

Investment report

31 March 2021

Renewed hope and optimism following the March 2021 quarter

Market Review

Good news continues for Equip members invested in the Equip MySuper option which returned 3.1% over the quarter, and over the last 5 years has returned 8.4% p.a. ahead of the industry average return of 8% p.a.*

The March quarter saw continued strength in global equity markets with the MSCI World Index returning 6% and the ASX 200 returning 3%. Returns in equity markets have been phenomenal since the lows experienced in March last year with many regional bourses up around 50% in that time.

Market strength has been driven by a continuation of three main positive dynamics that were witnessed in the December quarter of last year. That being:

- the ramping up of the distribution of vaccines to fight the COVID-19 pandemic;
- an economic recovery, with key data releases seeing an upgrading of growth estimates for this year and next; and
- ongoing stimulus measures.

On stimulus, we saw the passing of another US\$1.9t of measures in the US in March which included direct payments of up to US\$1,400 to most Americans, and an extension of unemployment insurance until September.

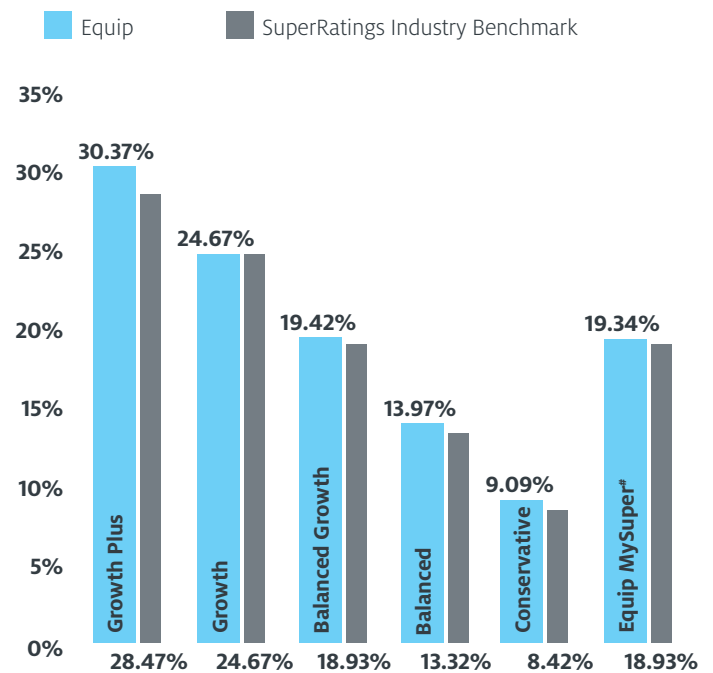
Importantly, however, the March quarter also saw significant rises in developed market bond yields. The 10-year US Treasury bond yield rose from 0.91% in December to 1.74% at the end of March to be now at levels last seen in January last year, prior to the onset of COVID-19. The significant shift higher in bond yields was accompanied by a move higher in longer-term inflation expectations. The moves higher reflecting the bond market's conviction that the worst of the economic damage wreaked by the pandemic is now behind us, and that inflationary pressures are

beginning to surface as a result of unprecedented levels of stimulus. This dynamic requires careful monitoring over the next year or so.

In Australia, the pace of the economic rebound has continued to surprise to the upside. As a result, the Federal Government has withdrawn the lifeline that was the JobKeeper scheme, arguing that the pace of job creation at the moment is enough to keep the recovery going. The Reserve Bank of Australia, however, has reconfirmed it wants to see continued improvement in the economy and, as a result, expects to keep interest rates low for at least the next few years.

Diversified options

1-year returns, as at 31 March 2021



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

Past performance is not a reliable indicator of future performance.

Outlook

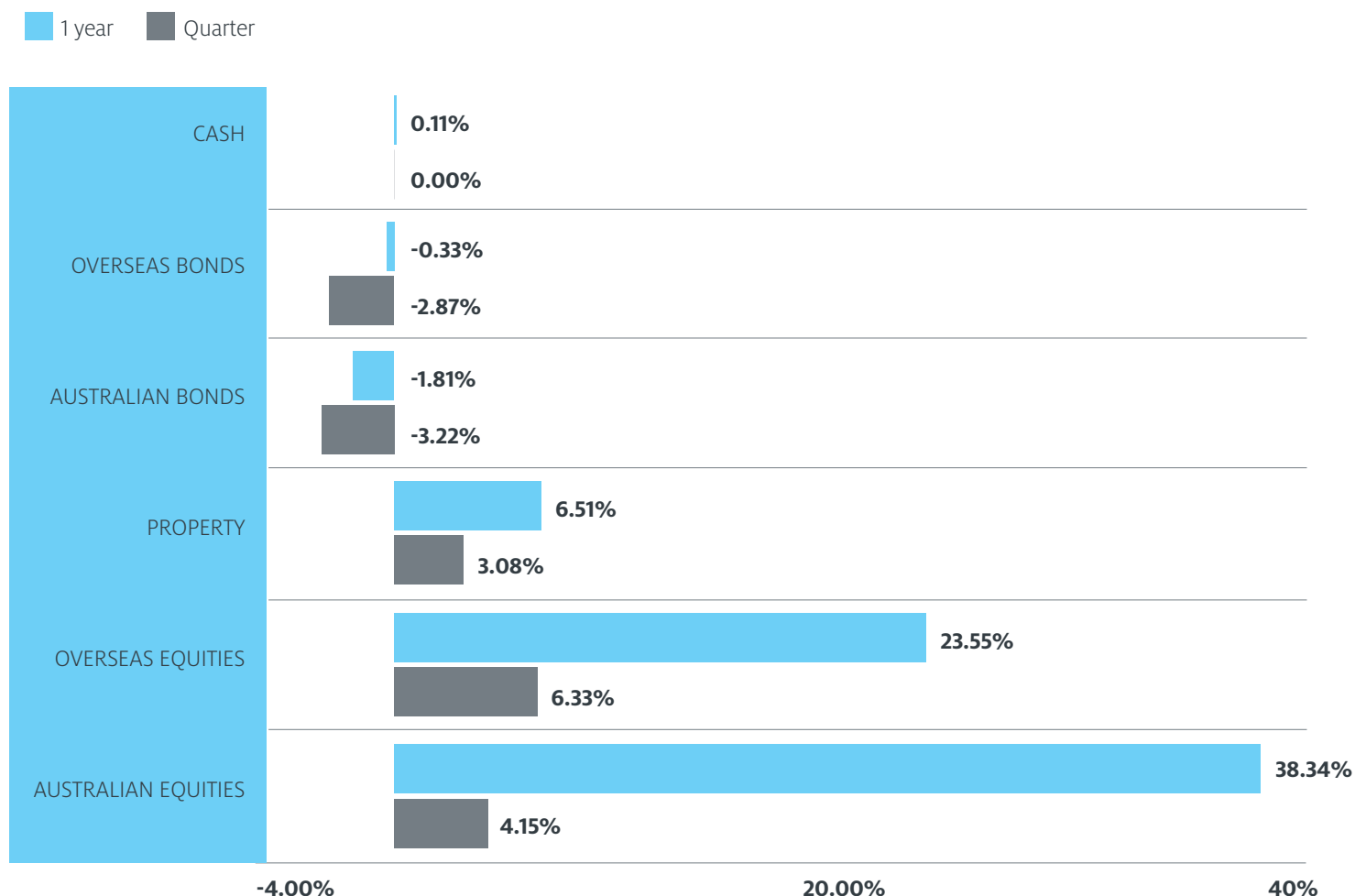
So far markets have mostly taken the rising inflation narrative in their stride with equity indices remaining around all-time highs. However, we have witnessed a significant rotation within markets whereby many of last year's winners have reset lower. For instance, the high flying "growth" stocks that have performed well for a decade, and exceptionally well since the March 2020 lows, have been replaced at the top of the table by more cyclically exposed companies that are enjoying a renaissance after having underperformed for years. The change in market leadership reinforces the market's confidence in the recovery but is also a cogent reminder to investors of the importance of bond yields in the pricing of all assets. Also, that some assets are more sensitive to changes in bond yields than others.

While bond yields have risen, they remain very low by historical standards. Inflation expectations are higher but still well contained and within acceptable levels for central bankers. How these dynamics change throughout the course of this year are key for markets. Recent stimulus measures may cloud this picture. Indeed, the Biden administration is already considering additional longer-term infrastructure related stimulus measures which may contribute to the upward momentum in bond yields. Should this occur it may lead to some disorder across financial markets. How central banks respond to these pressures will also be key to watch.

Notwithstanding the risks, we should expect the global economic backdrop to continue to improve this year. Strong growth outcomes should be accompanied by strong corporate earnings, allowing stocks to "grow into" their valuations to some extent. Ongoing recovery and policy support provide a positive environment for shares and other risky investments. Whilst the rollout of vaccines will continue to gather steam, it will be bumpy and countered by virus mutations and rolling shutdowns in some parts of the world. Relations with China are also a focal point and will have very important implications for Australia over the long term.

Index returns at 31 March 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.



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 March 2021

Australian Shares

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

Overseas Shares

Amazon.com, Inc.	Apple Inc.
Taiwan Semiconductor Manufacturing Co., Ltd.	Alibaba Group Holding Ltd.
Alphabet Inc.	Naspers Limited
NetEase, Inc.	Microsoft Corporation
Facebook, Inc.	XPO Logistics, Inc.

Investment performance as at 31 March 2021

Accumulation and transition to retirement pension returns (%)*

Diversified options	QUARTERLY	FYTD	1YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
Growth Plus	4.54	17.42	30.37	10.37	12.08	10.31
SuperRatings benchmark	4.88	17.53	28.47	8.61	9.81	9.16
Growth	3.82	14.36	24.67	9.10	10.25	9.05
SuperRatings benchmark	4.09	14.83	24.67	8.58	9.07	8.34
Balanced Growth	3.12	11.40	19.42	7.74	8.88	8.44
SuperRatings benchmark	2.98	11.50	18.93	7.18	7.99	7.65
Balanced	2.18	8.35	13.97	6.15	6.77	6.86
SuperRatings benchmark	1.79	8.03	13.32	5.75	6.10	6.29
Conservative	1.21	5.40	9.09	4.36	4.78	5.48
SuperRatings benchmark	0.76	5.09	8.42	4.19	4.51	5.02
Equip MySuper #	3.11	11.42	19.34	7.52	8.38	
SuperRatings benchmark	2.98	11.50	18.93	7.18	7.99	
Sector Specific options						
Australian Shares	4.77	16.56	32.71	8.10	10.00	7.88
Overseas Shares	4.57	22.55	38.19	13.55	14.91	12.73
Fixed Interest	-0.93	1.54	3.51	2.75	2.80	4.43
Property	2.76	5.72	10.49	4.41	6.34	7.71
Sustainable Responsible Investments	6.27	18.85	34.68	9.64	10.53	7.73
Cash	0.02	0.10	0.20	1.08	1.30	2.03

Pension returns (%)*

Diversified options	QUARTERLY	FYTD	1YR	3 YRS P.A.	5 YRS P.A.	10 YRS P.A.
Growth Plus	5.04	19.48	34.27	11.25	13.27	11.08
SuperRatings benchmark	5.03	19.41	33.21	9.69	10.93	10.10
Growth	4.29	16.02	27.89	10.06	11.30	9.86
SuperRatings benchmark	4.24	16.18	27.16	8.87	10.14	9.34
Balanced Growth	3.51	12.84	21.84	8.26	9.54	8.95
SuperRatings benchmark	3.08	12.81	21.47	7.81	8.79	8.41
Balanced	2.47	9.28	15.67	6.74	7.49	7.52
SuperRatings benchmark	2.02	9.10	15.06	6.35	6.97	7.01
Conservative	1.37	6.26	10.74	5.01	5.32	5.97
SuperRatings benchmark	0.76	5.41	9.26	4.70	5.06	5.66
Sector Specific options						
Australian Shares	5.35	18.76	39.40	8.71	10.94	8.28
Overseas Shares	4.95	24.46	42.09	14.89	16.32	14.02
Fixed Interest	-1.07	1.78	4.25	3.30	3.20	5.02
Property	3.07	6.34	11.54	4.66	6.86	8.39
Sustainable Responsible Investments	7.23	21.92	41.51	10.16	11.62	8.76
Cash	0.03	0.12	0.24	1.28	1.53	2.39

SuperRatings benchmark: SuperRatings Pty Ltd's survey for accumulation funds published on 20/04/2021, 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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