

Investment Report

Equip Super Retirement Income
30 June 2024



Global equity markets were strong over the June quarter. Inflation remained above target levels despite some declines, and markets are starting to scale back their expectations of interest rate cuts from central banks. The Fund continues to provide strong long-term returns for members.

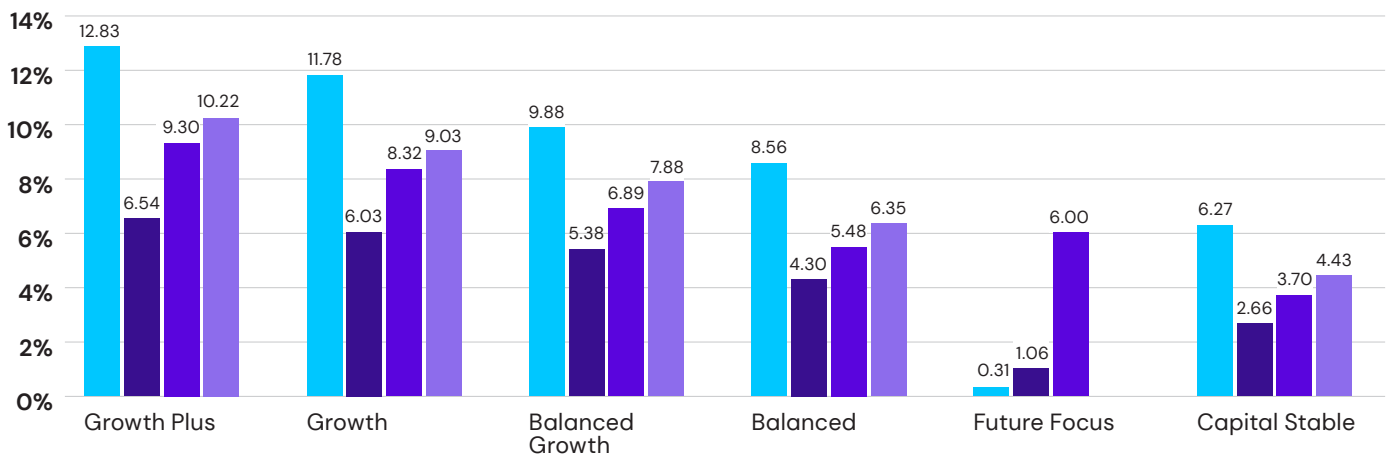
Fund performance

The Equip Super Balanced Growth (retirement income) investment option returned 0.22% for the three months to 30 June 2024.

Equip Super is delivering strong returns for our retired members over the long term. The Balanced Growth (retirement income) investment option returned an average of 7.88% a year for members for the last 10 years.

Diversified retirement income options 1,3,5 and 10-year returns (% p.a.) as at 30 June 2024

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



Market review

Global equity markets saw gains in the June quarter. The MSCI World Index ex-Australia (hedged into AUD) returned 3.1% for the quarter. US equities experienced gains, with the S&P 500 returning 4.2%, driven by the Information Technology and Communication Services sectors. Enthusiasm around artificial intelligence (AI) continued to boost the performance of companies associated with this area. Conversely, the Materials and Industrials sectors underperformed.

Inflation, while declining, remained above central bank targets and continues to be a key watchpoint, particularly in the services sector. Consequently, market expectations for rate cuts by several major central banks have been scaled back.

The US labour market remains robust, as indicated by significant jobs growth in May. However, signs are beginning to emerge that the employment situation may now be turning. Eurozone equities declined by -1.3% in the June quarter, influenced by uncertainty from the announcement of parliamentary elections in France and diminishing expectations for interest rate cuts. The European Central Bank cut interest rates by 0.25% in early June, but further cuts may be limited by persistent inflation.

Chinese equities achieved strong gains, as low valuations attracted Asia-focused investors back to the market. These strong returns came despite weak consumer sentiment, lacklustre economic activity, and a property market that's experiencing a prolonged downturn.

The MSCI Emerging Markets Index (unhedged into AUD) returned 2.6% over the quarter. The S&P/ASX 300 Index returned -1.2% for the quarter. Utilities (+13.3%) and Financials (+4.0%) were the best-performing sectors, while the Energy sector was the weakest, returning -6.7%.

The Reserve Bank of Australia maintained the cash rate at 4.35% but adopted a more hawkish stance. We're expecting to see reduced pressure on the energy component of inflation in the coming months, with the impact of government subsidies on energy costs to start in July. Tax cuts starting in the new financial year may add to demand pressures in the economy.

Looking ahead

Global shares, led by US markets, continue to rise. Since the lows of October last year, the S&P 500 Index is up a staggering 33%. Even more impressive is that these returns have been delivered during a period where expectations for interest rate cuts have been wound back materially.

The share market's fascination with AI continues. The 'Magnificent 7' (high-performing tech stocks Microsoft, Apple, Tesla, Amazon, Meta, Alphabet and Nvidia) continue to be the key beneficiaries of this, delivering the bulk of the index returns. Market expectations for earnings growth for these companies seem very optimistic and there's little room for disappointment.

Another key factor has been the underlying resilience of the US economy which has meant earnings, and valuation multiples, have remained elevated.

Inflation, while still too high, continues to moderate. The monthly June reading was negative for the first time since the pandemic. Services prices appear to be easing, along with wages. Deflation is evident in some other areas of the economy. It seems that the US Federal Reserve is gaining the confidence it needs that inflation is returning to targeted levels. The likelihood is that the first interest rate cut will occur soon. Although exactly how much relief will be delivered remains an open question.

The US economy, however, is showing some signs of weakness. Manufacturing data, a key barometer of economic activity, is sluggish. The labor market, which has remained very strong for some time now, appears to be at a turning point. The Federal Reserve, keen to retain the employment gains made since the pandemic, will be watching developments here closely.

Coming into view is the upcoming US presidential election in November 2024. If betting markets are correct, then it seems a Trump victory is likely. We should expect the race to tighten as the date draws closer, but if Trump is elected, his agenda of continued fiscal largess, lower taxes, higher tariffs and deregulation would likely be inflationary and may complicate an already difficult job for the US Federal Reserve.

All of these factors lead us to believe that while 2023-24 has certainly been a great year for investors, it's not a time to be complacent, and our focus remains on ensuring that we have an investment strategy in place that's able to navigate through all market environments.



Investment performance as at 30 June 2024

Accumulation and transition to retirement pension returns (%)[^]

Diversified options	QTR	FYTD	1 YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
Growth Plus	0.31	12.12	12.12	6.17	8.70	9.43
Growth	0.36	11.06	11.06	5.65	7.75	8.35
Balanced Growth	0.37	9.23	9.23	5.00	6.53	7.43
MySuper [#]	0.37	9.25	9.25	4.93	6.45	7.18
Balanced	0.47	7.98	7.98	4.09	5.14	5.85
Future Focus	-0.98	0.90	0.90	1.56	5.67	-
Capital Stable	0.44	5.71	5.71	2.42	3.34	4.08
Index Diversified	0.27	11.42	11.42	-	-	-
Sector Specific options						
Australian Shares	-0.56	10.62	10.62	7.02	7.72	7.97
Overseas Shares	0.49	17.40	17.40	5.39	10.63	11.16
Diversified Fixed Interest	-0.37	2.35	2.35	-0.73	0.48	1.97
Cash	0.94	3.92	3.92	2.23	1.53	1.68

Pension returns (%)[^]

Diversified options	QTR	FYTD	1 YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
Growth Plus	0.09	12.83	12.83	6.54	9.30	10.22
Growth	0.18	11.78	11.78	6.03	8.32	9.03
Balanced Growth	0.22	9.88	9.88	5.38	6.89	7.88
Balanced	0.37	8.56	8.56	4.30	5.48	6.35
Future Focus	-1.35	0.31	0.31	1.06	6.00	-
Capital Stable	0.40	6.27	6.27	2.66	3.70	4.43
Index Diversified	0.34	13.13	13.13	-	-	-
Sector Specific options						
Australian Shares	-1.00	11.57	11.57	7.68	8.52	8.63
Overseas Shares	0.28	18.23	18.23	5.69	11.36	12.19
Diversified Fixed Interest	-0.48	3.18	3.18	-0.73	0.66	2.19
Cash	1.09	4.61	4.61	2.61	1.79	1.96

Pension returns are generally higher than those for superannuation, as no tax is paid on earnings. For more information on the investment objectives and strategies for our investment options, please refer to the Equip website or an Equip PDS.

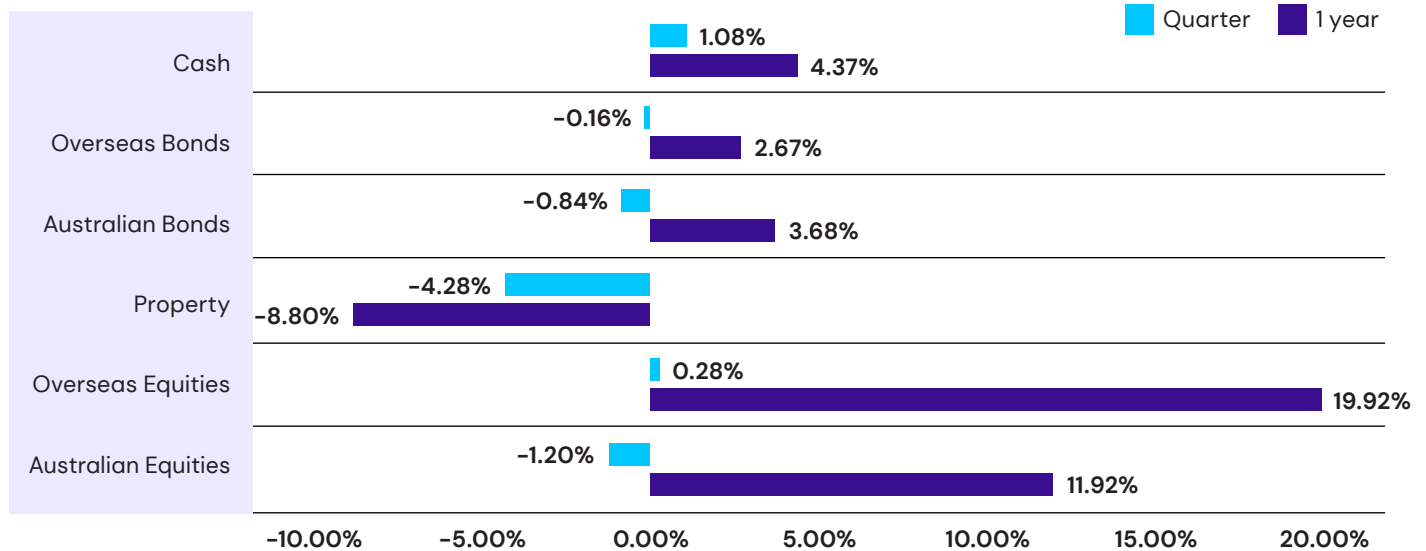
* For periods greater than 1 year, returns are compound annualised returns. Returns are net of tax and investment fees.

[#]MySuper was introduced on 1 August 2013.

[^]Past performance is not a reliable indicator of future performance.

Index returns at 30 June 2024

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: 90% Mercer Australian Unlisted Property Index and 10% FTSE EPRA/NAREIT Global Listed Index, hedged into AUD; Australian bonds: Bloomberg AusBond Composite Bond 0+ Yr Index; Overseas bonds: Barclays Capital Global Aggregate (hedged, in AUD); Cash: Bloomberg AusBond Bank Bill Index.

Top 10 holdings at 30 June 2024

Australian Shares

BHP Group
 CSL
 Commonwealth Bank of Australia
 National Australia Bank
 ANZ Group Holdings
 Newmont Corp
 QBE Insurance Group
 Macquarie Group
 Westpac Banking
 Santos

Overseas Shares

Microsoft
 Nvidia
 Alphabet
 Amazon
 Apple
 Meta Platforms
 United Health Group
 Samsung Electronics
 HDFC Bank
 Taiwan Semiconductor Manufacturing Company



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.