

Investment report

30 September 2021

Working for members for 90 years

Equip delivers positive returns while managing volatility

The September quarter saw positive results for all of Equip's diversified options. Performance was slightly under the median of peer funds due to our more conservative positioning during a very strong bull market. We believe this positioning remains appropriate given high valuations and uncertainty regarding inflation and the recovery post COVID-19 pandemic.

When comparing super performance, it's a good idea to consider returns over the long-term as markets can fluctuate in the short-term.

Equip's default MySuper option returned 1.46% for the quarter, 16.26% for the 12 months to 30 September 2021 and 8.34% p.a. for the 5-year period.

Members invested in our Balanced Growth option have also seen strong long-term returns with 8.74% p.a. and 9.67% p.a. over the 5 and 10 year periods respectively.

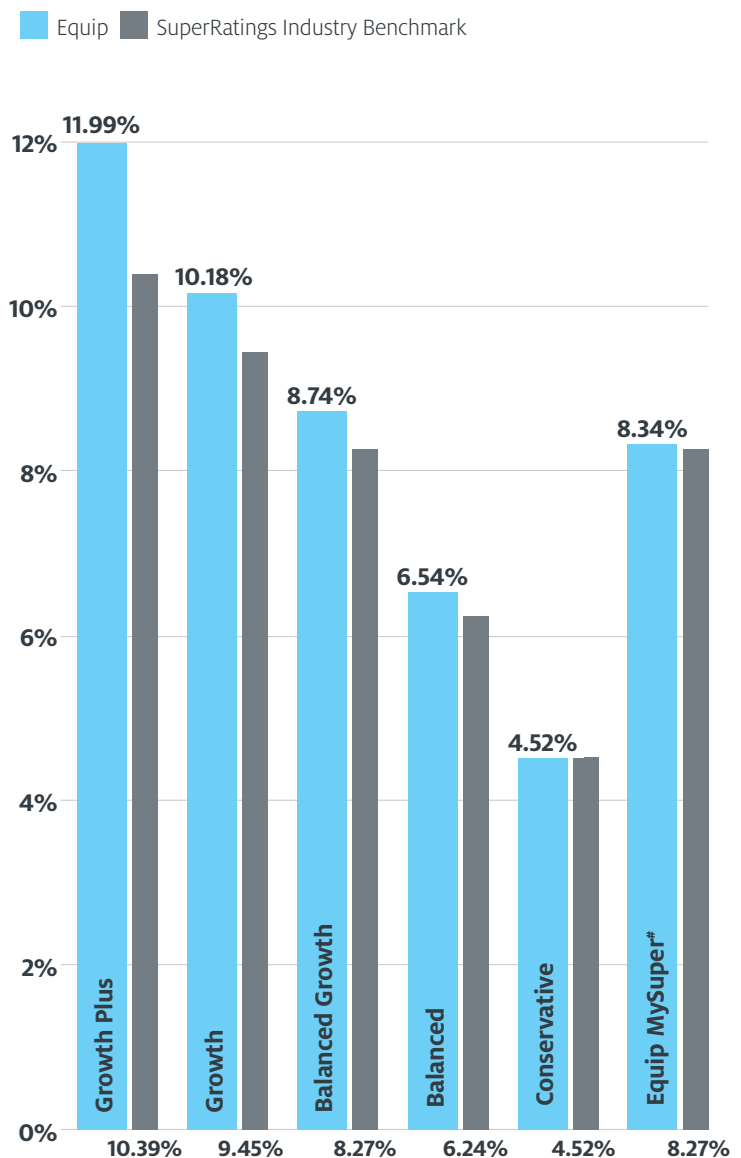
Market Review

The September quarter saw a bout of volatility return to global financial markets. The MSCI World ex-Australia index declined by 3% during September ending a run of seven consecutive months of gains but returned 4% for the quarter. The Australian dollar suffered a near 4% quarterly decline which was driven in part by a slowing of growth in China and property sector related issues. Notably, iron ore prices almost halved over the period.

The pick-up in economic activity over the last year or so has been extraordinary and driven by successive rounds of fiscal stimulus and very low interest rates. However, with much of that now having passed, at least for the time being, the impulse to growth has faded such that we may have already seen a peak in growth momentum.

Adding to the market's nervousness is that readings of inflation levels have been higher than expected which has seen bond yields rise. Expectations in the US with respect to interest rates have also shifted, with the first hike now expected around the end of 2022, a little earlier than previously. Driving inflation pressures, prices for a range of commodities have risen sharply including brent crude (up over 50% year to date), natural gas, and coal.

Diversified options 5-year returns (% p.a.) as at 30 September 2021



Outlook

With economic growth seeming to have peaked and inflation pressures rising, it's little surprise that equity markets have stumbled recently. Since the market low in late March 2020, global shares (as measured by the MSCI All Country World Index) are up a remarkable 90%. With the bulk of support programs now in the rear-view mirror we are unlikely to see returns of that magnitude again soon.

The market narrative has now shifted to the persistence, or not, of recent inflation pressures and what that means for the path of interest rates. The planned tapering of other support measures later this year also draws closer. Whilst policy remains supportive, liquidity conditions are changing, and that has implications for markets.

Events in China are also important. Growth there continues to slow, driven by a tightening of credit and rising COVID cases and lockdowns. Across other parts of the developing world interest rates are rising, reflecting actions to combat falling exchange rates and inflation pressures.

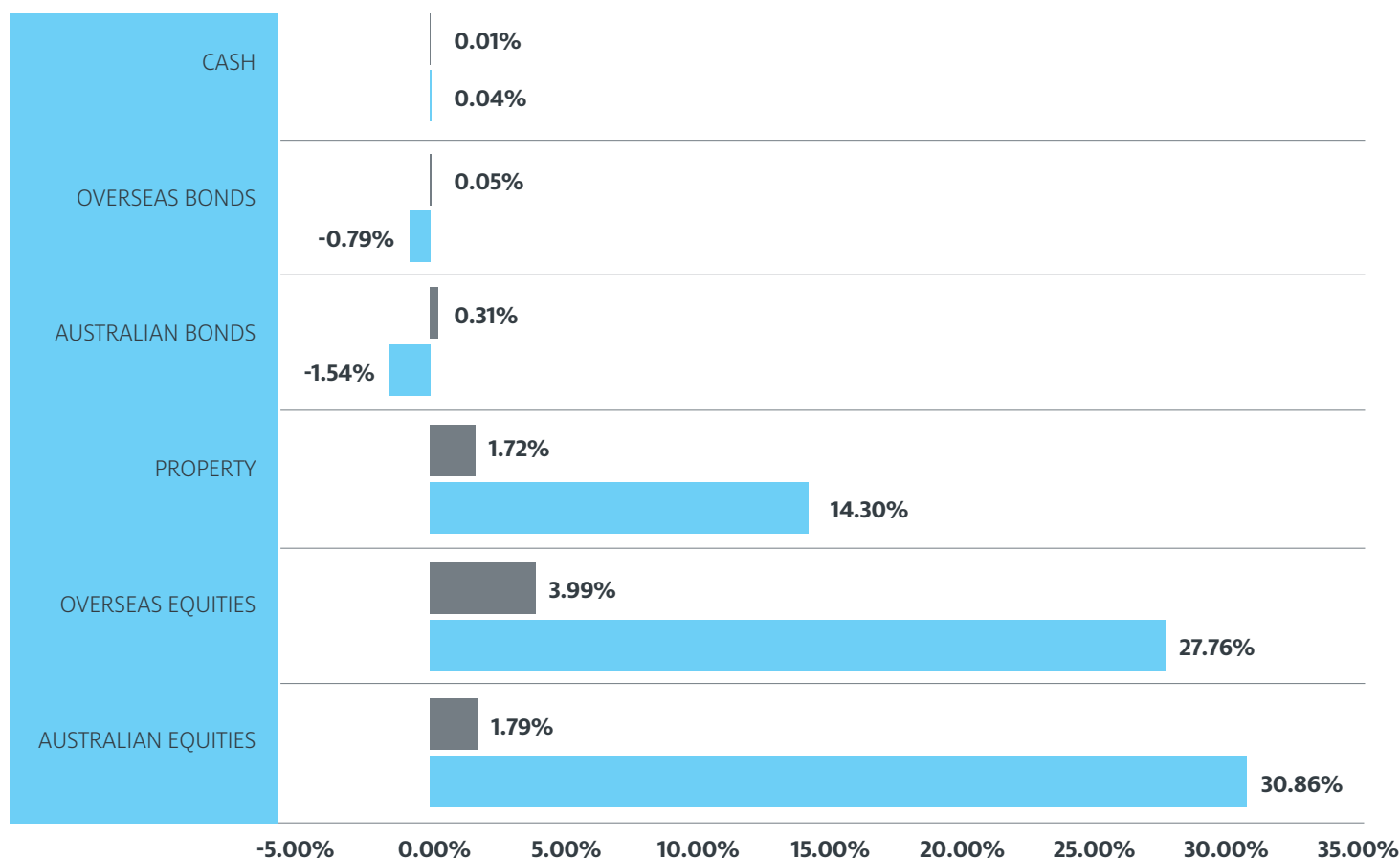
It appears that caution is warranted in the immediate path ahead. However, over a medium-term time frame there are several reasons to remain constructive. Whilst the withdrawal of policy support will detract from growth in 2022, consumers have accumulated ample excess savings recently which can offset the impact to growth. The employment market continues to heal, however, still has quite a way to go to reach pre-COVID levels. So, whilst inflationary pressures are rising it's likely that central banks will move slowly as to do otherwise would dent confidence and risk the employment recovery.

A gradual reopening of the global economy next year should ease supply bottlenecks, relieving some inflationary pressures too. Given interest rates remain low by historical standards governments likely won't hesitate to provide additional support should any unforeseen setbacks eventuate. However, with valuations across most asset classes expensive investors need to remain cognisant of the risk of disappointment or of nasty surprises.

Index returns at 30 September 2021

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.

■ Quarter ■ 1 year



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 30 September 2021

Australian Shares

BHP Group Limited	Macquarie Group Limited
CSL Limited	QBE Insurance Group Limited
Westpac Banking Corporation	Telstra Corporation Limited
National Australia Bank Limited	Woolworths Group Limited
Australia and New Zealand Banking Group Limited	Newcrest Mining Limited

Overseas Shares

Amazon.com, Inc.	Facebook Inc.
Alphabet Inc.	Alibaba Group Holding Ltd.
Taiwan Semiconductor Manufacturing Co., Ltd.	NetEase, Inc.
Apple Inc.	Samsung Electronics Co., Ltd.
Microsoft Corporation	UnitedHealth Group Inc.

Investment performance as at 30 September 2021

Accumulation and transition to retirement pension returns (%)*

Diversified options	QUARTERLY	1 YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
Growth Plus	1.80	24.10	10.12	11.99	12.57
SuperRatings benchmark	1.82	25.64	9.50	10.39	11.55
Growth	1.65	20.25	9.06	10.18	10.87
SuperRatings benchmark	1.81	21.70	8.76	9.45	10.33
Balanced Growth	1.49	16.11	7.63	8.74	9.67
SuperRatings benchmark	1.72	17.44	7.83	8.27	9.09
Balanced	1.07	11.18	6.00	6.54	7.54
SuperRatings benchmark	1.16	12.52	6.21	6.24	7.32
Conservative	0.66	6.74	4.44	4.52	5.66
SuperRatings benchmark	0.74	7.40	4.51	4.52	5.55
Equip MySuper #	1.46	16.26	7.55	8.34	
SuperRatings benchmark	1.72	17.44	7.83	8.27	
Sector Specific options					
Australian Shares	2.73	27.04	8.09	9.76	10.50
Overseas Shares	0.52	25.30	13.39	15.10	14.89
Property	3.49	13.57	5.57	7.09	8.79
Diversified fixed interest	-0.09	0.33	2.78	2.16	3.76
Cash	0.02	0.09	0.79	1.12	1.82
Sustainable Responsible Investments	-1.10	26.11	7.35	9.47	9.80

Pension returns (%)*

Diversified options	QUARTERLY	1 YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
Growth Plus	1.99	26.79	10.98	13.30	13.73
SuperRatings benchmark	2.15	27.71	10.38	11.46	12.57
Growth	1.78	22.65	9.89	11.36	11.94
SuperRatings benchmark	2.02	23.46	9.45	10.37	11.53
Balanced Growth	1.63	17.99	8.04	9.52	10.44
SuperRatings benchmark	1.83	19.10	8.37	9.04	10.00
Balanced	1.17	12.77	6.50	7.37	8.36
SuperRatings benchmark	1.39	13.72	6.69	6.97	8.19
Conservative	0.75	7.69	4.87	5.17	6.21
SuperRatings benchmark	0.89	7.89	4.92	4.91	6.12
Sector Specific options					
Australian Shares	2.98	31.24	8.86	10.98	11.39
Overseas Shares	0.58	27.53	14.53	16.48	16.56
Property	3.90	15.50	6.02	7.79	9.63
Diversified Fixed Interest	-0.10	0.38	3.15	2.67	4.25
Cash	0.02	0.10	0.93	1.32	2.14
Sustainable Responsible Investments	-1.29	30.41	7.75	10.45	11.24

SuperRatings benchmarks: SuperRatings Pty Ltd's survey for accumulation funds and pension fund published on 20/10/2021, superratings.com.au.

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