Infrastructure Global Fund (Hedged) Unitised Fund No. 20.
- The Stewart Investors Worldwide All Cap Unitised Fund No. 24 management and investment strategy was transferred to Mirova US LLC and was renamed the Mirova Global Sustainable Equity Fund Unitised Fund No. 24.

Investment option performance

The following table shows the performance of the LifeIncome investment options over the longer term and for the financial year ended 30 June 2026.

Returns are shown as at 30 June 2026, after applicable investment fees, taxes and the discounting effect of the chosen LifeBooster rate. Actual investor returns will be influenced by the timing of investments, income payments, fees, taxes, switches and withdrawals.

Where the current investment manager was appointed after an option's inception, longer-term performance may include periods before that manager's appointment.

1. Generally, switches will be processed once we receive the documentation required for the switch request. For LifeIncome, switches cannot be made between midday on the third last (Melbourne) business day of the financial year and the end of the financial year.

Investment option	Fund Code	Description	Inception date	Performance as at 30 June 2026: 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		0.83%	2.31%	0.71%	3.48%	4.81%	4.19%
		2.5% LifeBooster	Jun 2023	0.51%	1.38%	-1.13%	-0.28%	0.98%	-
		5% LifeBooster	Dec 2022	0.30%	0.77%	-2.30%	-2.63%	-	-1.97%
iShares Wholesale Australian Equity Index Fund	2	Gross return		0.66%	4.28%	2.16%	6.17%	8.64%	10.57%
		2.5% LifeBooster	Mar 2022	0.34%	3.32%	0.30%	2.33%	4.74%	-
		5% LifeBooster	Jun 2022	0.12%	2.71%	-0.91%	-0.12%	-	4.08%
iShares Wholesale International Equity Index Fund	3	Gross return		3.19%	12.67%	5.65%	14.99%	16.10%	18.15%
		2.5% LifeBooster	Mar 2022	2.86%	11.66%	3.73%	10.91%	11.99%	-
		5% LifeBooster	Jun 2022	2.65%	10.99%	2.42%	8.19%	-	11.26%
iShares Hedged International Equity Index Fund	4	Gross return		0.21%	14.13%	10.20%	22.56%	12.70%	16.66%
		2.5% LifeBooster	Mar 2022	-0.10%	13.11%	8.23%	18.27%	8.68%	-
		5% LifeBooster	May 2022	-0.32%	12.43%	6.93%	15.45%	-	9.86%
iShares Wholesale Australian Listed Property Index Fund	5	Gross return		1.84%	13.71%	-4.96%	-1.51%	4.78%	11.75%
		2.5% LifeBooster	Mar 2022	1.52%	12.68%	-6.73%	-5.14%	0.97%	-
		5% LifeBooster	Oct 2022	1.31%	12.01%	-7.83%	-7.39%	-	5.20%
iShares Wholesale Australian Bond Index Fund	6	Gross return		0.99%	2.65%	2.33%	1.55%	1.98%	2.95%
		2.5% LifeBooster	Mar 2022	0.67%	1.71%	0.47%	-2.15%	-1.75%	-
		5% LifeBooster	Dec 2022	0.46%	1.10%	-0.72%	-4.48%	-	-3.16%
Vanguard Conservative Portfolio	7	Gross return		0.94%	3.93%	2.69%	5.79%	5.52%	5.25%
		2.5% LifeBooster	May 2022	0.61%	2.96%	0.81%	1.95%	1.68%	-
		5% LifeBooster	May 2022	0.40%	2.35%	-0.38%	-0.47%	-	-0.98%
Vanguard Balanced Portfolio	8	Gross return		1.20%	5.59%	3.55%	7.94%	9.42%	7.74%
		2.5% LifeBooster	Jun 2022	0.88%	4.62%	1.67%	4.05%	5.47%	-
		5% LifeBooster	May 2022	0.67%	3.99%	0.46%	1.58%	-	1.47%
Vanguard Growth Portfolio	9	Gross return		1.44%	7.09%	4.40%	10.21%	12.18%	8.71%
		2.5% LifeBooster	Jun 2022	1.12%	6.11%	2.51%	6.27%	8.15%	-
		5% LifeBooster	Mar 2022	0.91%	5.48%	1.30%	3.75%	-	2.31%
Dimensional World 50/50 Portfolio	10	Gross return		1.10%	5.94%	4.64%	10.60%	10.10%	10.45%
		2.5% LifeBooster	Oct 2022	0.78%	4.96%	2.73%	6.64%	6.15%	-
		5% LifeBooster	Oct 2022	0.57%	4.35%	1.52%	4.12%	-	3.97%
Dimensional World 70/30 Portfolio	11	Gross return		1.33%	7.73%	5.77%	13.53%	12.51%	8.54%
		2.5% LifeBooster	May 2023	1.00%	6.74%	3.84%	9.48%	8.49%	-
		5% LifeBooster	Mar 2022	0.79%	6.10%	2.61%	6.88%	-	2.15%
Schroder Real Return Fund	12	Gross return		0.27%	2.69%	3.75%	12.10%	10.11%	9.72%
		2.5% LifeBooster	May 2023	-0.05%	1.75%	1.86%	8.10%	6.16%	-
		5% LifeBooster	Sep 2022	-0.26%	1.14%	0.65%	5.53%	-	3.27%

Investment option	Fund Code	Description	Inception date	Performance as at 30 June 2026 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		1.72%	8.66%	5.17%	12.45%	13.24%	13.00%
		2.5% LifeBooster	Jun 2024	1.39%	7.67%	3.27%	8.45%	9.17%	-
		5% LifeBooster	Aug 2022	1.18%	7.02%	2.04%	5.87%	-	6.39%
Dimensional World 30/70 Portfolio	14	Gross return		0.88%	3.98%	3.92%	8.30%	7.60%	7.69%
		2.5% LifeBooster	Apr 2023	0.55%	3.02%	2.03%	4.41%	3.72%	-
		5% LifeBooster	Oct 2022	0.34%	2.40%	0.85%	1.98%	-	1.40%
Dimensional World Equity Portfolio	15	Gross return		1.60%	10.03%	7.51%	18.05%	14.73%	10.24%
		2.5% LifeBooster	Jul 2024	1.27%	9.03%	5.58%	13.88%	10.59%	-
		5% LifeBooster	Mar 2025	1.06%	8.37%	4.26%	11.12%	-	13.13%
AB Managed Volatility Equities Fund	16	Gross return		5.24%	8.29%	5.43%	5.43%	6.92%	9.29%
		2.5% LifeBooster	Apr 2023	4.89%	7.30%	3.52%	1.61%	3.05%	-
		5% LifeBooster	Oct 2022	4.67%	6.66%	2.29%	-0.79%	-	2.87%
Bennelong Concentrated Australian Equities Fund	17	Gross return		-0.35%	5.48%	-7.12%	-19.41%	-11.00%	-5.07%
		2.5% LifeBooster	Jul 2024	-0.68%	4.50%	-8.86%	-22.54%	-14.35%	-
		5% LifeBooster	Mar 2022	-0.89%	3.87%	-9.95%	-24.39%	-	-10.77%
Hyperion Global Growth Companies Fund	18	Gross return		0.27%	17.92%	-0.82%	-2.54%	17.29%	14.96%
		2.5% LifeBooster	Jun 2024	-0.05%	16.87%	-2.64%	-6.13%	13.14%	-
		5% LifeBooster	Mar 2022	-0.27%	16.16%	-3.79%	-8.36%	-	8.25%
Barrow Hanley Global Share Fund	19	Gross return		3.38%	8.16%	6.96%	13.53%	13.71%	14.05%
		2.5% LifeBooster	Jul 2024	3.05%	7.16%	5.02%	9.48%	9.67%	-
		5% LifeBooster	Nov 2023	2.84%	6.53%	3.79%	6.89%	-	7.38%
ATLAS Infrastructure Global Fund (Hedged)	20	Gross return		1.14%	4.90%	11.40%	16.30%	14.27%	7.55%
		2.5% LifeBooster	Mar 2022	0.81%	3.93%	9.40%	12.18%	10.21%	-
		5% LifeBooster	May 2022	0.60%	3.32%	8.11%	9.52%	-	1.22%
Ardea Real Outcome Fund	21	Gross return		0.48%	1.79%	1.02%	4.22%	3.08%	3.30%
		2.5% LifeBooster	Jul 2022	0.14%	0.85%	-0.84%	0.43%	-0.67%	-
		5% LifeBooster	Sep 2022	-0.06%	0.25%	-2.01%	-1.95%	-	-2.82%
Pendal Sustainable Balanced Fund	22	Gross return		1.33%	6.95%	2.75%	6.16%	7.92%	7.99%
		2.5% LifeBooster	Jul 2022	1.01%	5.97%	0.88%	2.33%	4.03%	-
		5% LifeBooster	Nov 2022	0.80%	5.33%	-0.31%	-0.10%	-	1.63%
Dimensional Global Bond Sustainability Trust	23	Gross return		0.70%	2.22%	1.83%	3.45%	3.96%	3.69%
		2.5% LifeBooster	Jul 2024	0.38%	1.27%	-0.03%	-0.31%	0.13%	-
		5% LifeBooster	Dec 2022	0.16%	0.67%	-1.22%	-2.67%	-	-2.44%
Mirova Global Sustainable Equity Fund	24	Gross return		4.79%	13.03%	5.57%	3.45%	8.22%	8.27%
		2.5% LifeBooster	Jul 2022	4.46%	12.01%	3.65%	-0.30%	4.33%	-
		5% LifeBooster	Jan 2023	4.24%	11.34%	2.42%	-2.67%	-	1.87%

Investment option	Fund Code	Description	Inception date	Performance as at 30 June 2026 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		7.67%	7.76%	5.85%	3.61%	8.20%	10.71%
		2.5% LifeBooster	Jul 2024	7.34%	6.78%	3.92%	-0.16%	4.29%	-
		5% LifeBooster	Oct 2023	7.11%	6.13%	2.70%	-2.52%	-	4.21%
Generation Life Cash & Deposits Portfolio	26	Gross return		0.39%	1.11%	2.13%	4.23%	4.60%	4.64%
		2.5% LifeBooster	Dec 2023	0.07%	0.18%	0.27%	0.44%	0.81%	-
		5% LifeBooster	Jul 2023	-0.15%	-0.43%	-0.92%	-1.94%	-	-1.55%
Generation Life Lifestyle Portfolio	27	Gross return		1.91%	10.14%	4.63%	11.69%	10.10%	10.10%
		2.5% LifeBooster	Jul 2023	1.59%	9.13%	2.73%	7.70%	6.16%	-
		5% LifeBooster	Jul 2023	1.37%	8.47%	1.50%	5.15%	-	3.64%
Generation Life Protect Portfolio	28	Gross return		0.96%	5.03%	2.30%	6.04%	5.91%	5.91%
		2.5% LifeBooster	Jul 2023	0.63%	4.08%	0.43%	2.21%	2.08%	-
		5% LifeBooster	Jul 2023	0.42%	3.44%	-0.76%	-0.22%	-	-0.34%
MCP Wholesale Investments Trust	30	Gross return		0.73%	2.24%	4.28%	8.55%	8.56%	8.69%
		2.5% LifeBooster	Jul 2024	0.40%	1.30%	2.38%	4.65%	4.66%	-
		5% LifeBooster	Sep 2023	0.19%	0.69%	1.17%	2.17%	-	2.30%

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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