

# Investment Report

Equip Super Retirement Income  
31 December 2023



Global equity markets rebounded strongly over the December quarter, buoyed by hopes of potential for interest rate cuts in the coming year, as well as robust economic activity. It was a welcome turnaround after the broadly negative market returns of the previous quarter. All of the Fund's investment options posted positive returns.

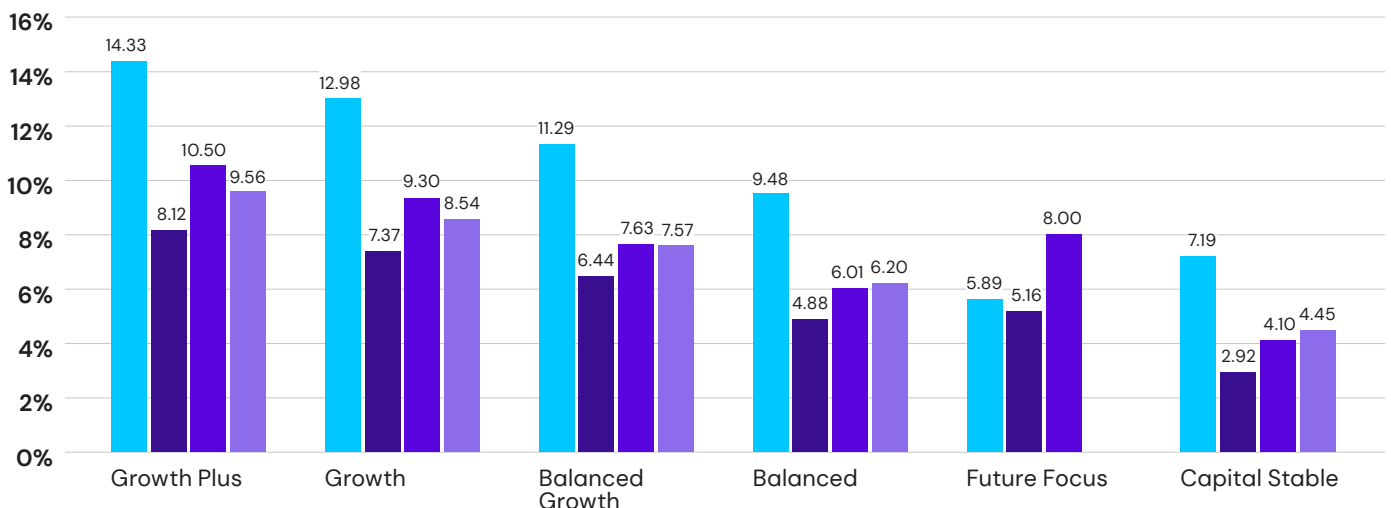
## Fund performance

The Equip Super Balanced Growth (retirement income) investment option returned 4.59% for the three months to 31 December 2023. All Equip Super investment options posted positive returns for the quarter.

Equip Super also continues to deliver strong returns for retirement income members over the long term. The Balanced Growth (retirement income) investment option, for example, returned an average of 7.57% a year for members for the last 10 years.

## Diversified retirement income options 1,3,5 and 10-year returns (% p.a.) as at 31 December 2023

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



## Market review

Global equity markets experienced a strong resurgence over the course of the December quarter 2023, largely fuelled by hopes that there might be potential for central banks to cut interest rates over the course of 2024. As a result, fears that interest rates would instead remain 'higher for longer' were alleviated, which further contributed to the strong performance, as did robust economic activity over the period.

The MSCI World Index ex-Australia (hedged into Australian dollars), achieved a solid return of 5.3% for the quarter, and an overall return of 22.3% for the year ended 31 December 2023. Within the Developed Markets Index, almost all countries recorded positive quarterly performance.

The US stock market performed exceptionally well, with the S&P 500 achieving an 11.6% total return for the quarter. Sectors that are sensitive to interest rate changes, such as information technology, real estate, and consumer discretionary, were key contributors. In contrast, the energy sector lagged, affected by declining oil prices.

In Australia, the S&P/ASX 300 Index rose by 8.4% for the quarter. Real estate was the top-performing sector with a 16.6% return. Energy and utilities were the only sectors with negative returns for the quarter, at -9.0% and -2.1%, respectively. The November monthly inflation report saw inflation decrease to 4.3% for the previous 12 months, while the labour market remained tight with unemployment rising to 3.7%. The Reserve Bank of Australia raised the cash rate to 4.35% in November due to persistently high inflation.

The shift in expectations toward lower interest rates in 2024 led to a material fall in bond yields. Specifically, the yield on the US 10-year Government bond dropped from 4.57% to 3.88%, and the yield on the Australian 10-year Government bond similarly decreased, moving from 4.49% to 3.96%.

## Looking ahead

When the US Federal Reserve changed its stance on interest rates in December, markets were ignited by the prospect that the sharpest rate hiking cycle in decades may be over and the next move for interest rates will likely be down. And while inflation currently remains high, policy makers in the US appear to be confident that price pressures will continue to fall, as they've already signalled three rate cuts for 2024 and more in 2025.

The broader US economy, although showing signs of slowing, has remained resilient with unemployment staying close to all-time lows. It appears that the Federal Reserve has managed to pull off the near impossible; a "soft landing" for the economy.

For investment markets in general, however, the outlook is still mixed. On the downside, geopolitical events remain; the war in Ukraine, now two years in, shows no sign of resolution, and conflict in the Middle East continues. On a more positive note, the recent easing in US/China tensions is being welcomed. Interestingly, in 2024, more than half the world's population, across 40 countries, will go to the polls for national elections – the largest election year in history. The US presidential election in November 2024 is the standout, with market attention heightening as the date draws closer.

Despite the risks, share markets have run very hard recently and are now close to breaching all-time highs. With rate cuts now well telegraphed and solid earnings growth expected this year, it appears that a lot of the associated optimism may already be accounted for. And while we can hope the year ahead plays out as expected, there may also be ample room for disappointment should 2024 deliver any unwelcome surprises.



## Investment performance as at 31 December 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.
Growth Plus	4.94	4.32	13.03	7.47	9.67	8.81
Growth	4.68	4.13	11.79	6.70	8.50	7.91
Balanced Growth	4.14	3.67	10.19	5.85	7.14	7.17
MySuper <sup>#</sup>	4.15	3.68	10.08	5.82	7.04	6.92
Balanced	3.59	3.39	8.46	4.43	5.55	5.72
Future Focus	4.46	0.16	6.62	5.32	7.47	-
Capital Stable	3.11	2.91	6.25	2.60	3.71	4.13
<b>Sector Specific options</b>						
Australian Shares	5.83	5.32	10.37	9.10	9.66	7.64
Overseas Shares	5.59	4.62	19.83	5.55	10.89	10.00
Diversified Fixed Interest	3.91	2.75	4.68	-0.82	1.21	2.48
Cash	0.95	1.99	3.53	1.60	1.34	1.60

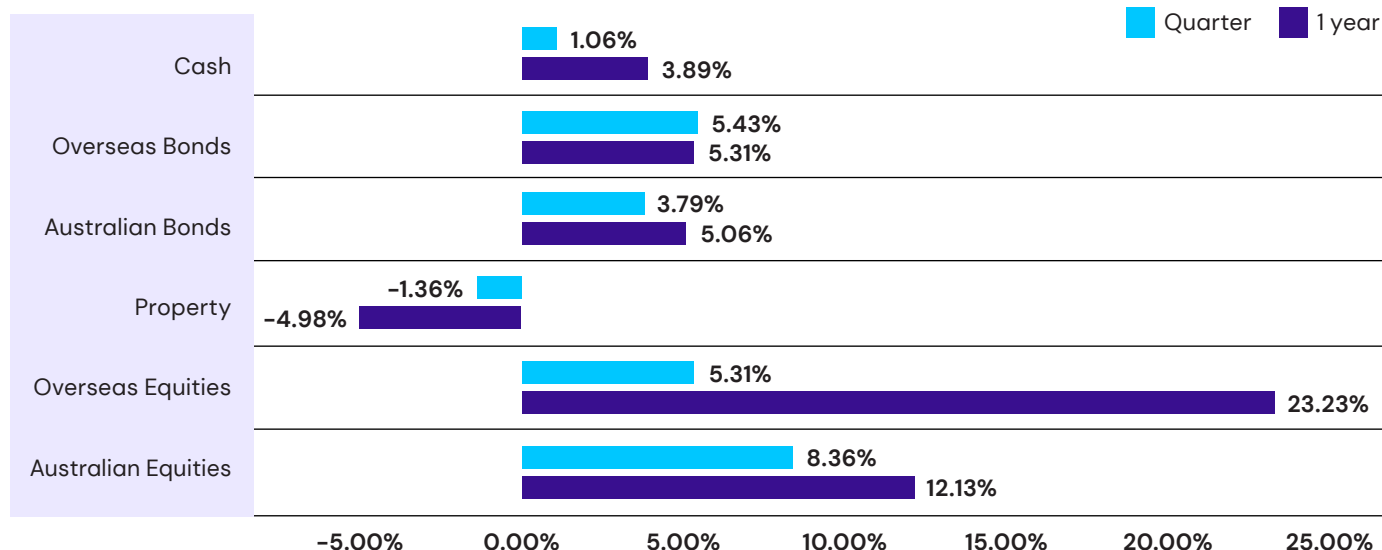
### Pension returns (%)<sup>^</sup>

Diversified options	QTR	FYTD	1 YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
Growth Plus	5.45	4.74	14.33	8.12	10.50	9.56
Growth	5.22	4.58	12.98	7.37	9.30	8.54
Balanced Growth	4.59	4.06	11.29	6.44	7.63	7.57
Balanced	4.04	3.81	9.48	4.88	6.01	6.20
Future Focus	4.23	-0.57	5.89	5.16	8.00	-
Capital Stable	3.58	3.35	7.19	2.92	4.10	4.45
<b>Sector Specific options</b>						
Australian Shares	6.96	6.34	11.54	10.42	10.83	8.30
Overseas Shares	5.95	4.90	21.50	6.04	11.79	10.96
Diversified Fixed Interest	4.74	3.43	5.59	-0.91	1.37	2.76
Cash	1.11	2.33	4.12	1.87	1.57	1.87

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 31 December 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: 90% Mercer Australian Unlisted Property Index and 10% 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 Bank Bill Index.

## Top 10 holdings at 31 December 2023

### Australian Shares

BHP Group

CSL

Commonwealth Bank of Australia

National Australia Bank

ANZ Group Holdings

QBE Insurance Group

Woodside Energy Group

Santos

Westpac Banking Corp

Wesfarmers

### Overseas Shares

Microsoft

Apple

Alphabet

Amazon

Nvidia

Taiwan Semiconductor

Fleetcor Technologies

Mastercard

Unitedhealth Group

Meta Platforms



## 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.