

Investment report



31 December 2020

Catholic Super ended 2020 on a positive note after weathering some of the most challenging conditions in its time

Our Aggressive (default) option returned 4.05% over the past year, ahead of the industry average return of 3.67% p.a.*

An even better result for members invested in our Moderately Aggressive option which returned 4.69% over the year, outperforming the industry average of 3.59% 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.

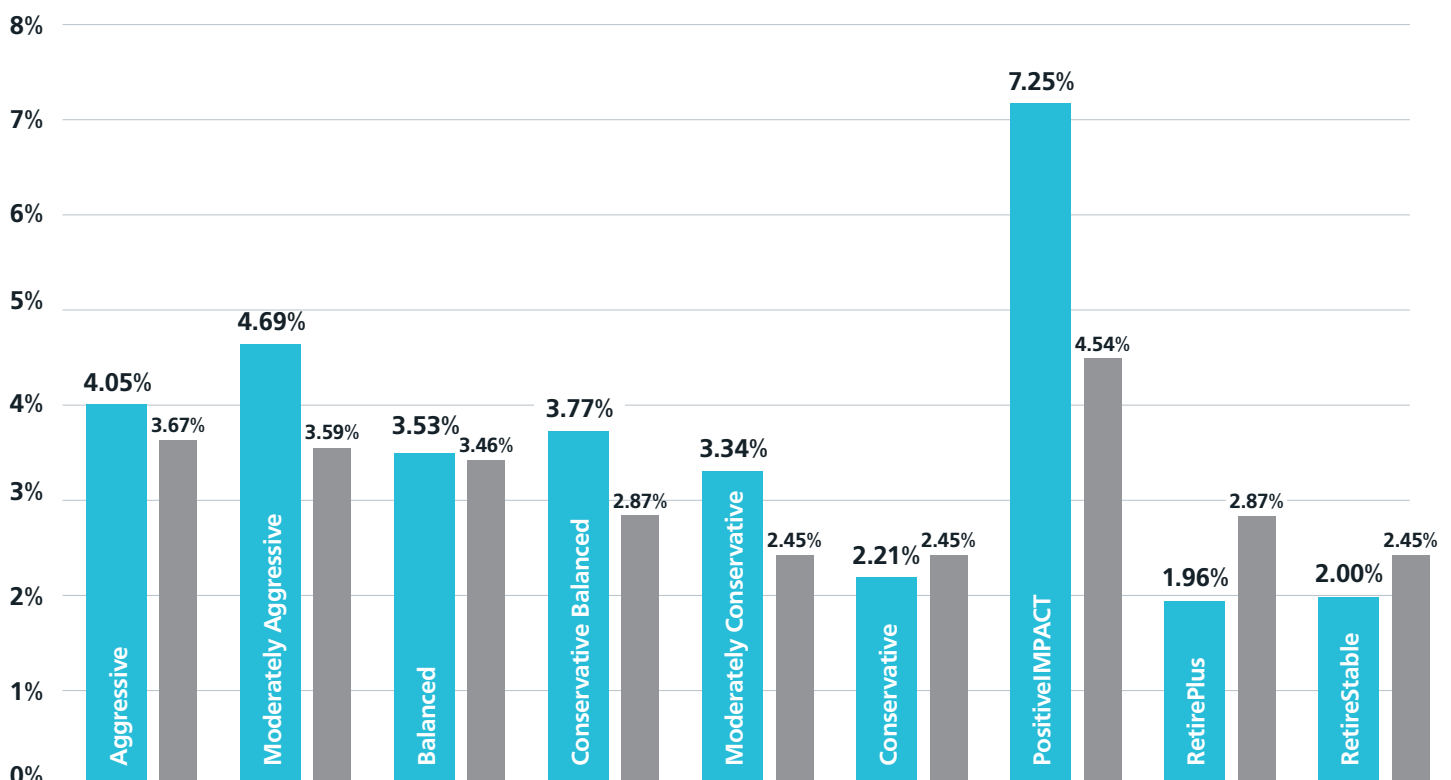
Whilst the political posturing continued in the US, we saw meaningful new Government (fiscal) stimulus measures. Although a little smaller than initially hoped for, the ability for both sides to reach agreement in this age of political polarization was welcomed by markets. Also, with vaccine distribution 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 Crediting Rate Surveys

Diversified options:

1 year returns, as at 31 December 2020

Catholic Super SuperRatings Industry Benchmark



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.

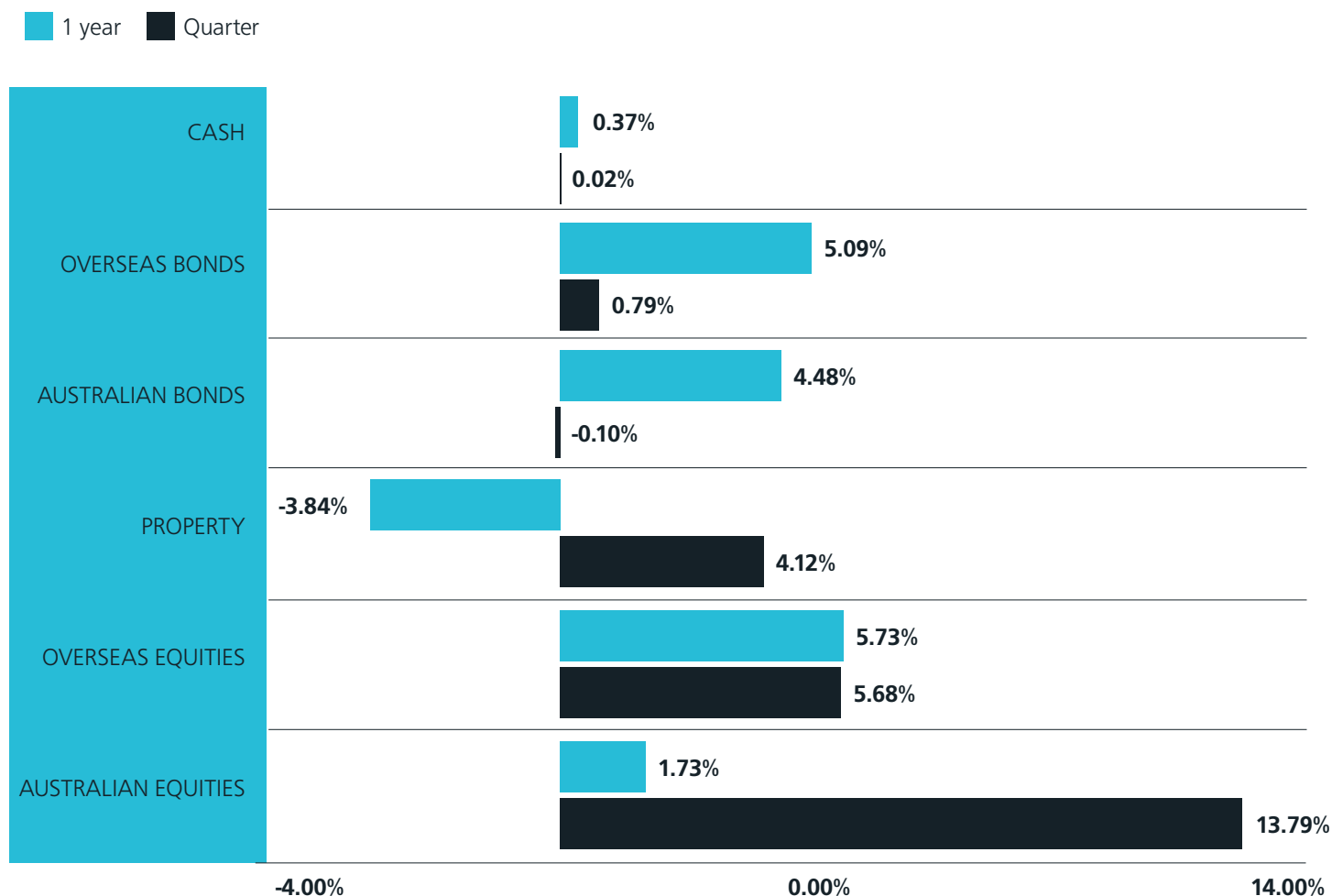
Continued provision of fiscal stimulus appears to be enough for markets to push higher for now. Low interest rates, low inflation and a new administration in the US probably indicate that fiscal support continues at least for a while. However, expensive valuations and a low growth environment are risks.

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.. **Catholic Super'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: 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

National Australia Bank Limited	Commonwealth Bank of Australia
CSL Limited	ANZ Banking Group Limited
Telstra Corporation Limited	Westpac Banking Corporation
Newcrest Mining Limited	Oil Search Limited
BHP Group Limited	Woolworths Group Limited

Overseas Shares

Taiwan Semiconductor Manufacturing	Mastercard Incorporated
Alphabet Inc.	XPO Logistics, Inc.
Samsung Electronics Co.	Unilever PLC
Netease, Inc.	Naspers Limited
Charles Schwab Corporation	Unitedhealth Group Incorporated

Investment performance as at 31 December 2020

Accumulation and transition to retirement pension returns (%)*

Diversified options	QUARTERLY	FYTD	1 YR	3 RS P.A.	5 YRS P.A.	10 YRS P.A.
Aggressive	7.01%	9.54%	4.05%	6.17%	8.73%	9.20%
SuperRatings benchmark	9.36%	11.89%	3.67%	7.12%	8.72%	9.01%
Moderately Aggressive	6.38%	8.75%	4.69%	6.19%	8.38%	8.66%
SuperRatings benchmark	8.15%	10.35%	3.59%	6.65%	7.72%	8.12%
Balanced	5.70%	7.86%	3.53%	5.57%	7.65%	7.95%
SuperRatings benchmark	6.55%	8.43%	3.46%	6.07%	7.09%	7.56%
Conservative Balanced	4.90%	6.86%	3.77%	5.26%	6.96%	-
SuperRatings benchmark	4.59%	6.09%	2.87%	4.99%	5.58%	6.28%
Moderately Conservative	3.71%	5.39%	3.34%	4.60%	6.00%	6.46%
SuperRatings benchmark	2.99%	4.19%	2.45%	3.85%	4.42%	5.05%
Conservative	2.64%	3.96%	2.21%	3.65%	4.84%	5.60%
SuperRatings benchmark	2.99%	4.19%	2.45%	3.85%	4.42%	5.05%
PostiveIMPACT	4.94%	8.12%	7.25%	8.83%	-	-
SuperRatings benchmark	6.60%	9.04%	4.54%	6.28%	6.76%	7.43%
RetirePlus	2.53%	3.99%	1.96%	4.35%	5.43%	-
SuperRatings benchmark	4.59%	6.09%	2.87%	4.99%	5.58%	6.28%
RetireStable	1.87%	3.25%	2.00%	3.83%	4.69%	-
SuperRatings benchmark	2.99%	4.19%	2.45%	3.85%	4.42%	5.05%
Sector Specific options						
Australian Shares	12.56%	13.35%	-0.86%	4.11%	9.04%	8.52%
Overseas Shares	7.97%	13.33%	10.74%	10.15%	11.33%	11.20%
Property	2.60%	3.11%	-0.78%	5.08%	7.28%	8.11%
Diversified Fixed Interest	0.90%	1.96%	1.50%	3.41%	3.82%	4.35%
FlexiTerm Deposit	0.10%	0.25%	0.73%	1.54%	1.91%	
Cash	0.08%	0.17%	0.53%	1.38%	1.75%	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: Aggressive – SuperRatings High Growth SR All Funds Index; Moderately Aggressive – SuperRatings Growth SR All Funds Index; Balanced – SuperRatings Balanced SR All Funds Index; Conservative Balanced – SuperRatings Conservative Balanced SR All Funds Index; Moderately Conservative – SuperRatings Capital Stable All Funds Index; Conservative – SuperRatings Capital Stable SR All Funds Index; Positive Impact – SuperRatings Sustainable Balanced SR All Funds Index; Retire Plus – SuperRatings Conservative Balanced SR All Funds Index; Retire Stable – SuperRatings Capital Stable SR All Funds Index.

Pension returns (%)*

Diversified options	QUARTERLY	FYTD	1 YR	3 RS P.A.	5 YRS P.A.	10 YRS P.A.
Aggressive	8.12%	11.15%	5.85%	7.22%	9.80%	10.24%
SuperRatings benchmark	10.34%	13.23%	4.00%	7.71%	9.52%	9.88%
Moderately Aggressive	7.34%	10.10%	5.69%	7.00%	9.32%	9.67%
SuperRatings benchmark	8.86%	11.38%	4.09%	7.33%	8.68%	9.14%
Balanced	6.62%	9.28%	5.27%	6.45%	8.66%	8.99%
SuperRatings benchmark	7.16%	9.34%	3.72%	6.69%	7.83%	8.43%
Conservative Balanced	5.65%	7.94%	4.84%	6.06%	7.88%	-
SuperRatings benchmark	5.19%	6.91%	3.34%	5.60%	6.28%	7.13%
Moderately Conservative	4.27%	6.25%	3.79%	5.17%	6.74%	7.31%
SuperRatings benchmark	3.25%	4.68%	2.91%	4.42%	4.99%	5.84%
Conservative	3.04%	4.60%	2.75%	4.22%	5.59%	6.42%
SuperRatings benchmark	3.25%	4.68%	2.91%	4.42%	4.99%	5.84%
RetirePlus	2.91%	4.60%	2.26%	4.93%	6.17%	-
SuperRatings benchmark	5.19%	6.91%	3.34%	5.60%	6.28%	7.13%
RetireStable	2.17%	3.78%	2.39%	4.35%	5.36%	-
SuperRatings benchmark	3.25%	4.68%	2.91%	4.42%	4.99%	5.84%
PostiveIMPACT	5.59%	9.23%	8.64%	10.12%	-	-
Sector Specific options						
Australian Shares	14.62%	15.57%	0.66%	4.69%	9.41%	8.91%
Overseas Shares	8.84%	14.98%	12.00%	11.36%	12.76%	12.96%
Property	3.04%	3.82%	-0.43%	5.82%	8.11%	8.84%
Diversified Fixed Interest	1.06%	2.31%	1.70%	3.95%	4.46%	5.09%
FlexiTerm Deposit	0.12%	0.30%	0.87%	1.80%	2.30%	
Cash	0.09%	0.21%	0.63%	1.61%	2.03%	2.95%

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 our website csf.com.au or the PDS.

* For periods greater than 1 year, returns are compound annualised returns. Returns are net of tax and investment fees.

Past performance is not an indicator of future performance.