

Investment strategy and outlook

31 December 2024

Performance update

AustralianSuper's Balanced option returned 2.33% for the quarter, 5.47% financial year to date, 10.53% over 1 year, 8.11% per annum over 10 years and 7.70% per annum over 20 years to 31 December 2024¹. Performance for each of the PreMixed options was favourable for members with international shares providing a significant contribution over the quarter as a resilient US economy, strong corporate earnings and demand for AI applications continued to drive markets.

The performance of many of the PreMixed options has been below the median peer fund benchmark in recent periods. Over the past year, this relative performance is largely due to the headwinds faced by active management strategies and our investments in unlisted assets.

- In share markets, global equity market concentration is at its highest level since the early 2000s, driven by the growth of artificial intelligence and automation. This has been a significant tailwind for the Magnificent Seven innovators that have dominated the US stock market and continued to drive performance. Concentrated markets where only a few securities are high performers can be a challenging environment for active managers that diversify their portfolios over multiple regions and sectors. However, as performance across sectors in the US market broadens, we expect this may provide more opportunities for our active portfolio to capture outperformance based on investing for the long term in good quality businesses that have competitive advantages.

- Unlisted asset performance has been mixed and has lagged the strong returns seen in listed shares. Unlisted property and private equity have faced pressure from higher levels of interest rates over the last two years, while private credit and unlisted infrastructure returns have been around long-run averages. We expect unlisted asset returns to improve going forward, which is why we are actively deploying into attractive unlisted sectors, like infrastructure and private equity.

While the recent relative performance has been challenging for active managers, we believe investment opportunities could improve as interest rates ease and equity market earnings growth expands beyond big tech. We have conviction in active management and unlisted assets which is a model that has delivered a track record of outperformance for members over the past 20 years.



1. AustralianSuper investment returns are based on crediting rates, which are returns less investment fees and costs, transaction costs, the percentage-based administration fee deducted from returns from 1 April 2020 to 2 September 2022 and taxes. Returns from equivalent options of the ARF and STA super funds are used in calculating return for periods that begin before 1 July 2006. Investment returns aren't guaranteed. Past performance isn't a reliable indicator of future returns.

Super and TTR Income investment option performance as at 31 December 2024¹

Investment option	3 months %	Financial year to date %	1 year %	3 years (p.a.) %	5 years (p.a.) %	10 years (p.a.) %	15 years (p.a.) %	20 years (p.a.) %
PreMixed options								
High Growth	2.97	6.31	12.72	5.61	8.04	9.05	9.09	8.10
Balanced	2.33	5.47	10.53	4.68	6.82	8.11	8.29	7.70
Socially Aware	2.19	5.68	11.05	4.09	5.96	7.24	7.81	7.12
Indexed Diversified	2.75	6.96	13.62	6.02	7.45	7.49		
Conservative Balanced	1.83	4.69	8.30	3.35	5.00	6.31	6.95	
Stable	1.28	3.76	5.93	2.35	3.33	4.75	5.54	5.58
DIY Mix options								
Australian Shares	-0.22	6.70	11.78	8.53	9.46	9.65	8.81	8.82
International Shares	9.64	10.58	24.90	7.85	11.71	11.57	11.29	8.58
Diversified Fixed Interest	-0.51	1.55	1.86	0.13	0.34	2.07	4.08	4.22
Cash	1.08	2.16	4.23	2.97	1.90	1.93	2.49	3.17

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For TTR Income accounts, the investment return is based on the crediting rate for super (accumulation) options. From 1 April 2020 to 2 September 2022 the crediting rate includes an administration fee that is deducted from investment returns for super (accumulation) accounts. TTR Income accounts were adjusted to refund the administration fee deducted from investment returns. All TTR Income administration fees are deducted from account balances.

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Choice Income investment option performance as at 31 December 2024²

Investment option	3 months %	Financial year to date %	1 year %	3 years (p.a.) %	5 years (p.a.) %	10 years (p.a.) %	15 years (p.a.) %
PreMixed options							
High Growth	3.22	6.99	14.05	6.28	8.89	9.98	10.05
Balanced	2.52	6.06	11.51	5.17	7.44	8.87	9.17
Socially Aware	2.36	6.23	12.05	4.49	6.57	8.04	8.69
Indexed Diversified	3.03	7.77	15.17	6.73	8.32	8.43	
Conservative Balanced	1.98	5.24	9.18	3.76	5.57	7.10	7.79
Stable	1.36	4.22	6.64	2.66	3.69	5.35	6.26
DIY Mix options							
Australian Shares	-0.18	7.49	13.17	9.63	10.08	10.86	10.07
International Shares	10.48	11.57	27.28	8.52	12.64	12.63	12.32
Diversified Fixed Interest	-0.63	1.84	2.13	0.10	0.38	2.38	4.72
Cash	1.25	2.52	4.93	3.47	2.22	2.27	2.91

2. Choice Income investment returns are based on crediting rates, which are returns less investment fees and costs, transaction costs and taxes. Investment returns aren't guaranteed. Past performance isn't a reliable indicator of future returns.

Economic perspectives

Looking ahead, the global economy is likely to remain in expansionary territory through 2025, albeit with a considerable degree of cross-country dispersion. Among central banks there is a divergence of monetary policies, with some central banks easing while others are remaining hawkish. Locally, the Reserve Bank of Australia is maintaining a cautious approach with a focus on reducing inflation to target.

The US election result has some significant implications for macroeconomic outcomes both in the US and abroad for regulatory policy, international cooperation and the geopolitical landscape. There may be impacts to corporate tax rates, tariffs, fiscal spending, regulation and foreign trade. These factors reinforce our medium-term view towards more macroeconomic volatility and potentially higher inflation.

AustralianSuper's outlook and investment strategy

We continue to monitor market and economic conditions to position each of the investment options to meet their objectives. This includes examining how the inflation outlook is evolving, how technological developments like AI are impacting productivity, company earnings and investment markets, as well as the risk/return impacts of high valuations in some parts of the listed equity markets.

To position the portfolio to have the best opportunity to outperform, there are several actions that the Investment Team has taken based on the current market environment. For example, we have increased our allocation to growth assets in the actively managed PreMixed options by increasing the weight to Australian and international shares throughout the 2024 calendar year. Within international shares, we are repositioning the portfolio to seek to generate more relative performance for members, including updating our mix of growth, core and value strategies across our internal and external managers. We also positioned the Mid Risk portfolio with an overweight to infrastructure assets compared to property and credit assets. As part of this strategy, we continue to build our pipeline of unlisted assets given that the current market environment is favourable for long duration assets.

Asset class highlights

- The Australian shares portfolio is positioned based on the potential for companies to add value over the next 3 to 5 years. The RBA's cautious approach and uncertainty around future global trade policies tempered investor enthusiasm in Australia, which led to flat Australian share portfolio returns for the quarter, largely driven by negative returns in the materials sector, offsetting the performance of financials sector.
- The international shares portfolio has a focus on high conviction managers with strategies that have the potential to outperform. The portfolio has a balance of core, growth and value positions that provide attractive opportunities to grow members' balances. During the quarter, global markets continued to perform well with some broadening of performance across consumer discretionary, financials, information technology and communication services. For unhedged portfolios, such as the International Shares option, the depreciating AUD boosted international share market returns.
- The outlook for private market asset classes (private equity, infrastructure, property and credit) is positive given the potential for easing monetary policy, as well as a robust pipeline of investment opportunities that provide diversification and contribute to member returns. Investments in airports, seaports and toll roads continue to perform well in the current environment.
- With fixed interest investments, longer term yields rose in the US and Australia leading to a steepening of the yield curves based on investor views of the economic environment, future levels of inflation and government debt. While these higher market interest rates detracted from absolute performance, the investment team continues to modestly adjust the duration and yield curve positioning of the portfolio based on our market outlook to seek outperformance over market benchmarks.



Recent private market investments

Assemble: Through Assemble, we've invested in the redevelopment of the Fitzroy Gasworks precinct. The project will deliver more than 800 apartments in Melbourne's inner north. It's a great example of how major investors like AustralianSuper can help to bolster Australia's housing supply while delivering long-term returns for members.

DataBank: AustralianSuper agreed to invest A\$2.2 billion in US company DataBank, a leading data centre platform providing enterprise-class colocation, interconnection, and managed services. The investment will be AustralianSuper's first in the US data centre market and the second alongside existing DataBank investor, DigitalBridge. The fundraising will be used to finance growth across DataBank's industry-leading footprint of over 65 data centres in more than 27 markets. DataBank will grow and further diversify the Fund's global digital infrastructure exposure, a sector we believe will help deliver sustainable, long-term performance for members.

Perth Airport: In late 2024, we increased our stake in Perth Airport, which the Fund has been invested in for more than a decade. Perth Airport recently announced a multi-billion-dollar expansion program. This will help the airport capitalise on its shared time zone with key markets in Asia.



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