

# Investment report

## Market overview

### As at 21 July 2025

The 2024-25 financial year was a period marked by geopolitical, economic and market uncertainty. US President Trump's election and tariff escalations, and conflict between Israel and Iran, were just some of the events that contributed to market volatility over the last 12 months.

### Overview

Overall, markets have been remarkably resilient in the face of this uncertainty, with equity markets recording strong gains in most major markets over the financial year. In the US, the S&P 500 index rose 13.6% in 2024-25, with a gain of 10.6% in the June 2025 quarter despite the initial selloff in early April following President Trump's "Liberation Day" tariff announcements.

Equity markets in Germany and China also saw strong growth with central governments turning to greater fiscal support for their economies, while in Australia the S&P/ASX 200 index rose 10%.

### What has helped markets?

Aiding equity markets has been continued positive economic growth across most of the global economy. While growth momentum has been somewhat mixed across major economies, and global growth in aggregate has eased a little from the year before, the global economy has nonetheless held up well overall, particularly given the potential risks that have arisen along the way.

Accompanying this resilient growth has been further moderation in inflation and importantly, lowering of central bank interest rates in most advanced economies. The fall in central bank rates has also contributed to a decline in 10-year government bond yields in the US and Australia, though perhaps by not as much as would be expected, with concerns over the fiscal outlooks of many major governments appearing to raise the term premia on these bonds (reflecting higher perceived risk of holding these government debt instruments), which put some upward pressure on yields. Indeed, both Germany and the United Kingdom ended the year with higher yields on their 10-year government bonds despite their central banks cutting rates multiple times, with markets focusing on the outlooks for budget deficits in these countries.

### The "One Big Beautiful Bill Act" shows the way

This is a dynamic that is likely to continue into the future, and the recent passing of the "One Big Beautiful Bill Act" in the US is a key example. The Act extends President Trump's 2017 tax cuts and introduces some further tax cuts and deductions, alongside some areas of expenditure cuts. While the Act will provide some support to growth, particularly over the next two to three years, it would also add to the US budget's already stretched fiscal outlook, according to the US Government's independent Congressional Budget Office (CBO). With the US federal deficit already around 6% of gross domestic product (GDP) and the Act likely to add to that, there are some concerns over the trajectory of deficits and amount of bonds the US government will need to issue to fund them.

### But on the other hand...

In contrast to fiscal support are the potential headwinds to US and global growth from US tariff increases. A series of delays and deals mean that current US tariffs are not as high as what had been first announced on April's "Liberation Day". On the other hand, current US tariff levels are now much higher than the beginning of the year, which alongside the high uncertainty sparked by ever-changing tariff policy, could weigh on economic growth going forward. If the current tariff levels are kept in place permanently, the revenue

collected could help offset a large amount (though likely not all) of the increase to deficits from the One Big Beautiful Bill Act. However, the combined economic impact of the Act and the tariffs are likely to fall unevenly across US taxpayers, adding to the uncertainty in assessing the total effect of these two major policy changes.

### **How were things in Australia?**

While Australia faces only a modest direct effect from US tariffs, its trade linkages to other major US trading partners, particularly China, still leave it somewhat exposed to adverse growth effects. Fortunately, a continued moderation in underlying inflation has allowed the Reserve Bank of Australia (RBA) to begin lowering interest rates, and further rate cuts are likely if growth shows any further signs of weakness.

### **Outlook**

Overall, the global economy looks set to continue growing positively over the coming year, with the effects of US tariff increases alone unlikely to push the US or global economies into recession, particularly with the level of fiscal support in a number of major economies. However, tariffs and general uncertainty could still cause some slowdown in growth momentum, which may pose a risk to the outlook for corporate earnings and equity valuations.

More broadly, uncertainty appears likely to remain a key feature of the global economy going forward, and this will continue to test the resilience of financial markets.

## Investment performance

### Accumulation investment options as at 30 June 2025

	High Growth	Growth Plus	Growth (MySuper) - Default	Conservative Growth	Conservative	Cash	Australian Shares	Diversified Fixed Interest	Overseas Shares	Indexed Diversified	Property
<b>1 month</b>	1.87%	1.83%	1.64%	1.37%	1.02%	0.36%	1.45%	0.73%	2.26%	1.83%	0.29%
<b>FYTD</b>	11.80%	11.09%	10.29%	8.48%	6.59%	4.18%	11.26%	5.92%	17.81%	11.68%	5.08%
<b>1 year</b>	11.80%	11.09%	10.29%	8.48%	6.59%	4.18%	11.26%	5.92%	17.81%	11.68%	5.08%
<b>3 years p.a.</b>	11.74%	10.40%	9.19%	7.32%	5.45%	3.69%	12.50%	4.10%	17.41%	11.48%	0.43%

*The crediting rate is based on investment returns minus investment fees and costs, transaction costs and investment-related taxes. Excludes fees and costs that are deducted directly from members' accounts. Past performance is not a reliable indicator of future performance.*