

# Investment report.

Catholic Super Retirement Income



31 March 2024

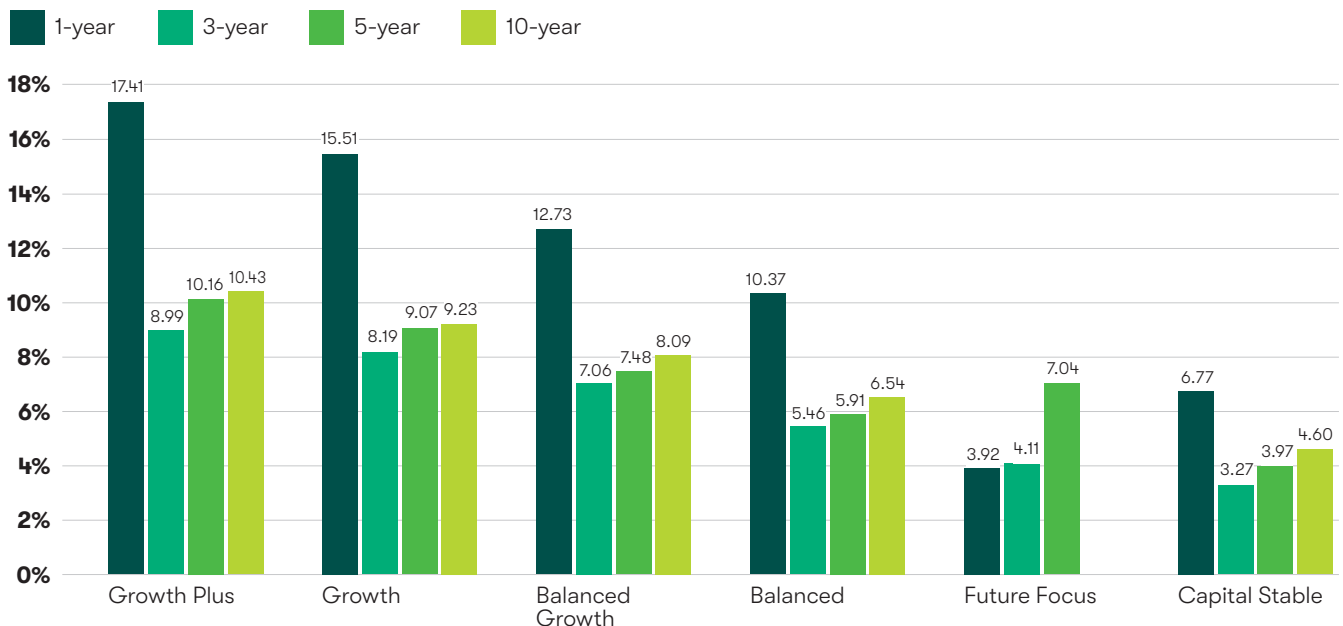
The first quarter for the calendar year saw global equity markets achieve strong gains. Driven by a resilient US economy and market enthusiasm for companies expected to benefit from Artificial Intelligence (AI) technologies. Expectations of interest rate cuts by major Central Banks also contributed positively to equity market sentiment. Though the anticipated timing and magnitude of these cuts has moderated since the start of the year.

## Fund performance

The Catholic Super Balanced Growth (retirement income) investment option had another quarter of positive performance for members, returning 5.36% for the three months to 31 March 2024. All Catholic Super retirement income investment options have posted positive returns for the March quarter.

Over the long-term, Catholic Super also continues to deliver strong returns for members. The Balanced Growth (retirement income) investment option, for example, had an average return of 8.09% over 10 years to 31 March 2024.

## Diversified retirement income options 1,3,5 and 10-year returns (% p.a.) as at 31 March 2024



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### Market review

Global share markets, as measured by the MSCI World ex-Australia Index (Net Dividends Re-invested) unhedged, had a very strong return of 14.1% over the March 2024 quarter. Rolling 12-month returns have also been particularly strong, returning 28.7%. Most of the countries that make up the Developed Markets Index had a positive return for the quarter.

In the US, the stock market delivered large gains, with the S&P 500 Index rising by 10.4% over the quarter. Index performance benefited from an improved outlook for corporate earnings, especially from the leading 'tech giants'. Economic data released during the quarter affirmed the resilience of the US economy, with an upward revision in the annualised GDP growth rate for the December 2023 quarter.

We also saw positive returns in Australia, though they weren't quite as strong as the US. Measured by the S&P/ASX 300 Index, the Australian share market increased by 5.4% over the March 2024 quarter. The Information Technology sector was the standout performer, surging by 23.6%. Only the Materials sector experienced a decline, dropping by 6.3%.

The rate of inflation in Australia moderated to 4.1% over the year to December 2023. This is a significant drop from the high of 7.8% we saw a year earlier, but it's still much higher than the Reserve Bank of Australia's (RBA) target inflation rate of 2-3%. Australia's economic growth was a modest 0.2% for the quarter to December 2023. Given these results, the Reserve Bank of Australia (RBA) maintained a cautious approach to future interest rate reductions at its March meeting.

### Looking ahead

The surprisingly strong performance of the US economy was on show again during the quarter. As evidenced by a continuation of strong results for economic activity, employment, and inflation related data. It seems that the fear of recession in the US has now evaporated and share prices continue to rise. It appears that interest rates have well and truly peaked. Investors seem to have a high level of optimism for the future of AI, which has added fuel to the share market rally. It's looking likely that the US Federal Reserve (the Fed) will start to lower interest rates at some point this year. Bond markets have adjusted to the current market environment and are priced with the expectation of around three rate cuts in the US this year. It seems nothing can stop the bull market.

The positive turn in share market sentiment over the last six months has been stark and as a result, financial markets have been whiplashed. Many investors missed the share market rally and are now scratching their heads, trying to work out why the economy remains so strong given all the interest rate rises we've seen over the last couple of years. Is it that the full impact of these interest rate rises is yet to be seen? Or is it a result of all the support measures put in place during the pandemic? It seems the old rules of economics have not applied this time around. At least not yet anyway.

The flipside here is that interest rates may need to stay high for much longer. While the Fed, and other central banks, may cut rates soon, they will be restricted in how much they can do. Inflation remains too high for significant interest rate cuts any time soon. Those holding out for lower interest rates may be disappointed, consumers and businesses will need to adjust. It might mean that we have entered a new market regime where interest rates need to remain structurally higher than what we experienced recently. The era of low interest rates that we all enjoyed was never going to last forever. And with markets showing so much optimism now accounted for in market pricing there's a high risk of disappointment for individuals and businesses who are looking forward to lower rates.



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### Investment performance as at 31 March 2024

#### 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                | 7.15  | 11.78 | 16.08 | 8.36       | 9.40       | 9.62        |
| Growth                     | 6.28  | 10.67 | 14.30 | 7.53       | 8.35       | 8.55        |
| Balanced Growth            | 4.98  | 8.83  | 11.64 | 6.48       | 7.01       | 7.65        |
| MySuper <sup>#</sup>       | 4.98  | 8.84  | 11.59 | 6.46       | 6.92       | 7.39        |
| Balanced                   | 3.96  | 7.48  | 9.49  | 5.03       | 5.49       | 6.04        |
| Future Focus               | 1.73  | 1.90  | 4.53  | 4.29       | 6.54       | –           |
| Capital Stable             | 2.26  | 5.24  | 6.04  | 2.95       | 3.58       | 4.27        |
| Index Diversified          | 5.85  | 11.11 | –     | –          | –          | –           |
| Sector Specific options    |       |       |       |            |            |             |
| Australian Shares          | 5.63  | 11.25 | 13.79 | 9.39       | 8.98       | 8.10        |
| Overseas Shares            | 11.68 | 16.84 | 24.37 | 7.88       | 11.12      | 11.49       |
| Diversified Fixed Interest | -0.02 | 2.73  | 1.43  | -0.52      | 0.87       | 2.28        |
| Cash                       | 0.94  | 2.95  | 3.74  | 1.91       | 1.43       | 1.64        |

#### Pension returns (%)<sup>\*\*</sup>

| Diversified options        |       |       |       |            |            |             |
|----------------------------|-------|-------|-------|------------|------------|-------------|
|                            | QTR   | FYTD  | 1 YR  | 3 YRS P.A. | 5 YRS P.A. | 10 YRS P.A. |
| Growth Plus                | 7.63  | 12.73 | 17.41 | 8.99       | 10.16      | 10.43       |
| Growth                     | 6.70  | 11.59 | 15.51 | 8.19       | 9.07       | 9.23        |
| Balanced Growth            | 5.36  | 9.63  | 12.73 | 7.06       | 7.48       | 8.09        |
| Balanced                   | 4.18  | 8.16  | 10.37 | 5.46       | 5.91       | 6.54        |
| Future Focus               | 2.27  | 1.69  | 3.92  | 4.11       | 7.04       | –           |
| Capital Stable             | 2.41  | 5.84  | 6.77  | 3.27       | 3.97       | 4.60        |
| Index Diversified          | 6.70  | 12.74 | –     | –          | –          | –           |
| Sector Specific options    |       |       |       |            |            |             |
| Australian Shares          | 5.98  | 12.70 | 15.06 | 10.63      | 9.98       | 8.79        |
| Overseas Shares            | 12.39 | 17.90 | 26.22 | 8.48       | 11.97      | 12.55       |
| Diversified Fixed Interest | 0.24  | 3.68  | 2.07  | -0.47      | 1.08       | 2.55        |
| Cash                       | 1.12  | 3.48  | 4.38  | 2.24       | 1.68       | 1.92        |

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.

<sup>#</sup>MySuper was introduced on 1 August 2013.

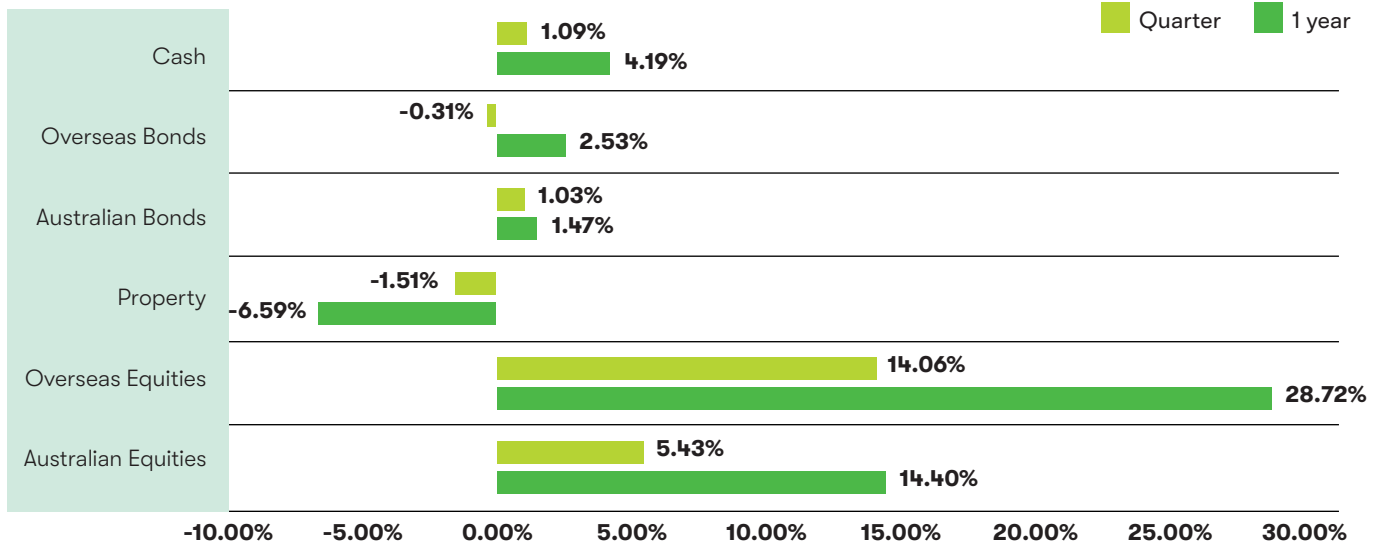
<sup>^</sup>Past performance is not a reliable indicator of future performance.

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### Index returns at 31 March 2024

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 equities: S&P ASX 300; Overseas equities: MSCI World ex-Australia Index (net divs), unhedged; Property: 90% Mercer Australian Unlisted Property Index and 10% FTSE EPRA/NAREIT Global Listed Index, hedged into AUD; Australian bonds: Bloomberg AusBond Composite Bond 0+ Yr Index; Overseas bonds: Barclays Capital Global Aggregate (hedged, in AUD); Cash: Bloomberg AusBond 3-month Bank Bill Index.

### Top 10 holdings at 31 March 2024

| Australian Shares              | Overseas Shares                            |
|--------------------------------|--|
| BHP Group                      | Microsoft                                  |
| CSL                            | NVIDIA                                     |
| Commonwealth Bank of Australia | Alphabet                                   |
| ANZ Group Holdings             | Amazon                                     |
| National Australia Bank        | Apple                                      |
| QBE Insurance Group            | Meta Platforms                             |
| Newmont Corporation            | Taiwan Semiconductor Manufacturing Company |
| Woodside Energy Group          | HDFC Bank                                  |
| Westpac Banking                | United Health Group                        |
| Santos                         | Samsung Electronics                        |

### 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 Catholic Super account, you can **contact us online at any time**, or give our team a call on 1300 655 002, Monday to Friday 8:30am to 6:00pm AET.



If you need any assistance,  
please contact our Service Centre

1300 655 002

8:30am to 6:00pm EST/EDT  
(Monday to Friday)

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Past performance is not an indication of future performance.