

## An update on investment returns for the year to 30 June 2022

2021-22 was an interesting year, characterised by solid gains in equity markets in the first half and significant declines in the latter. The first half saw equity markets buoyed by solid company earnings updates, and despite some volatility caused by the rise of the Omicron variant and some talk of less accommodative monetary policy settings, international shares posted a double digit return for the six months to December.

The new calendar year saw significant declines in both equity and bond markets however, with a combination of rising inflation and the Russian invasion of Ukraine leading to expectations of lower growth and higher interest rates. Towards the end of the quarter the focus turned primarily to the inflation outlook and the likely response from central banks around the world. The RBA has hiked rates three times so far this year, while inflation in Australia stood at 6.1% for the year to June.

All of the major asset classes were weaker, with the exception being cash which has benefitted from rising short term rates. The Australian share market closed the year 6.8% lower, outperforming hedged international shares which were 12.3% weaker, as well as listed property markets. A weaker Australian dollar acted as a shock absorber though, with unhedged international shares declining by a comparatively moderate 6.5%. Australian and international bond markets disappointed, declining by 10.5% and 9.3% respectively.

Total Net Return to 30 June 2022*			
	6 months	1 year	3 years p.a.
Cash Common Fund No.2	0.10%	0.03%	0.24%
inveST International Equity Fund	-16.23%	-9.68%	5.94%
inveST Property Fund	-21.84%	-11.76%	-2.50%
inveST Diversified Income Fund	-10.33%	-11.37%	-3.25%
inveST Balanced Fund	-13.36%	-9.82%	1.79%
inveST Australian Equity Fund	-10.76%	-7.19%	2.43%

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.

Distribution returns were higher than normal for the June quarter as a result of a relatively high level of capital gains being realised through the course of the year and distributed as part of the June distribution period.

## Looking ahead

While the conflict in Ukraine and rising inflation have added to uncertainty in equity and bond markets, we would caution against becoming too pessimistic. In the near term portfolios are susceptible to changing expectations of rate hikes both in Australia and in key offshore markets including the United States, as well as adverse geopolitical developments, but looking through to the longer term we believe that markets will ultimately recover. Markets are forward looking and investors have been quick to factor in significant interest rate hikes and lower growth expectations, and while this has meant weakness in the short term, we continue to believe that patient investors will be rewarded in the long term.

You should consider the appropriateness of the above information in light of your particular objectives, financial situation or needs before making any decision regarding your own investments, as we have not taken into account those objectives, your particular situation or needs in preparing this information.