

Investment report

31 December 2020

Equip sailed home to the end of 2020 on a positive note after weathering some of the most challenging conditions in its time

The Equip MySuper option returned 6.01% over the December quarter and over the last 5 years has returned an average of 7.66% p.a., ahead of the industry average return of 7.09% p.a.

Similarly, the Equip Balanced Growth option well outperformed at an average of 8.03% p.a. over 5 years against the industry average of 7.09% p.a.*

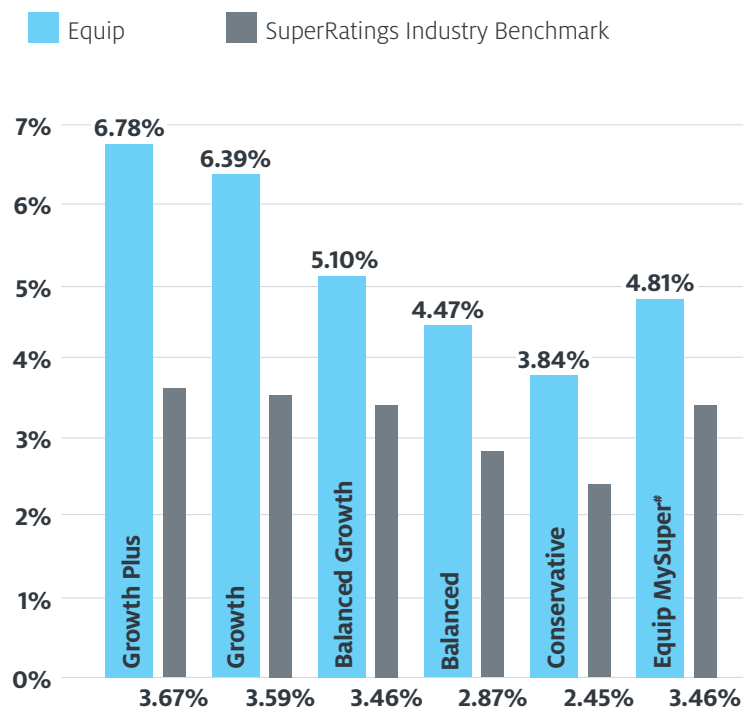
The December quarter saw very strong returns for global equity markets. The Australian sharemarket (ASX 300 index) was up 12% and the US (S&P500) around 10%. Other European and Asian markets were even stronger with returns of around 15% or more.

November saw the bulk of the gains as markets were buoyed by news regarding better than expected developments on the COVID-19 vaccine front, in both timing and efficacy. Actual COVID outcomes throughout the US and Europe remain terrible with rising infections, deaths and rolling lockdowns. However, the vaccine has enabled markets to look through current dire circumstances to the expectation of a recovery through 2021.

Whilst the political posturing continued in the US, we saw meaningful new Government (fiscal) stimulus measures. Although a little smaller than initially hoped for, the ability for both sides to reach agreement in this age of political polarization was welcomed by markets. Also, with vaccine distribution occurring earlier than expected the fiscal support programs do not need to be as big. The US Presidential election was won by the Democratic camp and the transition has been anything but smooth. But as the composition of the Congress now leans to the left, it may signify an ability for President Biden to push through further fiscal stimulus measures that markets will welcome and have become accustomed to, if not reliant on.

* Average industry returns are sourced from the SuperRatings All Funds Balanced (60-76) Crediting Rate Survey

Diversified options 1-year returns, as at 31 December 2020



Past performance is not a reliable indicator of future performance.

Outlook

In part, the strong rally in the December quarter was a result of the resolution of several shorter-term uncertainties. With seeming resolution on the vaccine, the US election outcome, and fiscal support programs, markets will now turn their attention to the next most urgent uncertainties.

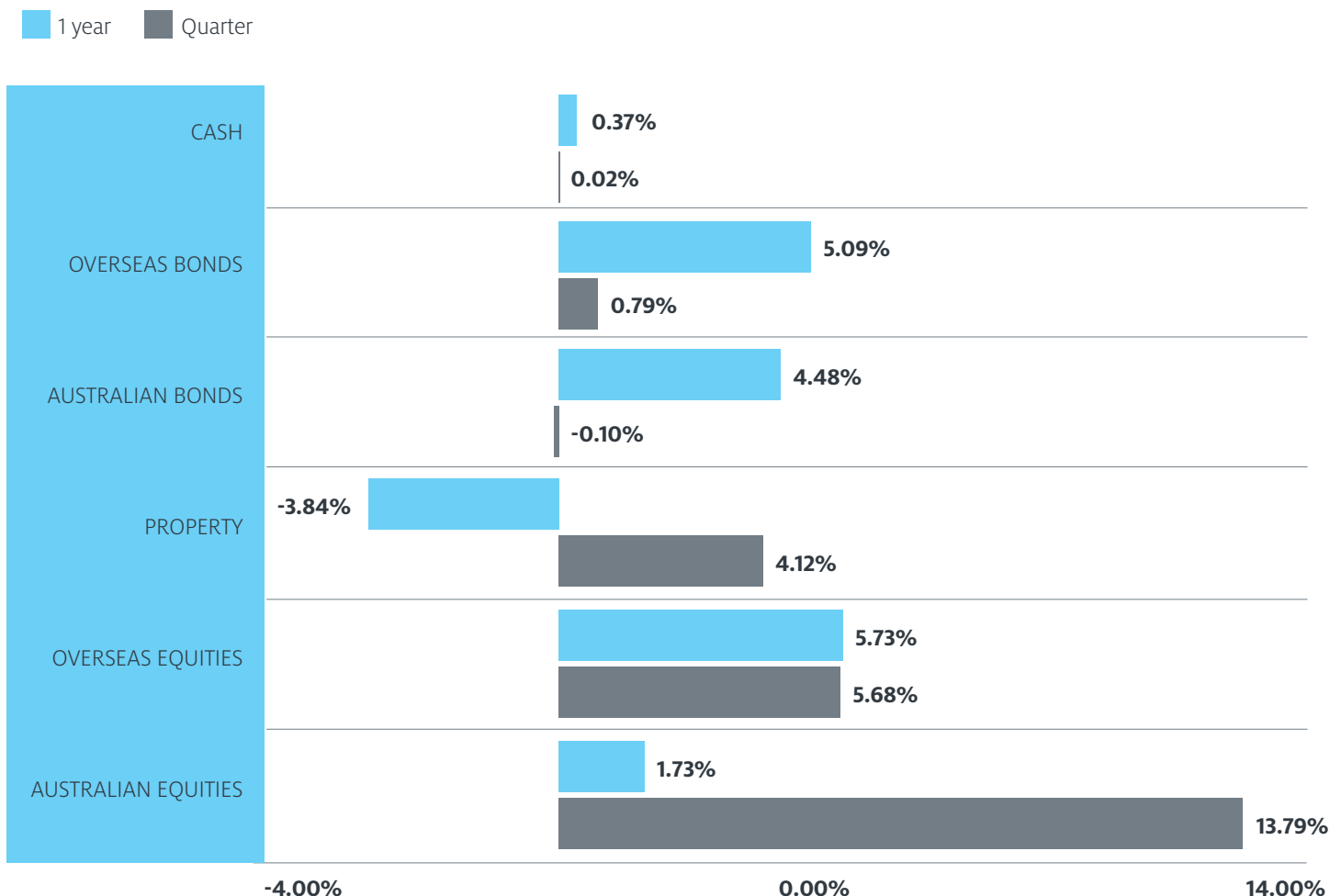
Continued provision of fiscal stimulus appears to be enough for markets to push higher for now. Low interest rates, low inflation and a new administration in the US probably indicate that fiscal support continues at least for a while. However, expensive valuations and a low growth environment are risks.

With vaccine distribution now underway, an economic recovery in 2021 appears likely and could be very strong considering the sharpness of the downturn experienced and support provided to navigate it. Bond yields have already risen a little as have inflation expectations. Whilst we should not expect central banks to raise interest rates any time soon, markets will be watching intently for any sign of a change in their posture.

Another key item to watch will be on the regulatory front and whether the new Biden administration proceeds with key legislative changes, for instance, anti-trust measures against some technology related companies and/or taxation changes. A reset of China relations will also be important. However, we should remain mindful that many financial markets have recovered to all time highs and have already likely discounted most of the positive turn of events. Any change to the narrative of an economic recovery this year may well have impacts for markets.

Index returns at 31 December 2020

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: Equisuper property benchmark (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 31 December 2020

Australian Shares

BHP Group Limited	ANZ Banking Group
Commonwealth Bank of Australia	Telstra Corporation
CSL Limited	National Australia Bank
Westpac Banking Corporation	Coles Group Limited
Woolworths Group Limited	Rio Tinto Limited

Overseas Shares

Amazon.com Inc	XPO Logistics
NetEase	Samsung Electronics
Alphabet	Tencent
Tesla Inc.	Apple
Alibaba	Taiwan Semiconductors

Investment performance as at 31 December 2020

Accumulation and transition to retirement pension returns (%)*

Diversified options	QUARTERLY	FYTD	1 YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
Growth Plus	9.36	12.32	6.78	8.66	10.23	10.18
SuperRatings benchmark	9.36	11.89	3.67	7.12	8.72	9.01
Growth	7.69	10.15	6.39	7.69	8.97	8.96
SuperRatings benchmark	8.15	10.35	3.59	6.65	7.72	8.12
Balanced Growth	5.99	8.03	5.10	6.64	8.03	8.40
SuperRatings benchmark	6.55	8.43	3.46	6.07	7.09	7.56
Balanced	4.31	6.05	4.47	5.37	6.29	6.86
SuperRatings benchmark	4.59	6.09	2.87	4.99	5.58	6.28
Conservative	2.71	4.13	3.84	4.03	4.65	5.55
SuperRatings benchmark	2.99	4.19	2.45	3.85	4.42	5.05
Equip MySuper #	6.01	8.06	4.81	6.43	7.66	
SuperRatings benchmark	6.55	8.43	3.46	6.07	7.09	
Sector Specific options						
Australian Shares	11.14	11.25	0.99	5.42	8.73	7.70
Overseas Shares	10.58	17.20	15.40	12.73	12.35	12.60
Fixed Interest	1.09	2.49	4.51	3.20	3.51	4.68
Property	2.08	2.88	-2.83	3.55	6.37	7.66
Sustainable Responsible Investments	13.16	11.84	-0.37	6.13	8.51	7.29
Cash	0.03	0.08	0.45	1.20	1.40	2.14

Pension returns (%)*

Diversified options	QUARTERLY	FYTD	1 YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
Growth Plus	10.42	13.74	7.06	9.48	11.17	10.95
SuperRatings benchmark	10.34	13.23	4.00	7.71	9.52	9.88
Growth	8.57	11.25	6.41	8.55	9.82	9.77
SuperRatings benchmark	8.86	11.38	4.09	7.33	8.68	9.14
Balanced Growth	6.71	9.02	4.62	7.14	8.42	8.91
SuperRatings benchmark	7.16	9.34	3.72	6.69	7.83	8.43
Balanced	4.85	6.65	4.40	5.97	6.86	7.53
SuperRatings benchmark	5.19	6.91	3.34	5.60	6.28	7.13
Conservative	3.17	4.82	4.29	4.65	5.01	6.05
SuperRatings benchmark	3.25	4.68	2.91	4.42	4.99	5.84
Sector Specific options						
Australian Shares	12.68	12.73	0.68	5.73	9.32	8.09
Overseas Shares	11.42	18.58	16.38	14.03	13.62	13.91
Fixed Interest	1.26	2.88	5.49	3.83	3.73	5.32
Property	2.31	3.17	-4.03	3.89	6.80	8.35
Sustainable Responsible Investments	15.33	13.70	-1.48	6.06	9.40	8.26
Cash	0.03	0.09	0.53	1.41	1.63	2.52

SuperRatings benchmark: SuperRatings Pty Ltd's survey for accumulation funds published on 20/01/2021, superratings.com.au.

The benchmarks we use for our Diversified investment options are: Growth Plus - SuperRatings High Growth SR All Funds Index; Growth - SuperRatings Growth SR All Funds Index; Balanced Growth and Equip MySuper - SuperRatings Balanced SR All Funds Index; Balanced - SuperRatings Conservative Balanced SR All Funds Index; Conservative - SuperRatings Capital Stable SR All Funds Index.

Pension returns are generally higher than those for superannuation, as no tax is paid on earnings.

The Sustainable Responsible Investment (SRI) option is invested 100% in Australian equities.

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 an indicator of future performance.

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