generation life

Tax Optimised

Tax Optimised investment series

Generation Life Investment Bonds

Market commentary



John Laver
Head of Investments at Generation Life

Global markets delivered modestly positive returns during the September 2026 quarter, although conditions became more challenging as the period progressed. Resilient corporate earnings, continued investment in artificial intelligence and digital infrastructure, and generally positive economic growth supported equity markets. However, persistent inflation, rising energy prices, higher government bond yields and renewed geopolitical tensions reduced investor appetite for interest-rate-sensitive assets.

Global equity markets remained positive, with the MSCI World Index returning 1.5% in Australian dollar terms over the quarter. Australian equities also advanced modestly, with the S&P/ASX 300 Accumulation Index returning 1.3%. Fixed interest markets declined as investors reassessed the outlook for inflation and interest rates, with the Bloomberg AusBond Composite Index returning -1.5% over the quarter. Higher bond yields weighed on capital values, although they improved prospective income returns for fixed interest investors.

Domestically, economic conditions remained mixed. Inflation continued to exceed the Reserve Bank of Australia's ('RBA') target range, with annual headline inflation reaching 4.0% in August and trimmed mean inflation remaining at 3.6%. The RBA increased the cash rate by a further 0.25% to 4.6% in September, reflecting continued concern about inflation, higher energy prices and domestic capacity pressures.

Against this backdrop, the Tax Optimised investment options continued to demonstrate strong relative outcomes. Across the 23 reported options, the average pre fees and tax return for the 12 months to 30 September 2026 was 2.24%. The average Tax Optimised return before fees and costs was 1.36%, compared with -1.88% for an equivalent investment held directly by an investor on a 47% marginal tax rate, including Medicare levy. This represents an average after-tax benefit before fees and costs of 3.24% for the 12 month period.

Returns varied significantly across asset classes and managers. Diversified Tax Optimised strategies produced an average pre-fees and costs return of 4.33% for the 12-month period, while the two reported fixed interest strategies averaged -1.23%. Equity outcomes were more dispersed, with positive results from global equities and equity income strategies offset by weaker returns from several concentrated active equity strategies.

The benefits of tax optimisation were particularly evident across a number of stronger-performing strategies. The Generation Life Tax Effective Global Share Fund returned 13.02% before fees over the 12-month period, compared with 5.02% for an investor on a 47% marginal tax rate investing in the equivalent strategy directly. The Dimensional World Equity Portfolio returned 8.46% over the 12-month period, compared with 5.31% for a direct individual investor, while the Martin Currie Equity Income Fund returned 7.01%, compared with 2.48% for the individual direct investor.

The Tax Optimised structure also provided meaningful relative benefits in strategies that experienced negative returns over the 12-month period. For example, the Bennelong Concentrated Australian Equities Portfolio returned -12.71% before fees and costs, compared with -20.57% for an equivalent investor on a 47% marginal tax rate invested in the same strategy directly. The DNR Capital Australian Emerging Companies Portfolio returned -11.85%, compared with -19.34%, while the Hyperion Global Growth Companies Portfolio returned -5.12%, compared with -11.46% for the direct investor.

Overall, these results reinforce the value of managing investment returns on an after-tax basis. In rising markets, there is scope to manage the timing and taxation of realised gains, and higher interest rates make managing taxable income more important. Over the past five years to 30 September 2026, the Tax Optimised investment options outperformed a 30% tax rate company investor, investing in the same strategies by an average of 0.91% p.a.

Market commentary

Looking ahead, markets are likely to remain sensitive to inflation, monetary policy, government borrowing, economic growth, geopolitical developments and corporate earnings. Significant investment in artificial intelligence infrastructure remains supportive of economic activity and selected equity markets, although investors are increasingly focused on whether this expenditure will translate into sustainable earnings growth. 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.

The above general market performance information is 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.



John Laver
Head of Investments, Generation Life

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Performance as at 30 September 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	2.70%	1.65%	0.43%	0.72%	1.07%	1.15%
2 years p.a.	6.53%	6.36%	4.06%	4.48%	4.58%	5.86%
3 years p.a.	11.34%	10.58%	7.99%	8.61%	8.32%	10.08%
5 years p.a.	7.69%	7.45%	5.23%	5.78%	5.93%	6.95%
7 years p.a.	7.74%	7.40%	5.31%	5.83%	5.94%	6.90%

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	9.87%	13.02%	5.02%	5.80%	6.66%	12.52%

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	5.67%	3.86%	0.45%	1.24%	2.12%	3.26%
2 years p.a.	7.88%	6.18%	4.09%	4.70%	4.86%	5.58%

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	8.96%	5.55%	4.72%	5.40%	6.17%	5.15%

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	7.73%	5.32%	3.78%	4.35%	4.99%	4.92%
2 years p.a.	11.34%	8.64%	7.69%	8.25%	7.70%	8.24%
3 years p.a.	14.53%	11.27%	10.40%	11.06%	10.18%	10.87%
4 years p.a.	14.60%	11.39%	10.59%	11.22%	10.36%	10.99%
5 years p.a.	8.84%	6.90%	5.88%	6.29%	5.93%	6.50%

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	5.70%	3.84%	2.60%	2.99%	3.43%	3.44%
2 years p.a.	9.00%	6.71%	5.79%	6.26%	5.99%	6.31%
3 years p.a.	12.02%	9.13%	8.42%	8.99%	8.37%	8.73%
4 years p.a.	11.88%	9.05%	8.46%	9.00%	8.38%	8.65%
5 years p.a.	6.65%	5.00%	4.29%	4.62%	4.44%	4.60%

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	3.77%	2.18%	1.21%	1.58%	2.28%	1.78%
2 years p.a.	6.70%	4.70%	4.27%	4.67%	4.78%	4.30%
3 years p.a.	9.54%	7.01%	6.73%	7.22%	6.81%	6.61%
4 years p.a.	9.18%	6.81%	6.64%	7.10%	6.69%	6.41%
5 years p.a.	4.48%	3.23%	2.88%	3.15%	3.14%	2.83%

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	2.29%	1.24%	-0.09%	0.33%	0.80%	0.84%
2 years p.a.	4.62%	3.19%	2.74%	3.05%	3.34%	2.79%
3 years p.a.	7.08%	5.10%	4.88%	5.26%	5.16%	4.70%
4 years p.a.	6.63%	4.78%	4.67%	5.02%	4.84%	4.38%
5 years p.a.	2.74%	1.76%	1.59%	1.78%	1.91%	1.36%

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	10.64%	8.46%	5.31%	6.11%	7.01%	8.06%
2 years p.a.	13.43%	10.84%	9.57%	10.17%	9.32%	10.44%
3 years p.a.	15.98%	12.67%	11.82%	12.49%	11.42%	12.27%
4 years p.a.	16.06%	12.63%	12.05%	12.70%	11.68%	12.23%

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	6.90%	5.49%	3.41%	3.92%	4.50%	5.09%
2 years p.a.	9.50%	7.59%	6.60%	7.04%	6.51%	7.19%
3 years p.a.	12.23%	9.72%	8.97%	9.51%	8.70%	9.32%
4 years p.a.	12.17%	9.61%	9.06%	9.57%	8.79%	9.21%

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	5.43%	4.00%	2.67%	3.07%	3.53%	3.60%
2 years p.a.	7.60%	5.76%	5.18%	5.56%	5.23%	5.36%
3 years p.a.	9.75%	7.36%	7.06%	7.51%	6.93%	6.96%
4 years p.a.	9.68%	7.27%	7.14%	7.57%	6.99%	6.87%

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	4.84%	3.33%	2.35%	2.70%	3.10%	2.93%
2 years p.a.	6.15%	4.37%	3.92%	4.27%	4.18%	3.97%
3 years p.a.	7.50%	5.33%	5.12%	5.50%	5.23%	4.93%

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	-1.37%	-1.44%	-3.53%	-3.19%	-2.81%	-2.04%
2 years p.a.	1.23%	0.67%	-0.81%	-0.49%	-0.12%	0.07%

Macquarie Dynamic Bond Fund - UF54

	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	-0.83%	-1.01%	-3.27%	-2.98%	-2.66%	-1.61%

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	2.65%	2.30%	-5.03%	-4.06%	-2.96%	1.70%
2 years p.a.	5.92%	4.82%	0.47%	1.37%	2.38%	4.22%
3 years p.a.	8.06%	6.51%	3.31%	4.11%	4.91%	5.91%

ClearBridge Equity Income Portfolio - 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	8.78%	7.01%	2.48%	3.33%	4.29%	6.41%
2 years p.a.	9.81%	7.71%	4.66%	5.68%	6.82%	7.11%
3 years p.a.	12.05%	9.55%	7.29%	8.10%	8.82%	8.95%
4 years p.a.	11.49%	9.27%	7.19%	8.19%	8.80%	8.67%
5 years p.a.	7.43%	6.08%	4.07%	4.77%	5.61%	5.48%

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	2.65%	1.50%	0.60%	0.81%	1.06%	0.90%
2 years p.a.	2.72%	1.93%	1.27%	1.54%	1.84%	1.33%
3 years p.a.	6.66%	5.04%	4.57%	4.99%	4.95%	4.44%
4 years p.a.	7.65%	5.54%	5.43%	5.90%	5.82%	4.94%
5 years p.a.	4.87%	3.59%	3.13%	3.52%	3.76%	2.99%

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	-18.40%	-12.71%	-20.57%	-20.38%	-20.16%	-13.31%

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	-11.84%	-11.85%	-19.34%	-17.92%	-16.32%	-12.45%
2 years p.a.	3.98%	2.05%	-0.54%	0.33%	1.31%	1.45%
3 years p.a.	12.74%	9.07%	8.33%	9.18%	9.44%	8.47%
4 years p.a.	10.00%	8.00%	6.07%	6.76%	7.04%	7.40%
5 years p.a.	0.35%	0.09%	-3.53%	-3.02%	-2.53%	-0.51%

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	-4.59%	-4.89%	-9.71%	-9.30%	-8.84%	-5.49%
2 years p.a.	4.32%	2.07%	-0.86%	-0.12%	-1.25%	1.47%
3 years p.a.	10.85%	7.35%	5.14%	6.00%	4.95%	6.75%
4 years p.a.	12.38%	9.08%	6.97%	7.78%	6.28%	8.48%
5 years p.a.	6.85%	4.94%	3.02%	3.54%	2.66%	4.34%

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	0.25%	-0.81%	-5.27%	-4.60%	-6.36%	-1.41%
2 years p.a.	5.68%	3.59%	0.51%	1.20%	-0.49%	2.99%

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	-5.01%	-5.12%	-11.46%	-10.66%	-9.76%	-5.72%

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	4.77%	0.33%	0.02%	1.11%	2.37%	-0.27%
2 years p.a.	7.93%	4.61%	4.41%	5.10%	5.93%	4.01%
3 years p.a.	11.82%	8.25%	7.81%	8.51%	8.68%	7.65%

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 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.

generation life

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 this report.
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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