Investment report

30 June 2020

Equip overcomes coronavirus downturn

The 2019/20 financial year provided positive returns for our members, despite market volatility in financial markets.

Equip Balanced Growth members captured a positive return in the 12 months to 30 June, during the most turbulent year for financial markets in living memory.

In a financial year end that saw COVID-19 market jitters push a large number of super funds into negative territory, Equip stands out for capturing a positive 1.7% return and a high 8.3% per annum for members invested in the Balanced Growth option over the past 10 years - a fair margin above the SuperRatings Balanced Option Index median of 7.43% on average over the same period.

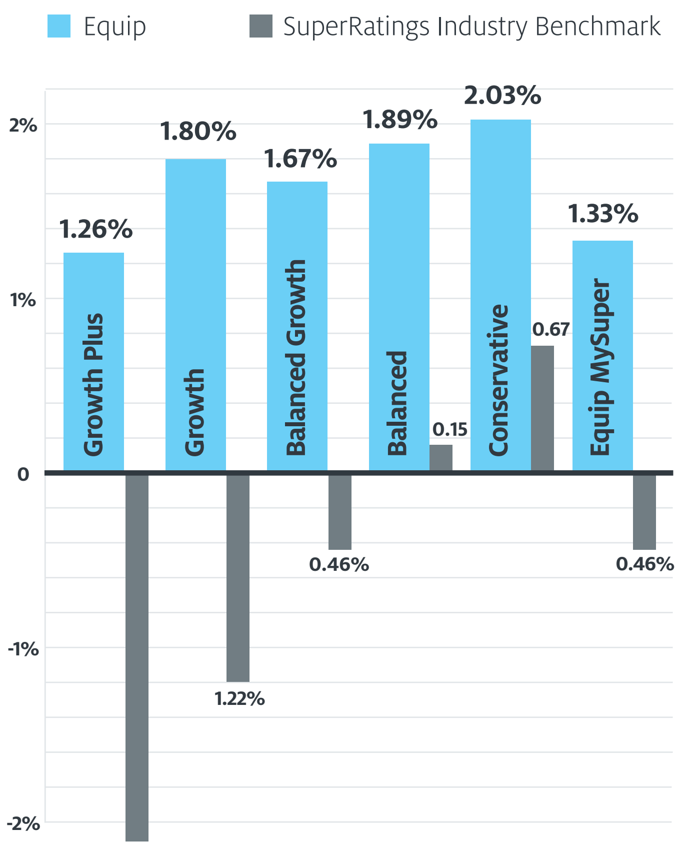
Similarly, the Equip MySuper default investment option also saw a positive result returning 1.33%.

Equip's Chief Investment Officer, Anna Shelley, said the fund's investment team and its advisers are closely watching the markets and resetting strategies as market conditions change.

"Equip is doing all it can to ride through these adverse market movements and to make sure that our members' retirement savings are poised for long-term growth as markets and economies reset and recover from the pandemic," she said.

"Equip's actively managed diversified options invest funds across a range of different assets to try to reduce the risk of losses when equity markets face unprecedented volatility as they did in March. Equip's Balanced Growth option has a strong, long-term track record of delivering for members, particularly in tough times."

Diversified Options
1-year returns, as at 30 June 2020



Past performance is not a reliable indicator of future performance.

Super fair and square

We're a **profit-to-member** fund, so you can be confident **your future** is in good hands.

Market update

In what could be described as a rollercoaster of a year, the first part of the 2019/20 financial year began with strong returns, followed by extraordinary volatility in markets due to the onset of the COVID-19 pandemic which led to an economic crisis, and finished off with a partial market rebound. It led to some of the most rapid equity market declines in history, as share markets priced what has ultimately been the most significant economic contraction since the 1930's. The contraction being a result of slowing growth due to social distancing measures put in place to slow the spread of the virus.

As the growth in infection rates has started to slow, financial markets have priced in a quicker recovery than initially expected and share markets have risen sharply.
The June quarter has witnessed a significant rebound in share and credit markets with some indices, for instance the tech-company heavy NASDAQ in the US is at an all-time high.

Importantly, however, bond yields remain at all-time lows due to expectations for subdued inflation and growth for extended periods.

In order to combat the virus and economic impacts of rising unemployment we have witnessed unprecedented levels of stimulus around the world. In Australia, the Government's JobKeeper and JobSeeker programs are very significant in size and reach. Measures taken by other developed economies are also material in a historical context. In fact, the measures taken by central banks and governments have been greater than that delivered during the global financial crisis and have come much quicker. There remains some uncertainty as to future levels of stimulus and when or how this may change. However, given very low interest rates across the world and limitations to traditional monetary policy, it is expected that government spending will continue to play a key role.

Outlook: economic recovery will take time

In future, caution needs to be taken as there remains significant uncertainty regarding the risk of a second wave of infections as social distancing measures are relaxed, as we have seen recently in Victoria. In fact, in many parts of the world, particularly in emerging markets, we are not yet past the first round of infections. Whilst markets would respond positively to the development of an effective vaccine, this appears some time off and even longer for the widespread distribution of a vaccine.

Furthermore, the longer-term economic impacts are still unclear, and we can expect volatility in financial markets to continue for a while. There may be far reaching implications for some sectors of the economy with unemployment likely to stay high for an extended period.

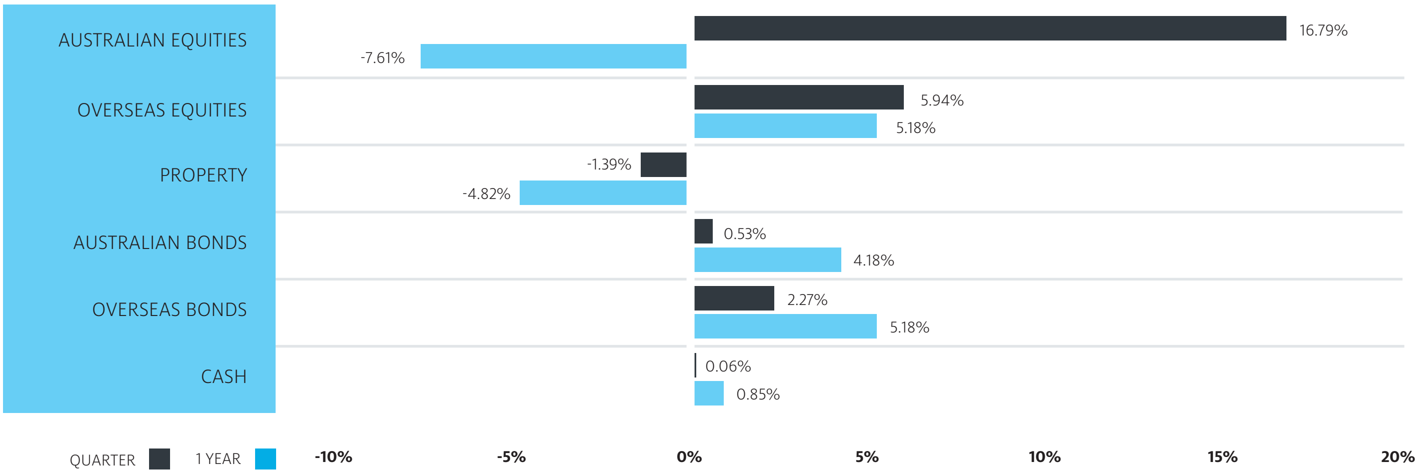
Over longer time frames we should expect the stimulus provided via governments and central banks to support a gradual economic recovery. Very low interest rates provide a positive environment for growth assets like shares and property generally, however, with the recent rebound valuations are now quite expensive and vulnerable to deterioration at some stage.

A key risk to monitor over longer periods is inflation levels. Any change to current expectations of very low inflation, and interest rates, for the foreseeable future could have far reaching implications for financial markets.

Geopolitical tensions are also on the rise. The rise of China and its relationship with the US is likely to remain an important issue for many years to come. The US presidential election in November is important to watch for any developments in this regard.

Index returns at 30 June 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. **Equip's investment performance can be seen on the next page.**



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: Equipsuper 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 June 2020*

Australian Shares*

- BHP GROUP LIMITED
- CSL LIMITED
- COMMONWEALTH BANK OF AUSTRALIA
- WESTPAC BANKING CORP
- ANZ BANKING GROUP
- TELSTRA CORPORATION
- WOOLWORTHS GROUP LIMITED
- NATIONAL AUSTRALIA BANK
- RIO TINTO LIMITED
- COLES GROUP LIMITED

*Asset class level

Overseas Shares*

- AMAZON.COM INC
- ALPHABET
- ALIBABA
- TENCENT HOLDINGS LTD
- NETEASE - ADR
- MICROSOFT CORP
- FACEBOOK INC
- APPLE
- TESLA INC.
- UNITEDHEALTH GROUP, INC.

*Asset class level

Investment performance as at 30 June 2020

Accumulation and transition to retirement pension returns*

Diversified options	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.
Growth Plus	1.26	7.69	7.61	9.93
SuperRatings benchmark	-2.05	5.61	6.27	8.69
Growth	1.80	6.73	7.00	8.81
SuperRatings benchmark	-1.22	5.37	5.79	7.95
Balanced Growth	1.67	6.07	6.54	8.31
SuperRatings benchmark	-0.46	5.21	5.61	7.43
Balanced	1.89	4.87	5.28	6.80
SuperRatings benchmark	0.15	4.35	4.50	6.27
Conservative	2.03	3.68	4.00	5.54
SuperRatings benchmark	0.67	3.53	3.84	5.18
Equip MySuper #	1.33	5.68	6.19	
SuperRatings benchmark	-0.46	5.21	5.61	
Sector specific options				
Australian Shares	-4.42	4.66	6.12	7.89
Overseas Shares	7.18	10.65	8.84	11.58
Property	-2.71	4.69	7.01	8.07
Fixed Interest	2.85	2.82	3.22	4.63
Cash	0.88	1.43	1.56	2.35
Sustainable Responsible Investments	-10.93	4.93	5.21	7.10

Pension returns*

Diversified options	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.
Growth Plus	0.75	8.52	8.21	10.74
SuperRatings benchmark	-2.70	6.30	6.84	9.56
Growth	1.32	7.53	7.52	9.66
SuperRatings benchmark	-1.47	6.06	6.69	8.93
Balanced Growth	0.54	6.46	6.66	8.84
SuperRatings benchmark	-0.68	5.69	6.05	8.20
Balanced	1.49	5.41	5.68	7.52
SuperRatings benchmark	0.13	4.87	5.16	7.10
Conservative	2.04	4.19	4.19	6.04
SuperRatings benchmark	0.84	4.05	4.33	5.86
Sector specific options				
Australian Shares	-5.44	4.95	6.31	8.31
Overseas Shares	7.49	11.85	9.83	12.91
Property	-3.85	5.15	7.47	8.82
Fixed Interest	3.47	3.34	3.35	5.25
Cash	1.03	1.68	1.83	2.76
Sustainable Responsible Investments	-13.49	4.77	5.65	8.13

SuperRatings benchmark: SuperRatings Pty Ltd's survey for accumulation funds published on 22/7/2020, 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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