

# Investment Report

30 June 2023



The Fund has delivered strong results – including top 5 performance from our Balanced Growth investment option – despite the year being dominated by conflict in Ukraine, record interest rate rises and climbing inflation. And while that’s good news for members, we need to be mindful of continuing uncertainty.

## Fund performance

It’s been a very positive year for the Fund and our members. The Equip Super Balanced Growth investment option was among the top 5 performing super investment options for the year ended 30 June 2023, according to leading ratings agency SuperRatings’ SR50 Balanced (60–76) Index, returning 10.06% for the period, while the Equip MySuper investment option returned 9.84%.

In addition, the Equip Super Balanced Growth and the Equip MySuper investment options were both in Chant West’s top 10 performing growth funds for the financial year\*.

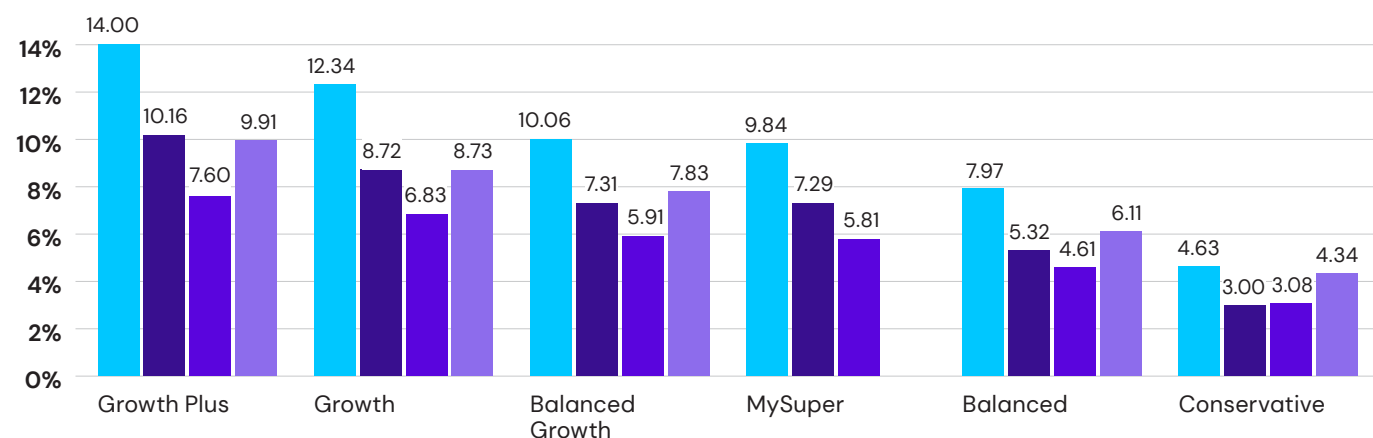
Importantly, that’s translating to solid, long-term results for members. The Balanced Growth investment option has returned an average of 7.83% a year for members for the last 10 years.

Each of our investment options delivered positive returns for the year to 30 June 2023, which is a great outcome for our members. All of this has been in a year dominated by headlines focused on interest rates, historically high levels of inflation, the ongoing war in Ukraine, and sharp rises in mortgage rates. So it’s pleasing to see that the Fund’s long-term, active investment strategy has navigated these conditions extremely well.

\* Chant West, Top 10 Performing Growth Funds (1 Year to June 2023)

## Diversified options 1,3,5 and 10-year returns (% p.a.) as at 30 June 2023

■ 1-year  
 ■ 3-year  
 ■ 5-year  
 ■ 10-year



## Market review

Global equities rebounded in the June quarter, as US economic data remained resilient despite major central banks continuing to tighten monetary policy in response to persistently high inflation. The MSCI World ex Australia (unhedged) Index delivered a gain of 7.6% for the quarter.

In the US, share markets were stronger, despite brewing concerns on the likelihood of recession. Resolution of the debt ceiling occurred relatively seamlessly, and this aided sentiment. The S&P 500 experienced an 8.7% quarterly surge, largely driven by a strong performance for the tech-heavy Nasdaq Composite Index. Inflation moderated, and the US Federal Reserve raised interest rates in May while also signalling further rises in the coming months.

In the UK, persistent inflation – still uncomfortably high at 8.7% in May – remained a key watchpoint for the Bank of England. In contrast, headline inflation in the Euro area continued to decline, falling to 5.5% in June 2023.

In Australia, share market returns were moderate, with the ASX 200 Accumulation Index returning 1%. In June, the Reserve Bank of Australia took further measures to address high levels of inflation by implementing a policy rate increase of 0.25%, bringing the cash rate to 4.1%. This is the highest level since 2012, having risen from 0.10% in April of 2022

## Looking ahead

Recently released economic data has shown that inflation, while still high, is cooling faster than some had expected, and that growth remains quite robust (at least in the US), despite interest rates continuing to rise. This has increased overall confidence levels of a possible “soft landing” for

economies – that is – the prospect that central banks will be able to raise interest rates by just enough to slow inflation to desired levels, without resulting in the collateral damage of widespread job losses.

But while share markets have welcomed this renewed optimism, we remain cautious on the market outlook for several reasons. Firstly, there remains a long way to go to ensure inflation returns to the pre-defined target levels of central banks. Secondly, we know from history that changes to interest rates take a while to filter through the economy, and so we’re unlikely to have felt the full impact of the rate increases just yet (and there are still one or two rate hikes to come).

Plus, with global share markets up more than 20% since October 2022, they may already be factoring in that “soft-landing” outcome we mentioned earlier. Not only does that mean there may not be any more to gain should that soft-landing scenario play out, it potentially leaves market indexes vulnerable to any negative surprises.

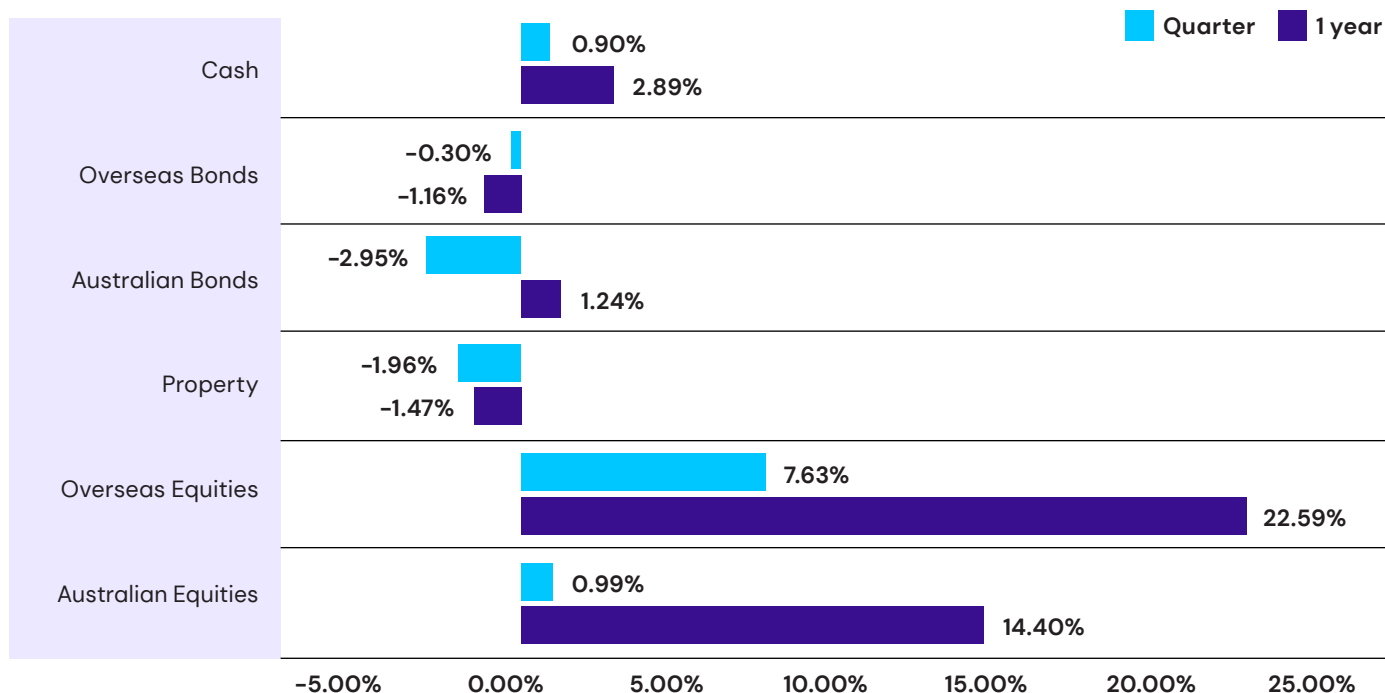
Further, if central banks are inclined to leave interest rates higher and for longer, it won’t necessarily be an environment that’s positive for shares and other risky investments.

We also remain mindful of the mixed track record of central banks over the past several years and the impact of an increasingly complex and interlinked global economy.

With so much still to play out in this cycle, we remain focused on ensuring sufficient diversification in the Fund’s investment portfolio so that we can continue to deliver robust returns in a wide range of scenarios. We’re also ensuring we have ample liquidity in the Fund to be able to adapt our investment strategy as circumstances continue to evolve.

## Index returns at 30 June 2023

The numbers shown below are the index returns of some of the major asset classes we invest in. These are not the returns we provide to our members with our investment options; rather, an index is a measure of the value of a section of a market and can be used to benchmark the performance of investors.



The asset class returns are represented by the following benchmarks: Australian equity: S&P ASX 300; Overseas equities: MSCI World ex-Australia Index (net divs), unhedged; Property: 80% Mercer Australian Unlisted Property Index and 20% FTSE EPRA/NAREIT Global Listed Index, hedged into AUD; Australian bonds: Bloomberg AusBond Composite Bond Index; Overseas bonds: Barclays Capital Global Aggregate (hedged, in AUD); Cash: Bloomberg AusBond 3-month Bank Bill Index.

## Top 10 holdings at 30 June 2023

Australian Shares	
BHP Group Limited	National Australia Bank Limited
CSL Limited	QBE Insurance Group Limited
Commonwealth Bank of Australia	Santos Limited
Woodside Energy Group Ltd	Newcrest Mining Limited
ANZ Group Holdings Limited	Woolworths Group Ltd

Overseas Shares	
Microsoft	Taiwan Semiconductor Manufacturing Co
Apple	Tesla
Alphabet	HDFC Bank
Amazon	Mastercard
Nvidia	Linde

## Investment performance as at 30 June 2023

### Accumulation and transition to retirement pension returns (%)<sup>^</sup>

Diversified options	QTR	FYTD	1 YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
<b>Growth Plus</b>	3.85	14.00	14.00	10.16	7.60	9.91
<b>Growth</b>	3.28	12.34	12.34	8.72	6.83	8.73
<b>Balanced Growth</b>	2.58	10.06	10.06	7.31	5.91	7.83
<b>MySuper<sup>#</sup></b>	2.53	9.84	9.84	7.29	5.81	-
<b>Balanced</b>	1.87	7.97	7.97	5.32	4.61	6.11
<b>Conservative</b>	0.76	4.63	4.63	3.00	3.08	4.34
Sector Specific options						
<b>Australian Shares</b>	2.28	14.24	14.24	11.11	6.76	8.48
<b>Overseas Shares</b>	6.45	18.00	18.00	9.62	8.60	11.31
<b>Fixed Interest</b>	-1.27	0.21	0.21	-0.91	0.83	2.33
<b>Sustainable Responsible Investment</b>	3.88	16.28	16.28	13.21	8.05	8.89
<b>Cash</b>	0.77	2.67	2.67	0.96	1.13	1.52

### Pension returns (%)<sup>\*</sup>

Diversified options	QTR	FYTD	1 YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
<b>Growth Plus</b>	4.14	15.59	15.59	11.13	8.20	10.74
<b>Growth</b>	3.52	13.67	13.67	9.61	7.45	9.43
<b>Balanced Growth</b>	2.83	11.20	11.20	8.11	6.28	8.30
<b>Balanced</b>	2.04	8.95	8.95	5.83	4.96	6.63
<b>Conservative</b>	0.87	5.29	5.29	3.41	3.41	4.67
Sector Specific options						
<b>Australian Shares</b>	2.09	15.89	15.89	12.59	7.40	9.15
<b>Overseas Shares</b>	7.06	19.63	19.63	10.46	9.36	12.41
<b>Fixed Interest</b>	-1.55	0.20	0.20	-1.08	0.93	2.56
<b>Sustainable Responsible Investment</b>	3.98	18.28	18.28	15.02	8.72	9.82
<b>Cash</b>	0.88	3.12	3.12	1.13	1.32	1.78

Pension returns are generally higher than those for superannuation, as no tax is paid on earnings. The Sustainable Responsible Investment (SRI) option was invested 100% in Australian equities. This option was closed on 30 June 2023 and replaced by the Future Focus option, a diversified option. For more information on the investment objectives and strategies for our investment options, please refer to the Equip website or an Equip PDS. \* For periods greater than 1 year, returns are compound annualised returns. Returns are net of tax and investment fees. # Equip MySuper was introduced on 1 August 2013. ^Past performance is not a reliable indicator of future performance.



### We're here to help

If you'd like further information about how your investments have performed, or if you've got any queries about your Equip Super account, you can contact us online at any time, or give our team a call on **1800 682 626**, Monday to Friday 8:00am to 8:00pm AET.

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Past performance is not an indication of future performance.