

# Investment Report

Retirement Income  
30 September 2023



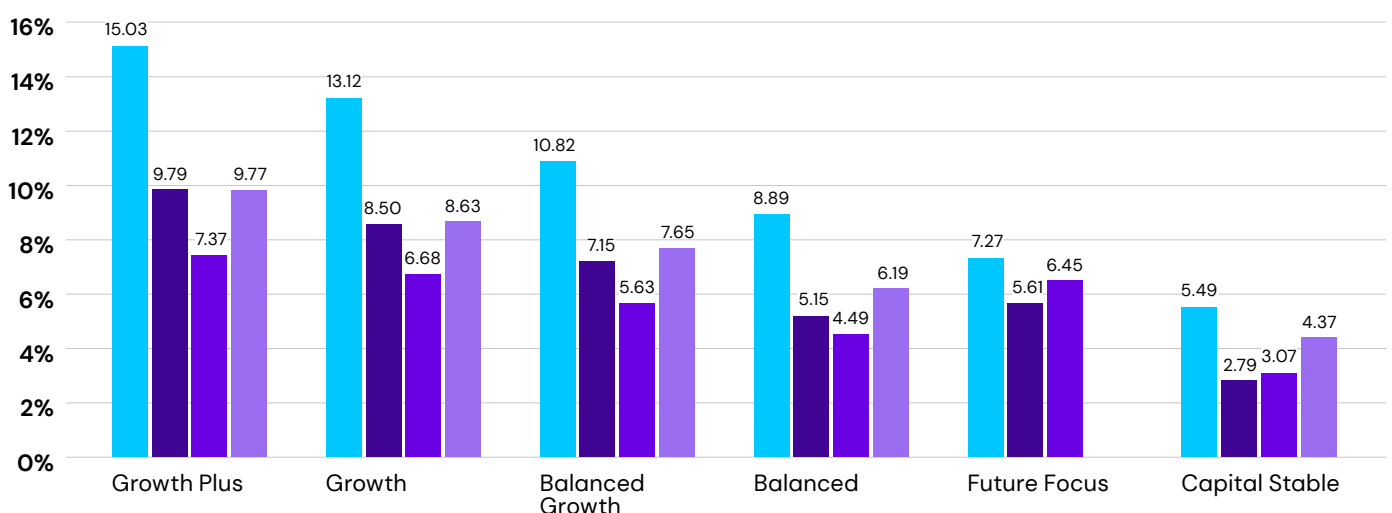
Despite strong performance in equities over the past financial year, investment markets took a downward turn in the September quarter. It's a reminder of the challenges that remain, and also of the importance of our overarching investment strategy when it comes to delivering positive, long-term, real returns for Equip Super members.

## Fund performance

In light of difficult market conditions, the September quarter provided a shaky start to the new financial year. The Equip Super Balanced Growth (retirement income) investment option returned -0.51% for the three months to 30 September 2023. Importantly, the Fund continues to deliver strong returns for our Retirement Income members over the long term. The Balanced Growth (retirement income) investment option has returned an average of 7.65% 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 September 2023

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



## Market review

In the September quarter, global share markets experienced a downturn having produced strong performance in the first half of 2023. The weakness was primarily caused by ongoing concerns around inflationary pressures and recessionary risks stemming from tightening monetary policy. Of particular note, bond yields rose meaningfully during the quarter – for example the US 10-year Treasury yield rose from 3.8% to 4.6%. This is a reflection of resilience in the economy to date and serves as a sign that inflation, while declining, remains too high.

In July, both the US Federal Reserve and the European Central Bank (ECB) raised their cash rates by 0.25%. The ECB followed with another increase in September, and although September's inflation data showed a downward trend, major central banks have indicated that more rate hikes might be necessary to contain inflation.

In the US, equity markets were weaker, with the S&P500 declining by -3.3%. By contrast, the US economy has proven to be more resilient than anticipated. Chinese equities experienced a downturn largely attributable to troubles in the property sector, and the MSCI China Index fell -1.9% over the quarter. The Australian share market dropped -0.8% as concerns in China weighed. The Reserve Bank of Australia opted to maintain a pause on rate hikes during the quarter, and given the cautious environment, the Australian dollar fell -3% against the US dollar.

## Looking ahead

The recent sharp increases in global bond yields are partly due to confirmation from the US Federal Reserve that interest rates would need to remain "higher for longer". Of course, there are other factors at play, for example: stubborn inflation, ballooning deficits and elevated bond issuance in the US, and rising bond yields in Japan.

But the strength of overall economic activity, at least in the US, is impressive. The labor market remains close to full employment which means consumers are still confident to spend. We know that interest rate rises take some time to work themselves through the economy, and so much of that negative impact has still not filtered through. Another reason for the evident strength in the economy may be that we're still working through the fiscal handouts provided during the pandemic. So just how much longer this benign environment will last is a key question financial markets are beginning to ponder.

Some potential warning signs are already evident in the US. The labour market may have peaked, and manufacturing activity has been slowing. The environment in Europe is already weak, with Germany entering a technical recession. Structural problems in the Chinese property sector have been exposed. And problems within US regional banks were also evident earlier this year. These are not isolated incidents. They all share a common factor – the impact of rising interest rates.

On balance, we believe rising interest rates will, over time, lead to a better supply/demand dynamic in the economy and markets. Importantly, after a decade of falling interest rates and unconventional policies, traditional defensive investments, such as government bonds and cash, now provide the most attractive prospective returns we've seen in a very long time, alongside great diversification benefits and liquidity.

To that end we've maintained our strong focus on diversification, as this is one of the key foundation beliefs of our investment strategy in delivering positive, long-term, real returns to our members.



## Investment performance as at 30 September 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	-0.59	-0.59	13.51	8.96	6.84	9.03
Growth	-0.53	-0.53	11.85	7.71	6.15	8.01
Balanced Growth	-0.45	-0.45	9.73	6.47	5.33	7.25
MySuper <sup>#</sup>	-0.45	-0.45	9.55	6.45	5.24	6.99
Balanced	-0.19	-0.19	7.94	4.67	4.20	5.71
Future Focus	-4.11	-4.11	7.06	5.48	5.94	-
Capital Stable	-0.19	-0.19	4.80	2.46	2.80	4.07
<b>Sector Specific options</b>						
Australian Shares	-0.48	-0.48	12.87	10.90	6.28	7.41
Overseas Shares	-0.92	-0.92	18.58	7.19	7.46	10.51
Diversified Fixed Interest	-1.11	-1.11	0.58	-1.73	0.54	2.14
Cash	1.03	1.03	3.29	1.29	1.24	1.56

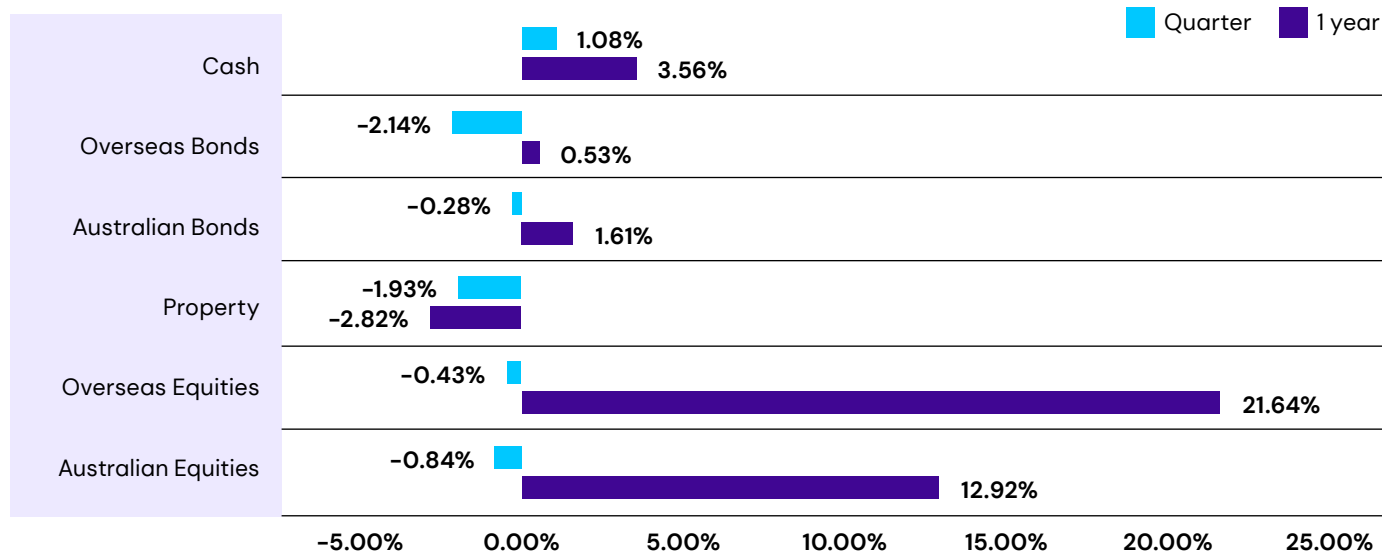
### Pension returns (%)<sup>^</sup>

Diversified options	QTR	FYTD	1 YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
Growth Plus	-0.68	-0.68	15.03	9.79	7.37	9.77
Growth	-0.61	-0.61	13.12	8.50	6.68	8.63
Balanced Growth	-0.51	-0.51	10.82	7.15	5.63	7.65
Balanced	-0.22	-0.22	8.89	5.15	4.49	6.19
Future Focus	-4.61	-4.61	7.27	5.61	6.45	-
Capital Stable	-0.22	-0.22	5.49	2.79	3.07	4.37
<b>Sector Specific options</b>						
Australian Shares	-0.58	-0.58	14.26	12.35	6.87	7.97
Overseas Shares	-0.99	-0.99	20.35	7.83	8.11	11.52
Diversified Fixed Interest	-1.26	-1.26	0.66	-2.02	0.56	2.35
Cash	1.20	1.20	3.84	1.51	1.45	1.83

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 September 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: **Cash**, Bloomberg AusBond Bank Bill Index; **Overseas Bonds**, Barclays Capital Global Agg. Hedged (AUD); **Australian Bonds**, Bloomberg AusBond Composite O+ Yr Index; **Property**, 90% Mercer Australian Unlisted Property Index and 10% FTSE EPRA / NAREIT Global Listed Index hedged into AUD; **Overseas Equities**, MSCI World ex Australia Index (Net Divs); **Australian Equities**, S&P ASX300 Accumulation Index.

## Top 10 holdings at 30 September 2023

### Australian Shares

BHP Group

CSL

Commonwealth Bank of Australia

Woodside Energy Group

ANZ Group Holdings

National Australia Bank

QBE Insurance Group

Santos

Newcrest Mining

Wesfarmers

### Overseas Shares

Microsoft

Apple

Alphabet

Amazon

Nvidia

Taiwan Semiconductor Manufacturing Co

Samsung Electronics

Tesla

Fleetcor Technologies

Mastercard



## 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.