

State Trustees Trust Financial Update



Update on investment returns for the financial year to 30 June 2023

Inflation, interest rates and the response by central banks and financial markets was the key theme in investment performance over 2022-23.

Cash performance improved, driven by higher interest rates on bank deposits.

Bond markets delivered significantly better performance in 2022-23 as bond yields were less volatile after the sharp rise in bond yields in the prior year adversely impacting bond values.

Equity markets have speculated, that inflation will be controlled, and higher interest rates will be short lived. Performance has been supported by strong employment supporting economic activity and acting as a stabiliser for company earnings.

Property markets have been under pressure as companies formalise flexible working arrangements (working from home), forcing commercial office valuations to be written down.

The performance of State Trustees' investment funds is outlined in the table below.

	Total Net Return*		
	6 months	1 year	3 years p/a
Cash Common Fund 2	1.65%	2.49%	0.79%
inveST International Equity Fund	13.82%	18.31%	12.51%
inveST Property Fund	1.67%	-0.09%	5.13%
inveST Diversified Income Fund	2.22%	0.31%	-3.89%
inveST Balanced Fund	5.96%	9.26%	6.26%
inveST Australian Equity Fund	4.08%	12.89%	10.59%

* Total Net Return is the Gross Return (including both distributions and growth) minus ongoing fees and expenses. Past performance is not necessarily an indication of future performance.

Note – The above returns only apply to the State Trustees Common and inveST Funds. Trust funds may be invested in other investments.

Appointment of Mercer Australia as investment manager

Following an extensive tender process, Mercer Australia was appointed as the new investment manager for the State Trustees "inveST Funds". The transition to Mercer was completed in December 2022. Benefits of the change include lower fees and more investment options, which should support improved quality of investment returns over the long term.

Some trusts with inveST Fund holdings have brought forward a realised capital gain as a result of this transition.

Where a trust has these gains they appear on the Statement of Account as part of "Asset Capital Receipts". Any gains have been reinvested, giving the Trust additional units in the inveST Funds (overall value remains unchanged). The reinvestment appears as an offsetting amount as part of "Asset Capital Expenses" for the period of the statement. No capital commission or other State Trustees fees have been applied to these gains.

State Trustees has reviewed each Trust and taken action to minimise any tax impact on the Trust or the beneficiaries. If you have any queries, please contact your trust consultant or email trusts@STL.com.au.

Looking ahead

Investment markets are expected to remain volatile until it is clear inflation is under control, however outside of property markets, where the challenges of office valuations will remain, the outlook is neutral to positive over the short to medium term.

Fund performance is expected to be improved by the lower fees as part of the appointment of Mercer as State Trustees' investment manager for the inveST Funds.