Investment report

Market overview

As at 24 February 2025

Equity markets started the new year on a positive note in January, with the MSCI All Country World Index (ACWI) rising over 3% in the month supported by solid gains in the United States (US) and European markets, while the Australian share market also advanced strongly.

Strength in the US

The outlook continues to be supported by resilience in the US, with the economy expanding at a 2.3% quarterly annualised rate in the December 2024 quarter. While slower than previous quarters, it was nonetheless another healthy quarter of growth, with ongoing strength in the labour market driving further solid gains in consumer spending.

The positive growth backdrop has complicated the picture for the US Federal Reserve (the Fed), which decided to keep interest rates on hold in January, following 100 basis points of rate cuts in the last three meetings of 2024. With core inflation having settled a little above target in the US, the Fed is not in any hurry to cut rates further, with Chair Jerome Powell noting that they would have to see real further progress on inflation or weakness in the labour market before proceeding with further cuts.

Outside the US…

By contrast, central banks in the Euro area, UK, Canada and New Zealand have continued their rate cutting cycles, reflecting much weaker economic conditions. Adding to the soft growth backdrop in these countries is continued geopolitical uncertainty, particularly following the election of US President Donald Trump, whose inauguration in January has been followed by a flurry of policy announcements including potential tariff measures.

These included tariffs of 25% on imports into the US from Canada and Mexico, which had the potential to weigh significantly on growth in Canada and Mexico and raise prices in the US. Within days, President Trump announced that a delay to the tariffs had been agreed in return for promises to strengthen borders, which will likely allow negotiations to continue. In the meantime, the US has gone ahead with a 10% tariff on all goods imports from China, and announced plans to raise tariffs on aluminium and steel imports to 25% which will hit major trading partners such as the EU, Canada, Mexico, South Korea and Japan. President Trump has also stated that further tariffs against the EU are planned, and that widespread reciprocal tariffs against other countries will be explored.

And in Australia…

In Australia, the Reserve Bank of Australia (RBA) lowered the cash rate by 25 basis points in February as had been widely anticipated. Yet the post-meeting statements and commentary from Governor Michele Bullock suggested that the decision had been much closer than implied by market expectations, with the messaging striking a decidedly hawkish tone. The RBA's revised forecasts revealed that no material loosening in the labour market was expected and that underlying inflation would remain slightly above the 2.5% midpoint of the target range if the RBA followed the market's expected path for cash rate cuts going forward. In her press conference following the rate decision, Governor Bullock's guidance made clear that the market was currently expecting too many rate cuts, and that there remain risks both to the upside and downside to the growth and inflation outlooks in Australia.

Monthly performance

Accumulation Options – investment performance as at 31/01/2025

	High Growth	Growth Plus	Growth (MySuper) - Default	Conservative Growth	Conservative	Cash	Australian Shares	Diversified Fixed Interest	Overseas Shares	Indexed Diversified	Property
1 month	2.97%	2.70%	2.40%	1.74%	1.05%	0.36%	4.09%	0.40%	3.56%	2.53%	0.77%
6 months	7.37%	6.74%	6.11%	4.67%	3.24%	2.11%	6.75%	2.43%	12.20%	6.81%	1.25%
FYTD	9.79%	8.89%	8.09%	6.22%	4.42%	2.47%	10.33%	3.62%	16.17%	9.38%	3.50%
1 year	15.52%	13.81%	12.27%	9.36%	6.55%	4.22%	14.41%	4.75%	24.97%	14.48%	3.14%

Returns are based on the crediting rate, which is returns minus investment fees, taxes and until 31 January 2020, the percentage-based administration fee. Excludes fees and costs that are deducted directly from members' accounts. Past performance is not a reliable indicator of future performance.