

TODAY'S TOPIC

Investment Showcase: Investing in Equities

Thank you for joining us.
We will commence shortly.





“TelstraSuper acknowledges the
Traditional Custodians of the lands
throughout Australia.
We pay respect to Elders past and present.”

Acknowledgement of Country

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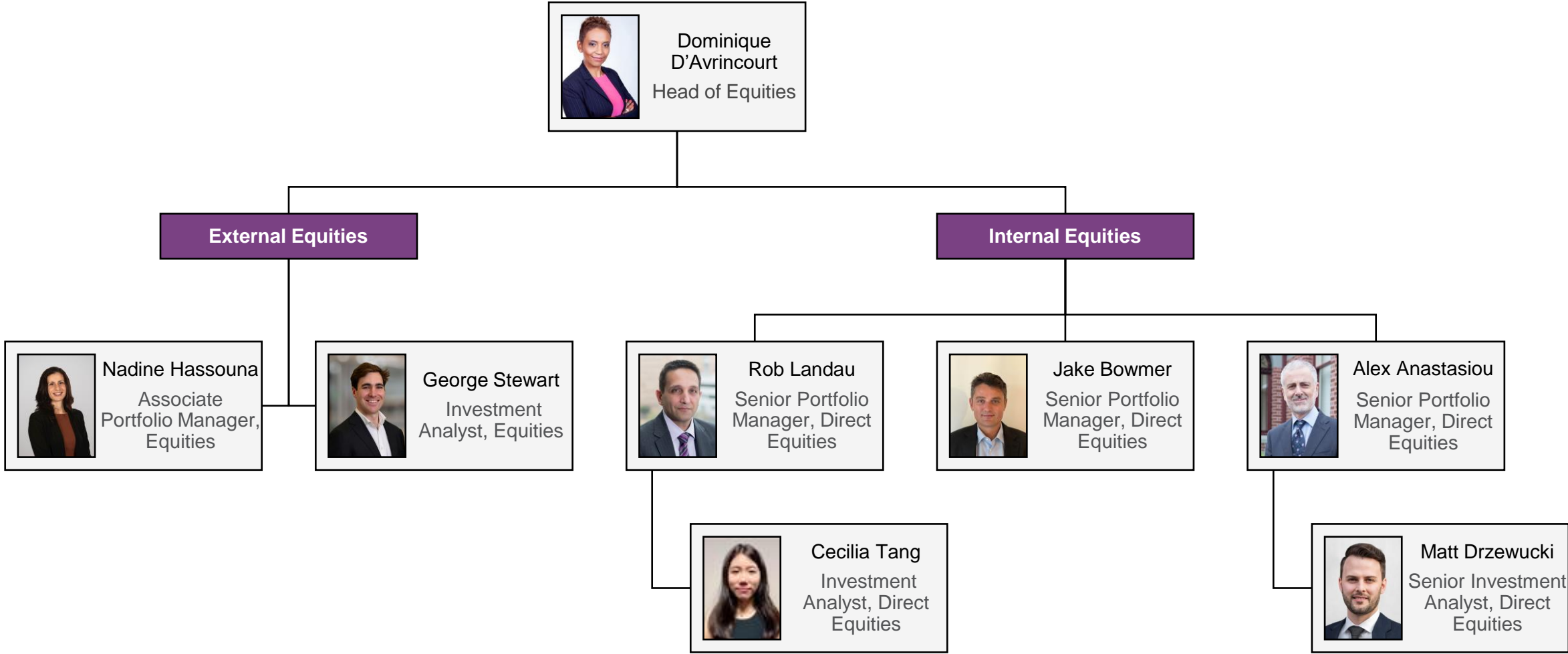
Please refer to [Awards | TelstraSuper](#) to see further information on our awards from both third-party rating agencies and industry peers that recognise TelstraSuper's achievements in each of the nominated areas.

Equities team and investments

Dominique D'Avrincourt
Head of Equities

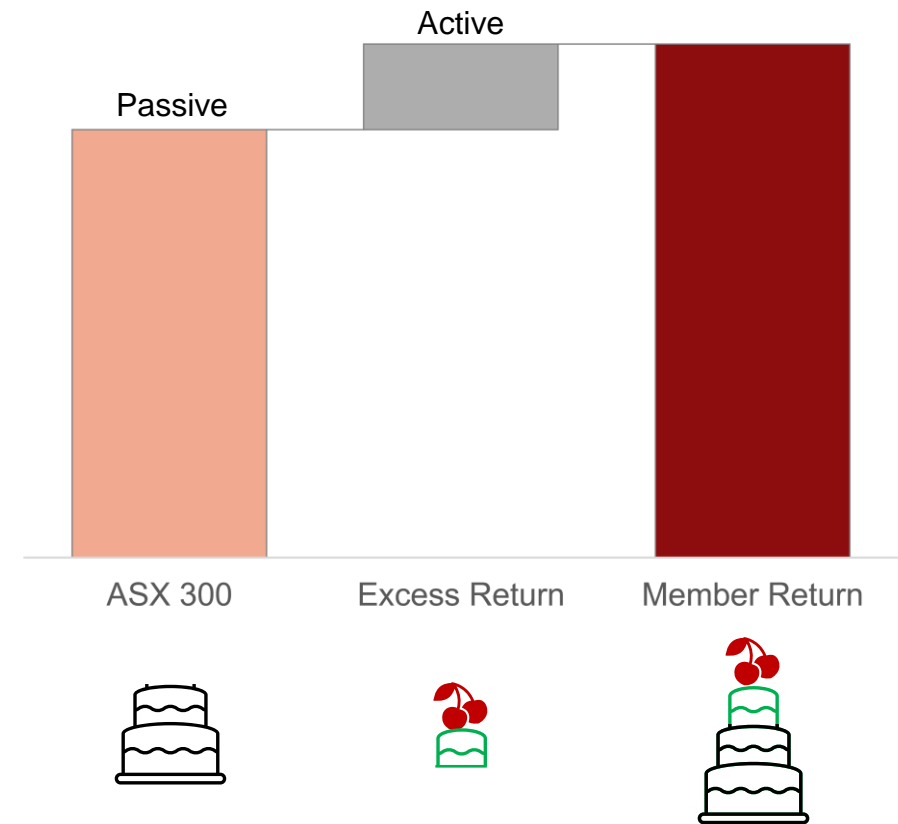


TelstraSuper's Equities Team



The role of Equities in your portfolio

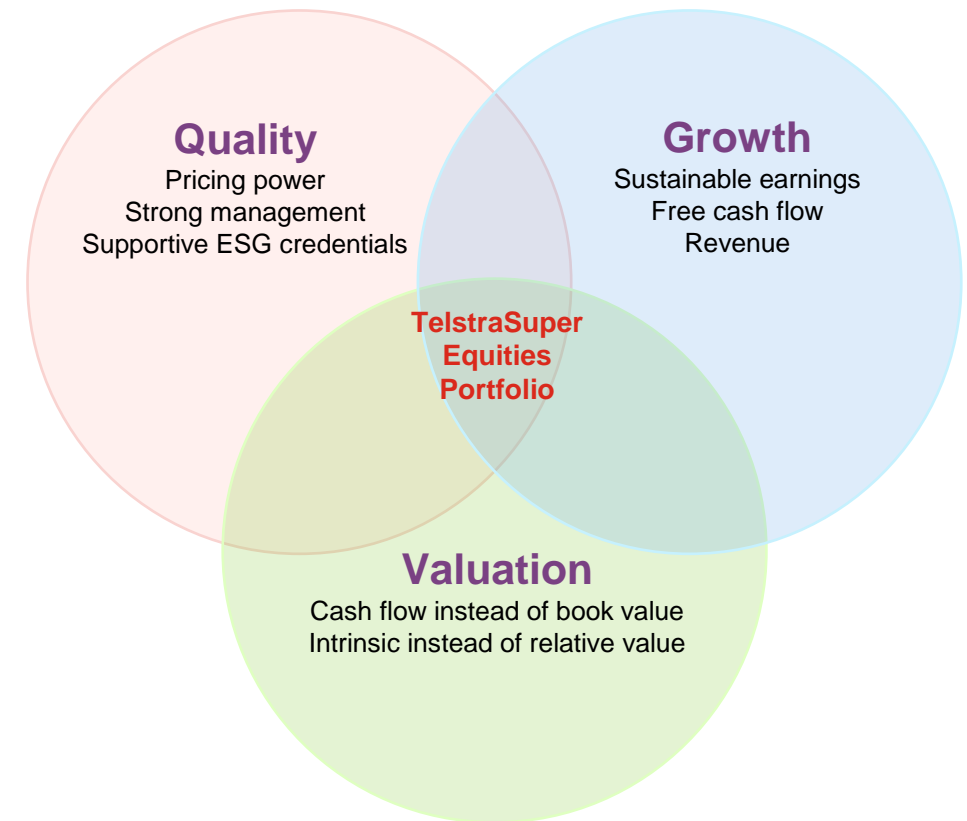
- The role of listed equities is to harvest the equity risk premium, provide liquidity as required, and help TelstraSuper achieve its broad objectives for members by generating excess returns via active management.
- Listed equities are considered “growth” investments in an asset allocation context and their high expected return and liquidity profile means they represent a significant portion of each diversified Option.
- The Australian equities and International equities portfolios invest in a broadly diversified universe of companies listed on the local and global exchanges. We invest via a combination of external investment mandates (in both Australian and International Equities) and internal mandates (in Australian Equities only).
- Most super funds, including TelstraSuper, have a significant home bias to Australian equities driven mainly by the expected tax benefits from franking.
- The International equities allocation also provides the Fund with exposure to foreign currency.



Our investment philosophy for Equities



- Our investment philosophy can be described as “forward looking quality with a secular growth bias”. This enables us to capitalise on secular growth opportunities which, we believe, improves our ability to “future proof” our portfolios.
- Portfolio construction is thus naturally skewed towards companies with strong balance sheets and free cash flow, high return on invested capital and high earnings quality.



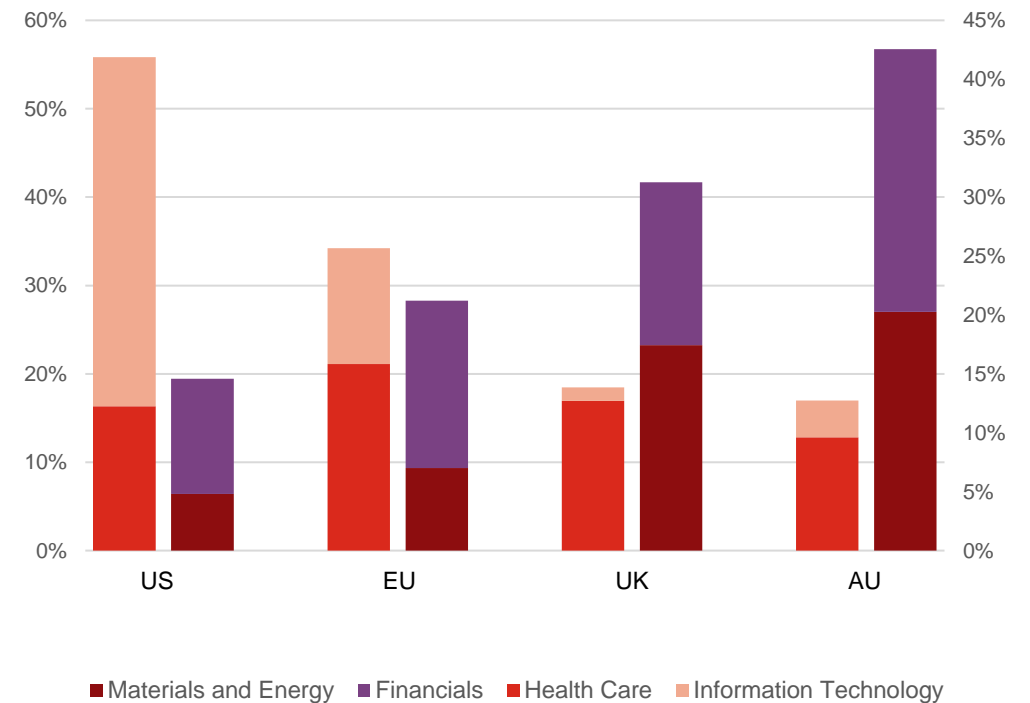
Generally, one can think of the world of fundamental equity investing as two large buckets: One is a group of businesses, typically early in their lifecycles, that require capital. The other, typically more mature, that mostly generate excess capital. [Of course, expanding companies that also generate capital is the sweet spot.] Some refer to these two buckets as “growth” and “value,” but we prefer to measure companies by their cash-generating abilities, rather than what labels others put on them as “price tags.”

*Aristotle Capital Management
July 2023*

Equity markets and their microstructures

- Our total portfolio positioning is differentiated based on the unique characteristics of the underlying markets we invest in. This strategy enables us to capture a somewhat “total portfolio” desired outcome by creating two portfolios (Australian Equities and International Equities) that we expect are likely to provide a diversifying return profile.
- As shown in the chart, the Australian Equities market is concentrated in resources and banks, suggesting a more economically-sensitive bias. We would thus expect the AEQ market to typically perform well in a rising interest rate and inflationary environment.
- In contrast, International equities are geared more towards structural growth/long-duration sectors. Hence, we believe this allows us to adopt a more growth-like investment positioning in this asset class given more clearly identifiable companies driving structural change.
- Nonetheless, regardless of the style of investing, we believe it is important to focus on selecting managers who we think have the best skill to generate alpha regardless of their style.

Growth vs Cyclical



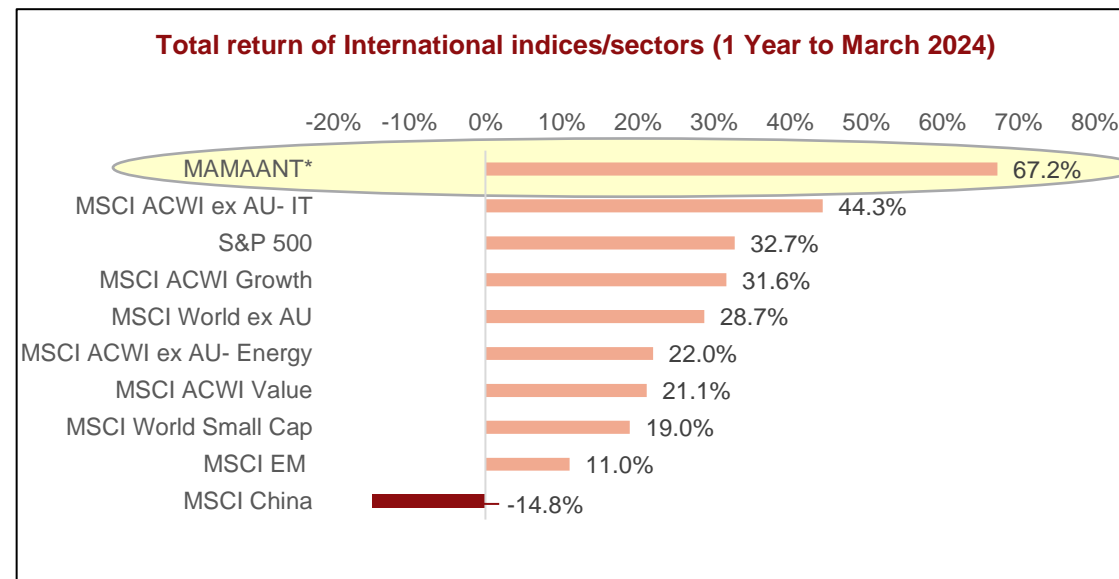
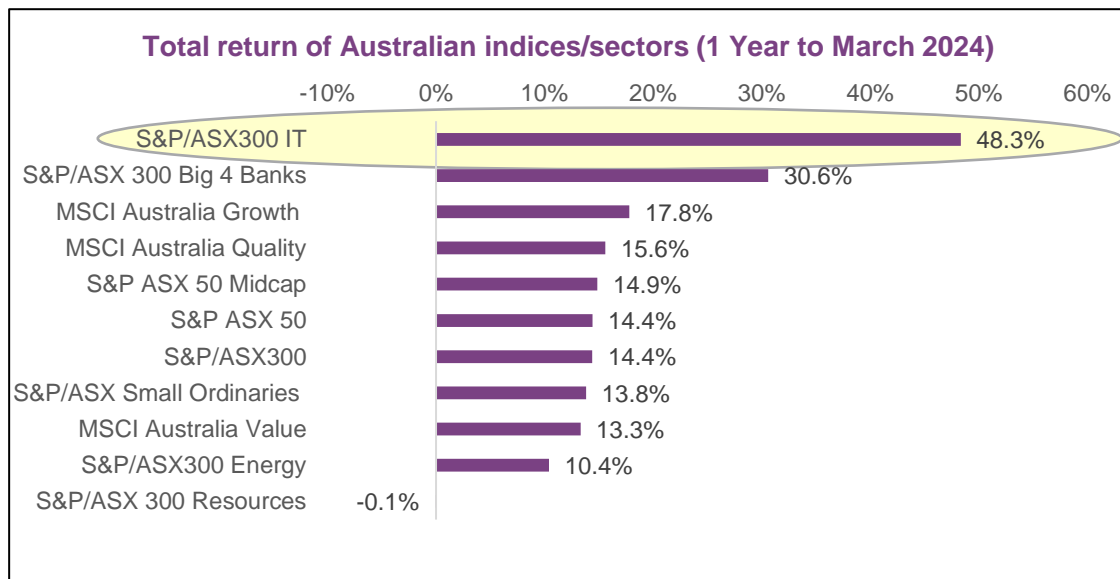
Source: FactSet (March 2024). Financials and Materials & Energy RHS

Source: FactSet (March 2024) Financials and Materials & Energy RHS

Key drivers of equity markets recently



- Both global and domestic equities delivered robust returns in the 12 months to 31 March 2024.
- The banks were best performing sector in Australia. Within global equities, the “Magnificent 7” – Microsoft, Amazon, Meta, Alphabet, Apple, Nvidia and Tesla (MAMAANT) – accounted for most of the Information Technology's return, highlighting the increased narrowness in market leadership.



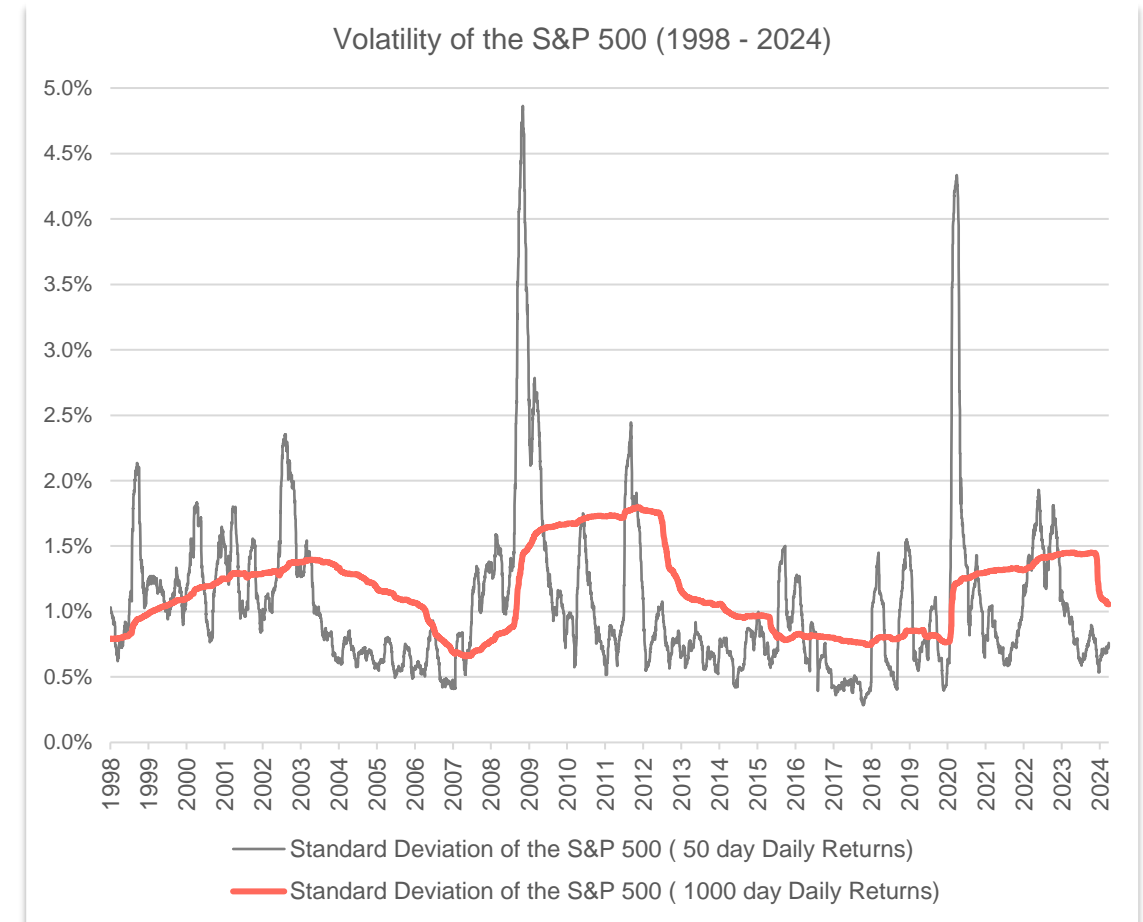
*MAMAANT: (Microsoft, Amazon, Meta, Alphabet, Apple, Nvidia and Tesla)

Source: TelstraSuper, FactSet as of 29 March 2024

Past performance is not a reliable indicator of future returns

Active management is a long-term game

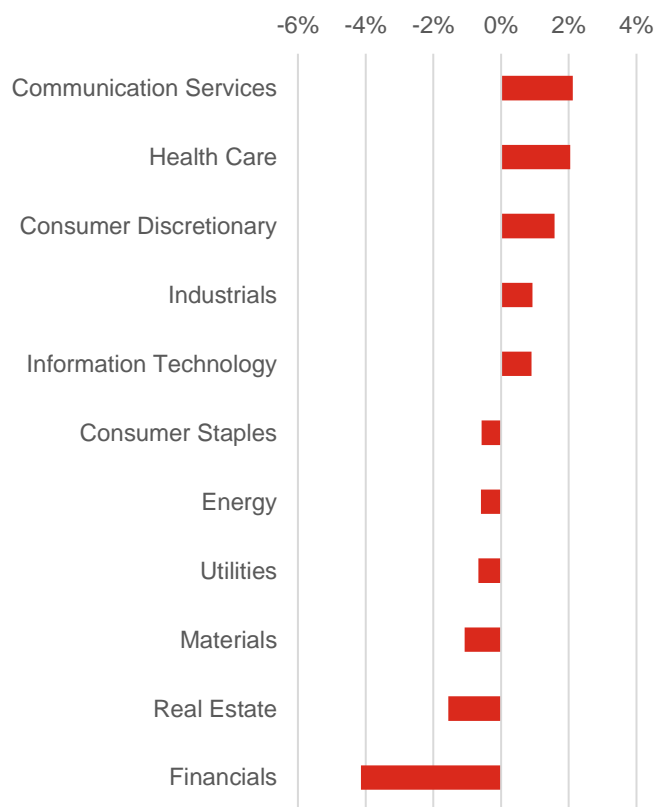
- Markets are likely to remain volatile and the potential for cyclical events such as geopolitical and trade tensions may continue to impact a normal distribution of returns.
- Amid this backdrop, we believe the following is very important:
 - ❖ Do you have the appropriate stocks and managers? – Selecting the appropriate stocks and managers is key to ensure they are well placed to navigate the environment.
 - ❖ How do you put all of it together? – We remain comfortable with our portfolio construction and believe it is well positioned to navigate this environment and generate alpha over a medium to longer term horizon as these themes play out.
- Companies whose earnings growth is based on innovation rather than the underlying economic conditions are well positioned to benefit in this environment. Examples include AI beneficiaries, disruptive healthcare and renewable/decarbonisation enablers among others which are dominant themes particularly within our International equities' portfolio.



Companies we invest in Australia



Australian Equities vs S&P/ASX300



20 Largest Overweight Positions vs S&P/ASX300	Portfolio Weight (%)	ASX 300 Weight (%)	Difference (%)
Resmed Inc	1.66	0.00	1.66
REA Group Ltd	1.44	0.41	1.03
ASX SPI 200 (SFE) Jun 24	0.99	0.00	0.99
James Hardie Industries	1.93	1.15	0.78
CSL Limited	6.70	5.95	0.75
Goodman Group	3.17	2.50	0.66
Santos Limited	1.60	1.08	0.52
Mineral Resources Limited	1.03	0.52	0.50
Northern Star Resources Ltd	1.20	0.71	0.49
Steadfast Group Limited	0.76	0.28	0.48
Rio Tinto Limited	2.41	1.93	0.48
Pro Medicus, Ltd.	0.68	0.23	0.45
IRESS Limited	0.51	0.07	0.45
Aristocrat Leisure Limited	1.60	1.18	0.42
Qube Holdings Ltd.	0.68	0.26	0.42
Transurban Group Ltd.	2.15	1.76	0.39
Newmont Corporation	0.38	0.00	0.38
Lottery Corporation Limited	0.84	0.49	0.35
Block, Inc.	0.34	0.00	0.34
Medibank Private Ltd.	0.75	0.44	0.31

20 Largest Underweight Positions vs S&P/ASX300	Portfolio Weight (%)	ASX 300 Weight (%)	Difference (%)
Commonwealth Bank of Australia	6.98	8.62	-1.65
BHP Group Ltd	7.95	9.60	-1.65
Fortescue Ltd	0.61	1.86	-1.25
Westpac Banking Corporation	2.97	3.91	-0.94
ANZ Group Holdings Limited	3.07	3.78	-0.71
Cochlear Limited	0.31	0.95	-0.63
Coles Group Ltd.	0.36	0.97	-0.61
Suncorp Group Limited	0.29	0.89	-0.60
Wesfarmers Limited	2.73	3.32	-0.59
Scentre Group	0.25	0.75	-0.50
Insurance Australia Group Ltd	0.23	0.66	-0.43
Sonic Healthcare Limited	0.20	0.60	-0.40
QBE Insurance Group Limited	0.76	1.16	-0.40
Brambles Limited	0.57	0.96	-0.40
Woodside Energy Group Ltd	2.09	2.48	-0.39
Washington H. Soul Pattinson & Co	0.00	0.35	-0.35
ASX Limited	0.20	0.55	-0.35
National Australia Bank Limited	4.27	4.61	-0.34
APA Group	0.15	0.46	-0.31
Ramsay Health Care Limited	0.14	0.45	-0.30

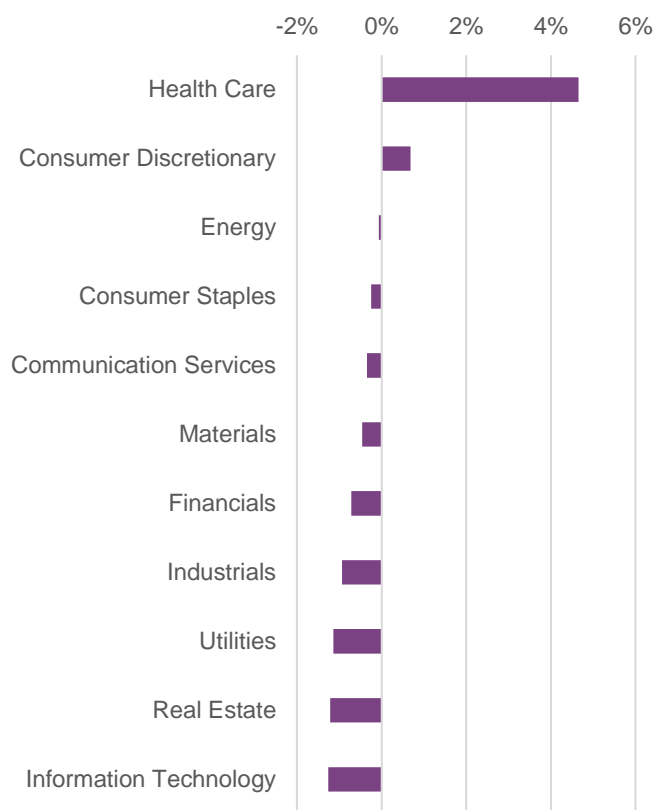
Source: FactSet (March 2024)

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Companies we invest in overseas



International Equities vs MSCI ACWI ex AU



20 Largest Underweight Positions vs MSCI ACWI ex AU	Portfolio Weight (%)	MSCI ACWI ex AU (%)	Difference (%)
Apple Inc.	1.88	3.55	-1.67
NVIDIA Corporation	1.82	3.15	-1.33
Amazon.com, Inc.	1.45	2.37	-0.91
Broadcom Inc.	0.30	0.83	-0.53
Berkshire Hathaway Inc. Class B	0.28	0.78	-0.50
Tesla, Inc.	0.36	0.71	-0.35
Home Depot, Inc.	0.19	0.54	-0.35
Johnson & Johnson	0.19	0.54	-0.35
Eli Lilly and Company	0.56	0.89	-0.33
Merck & Co., Inc.	0.17	0.47	-0.30
AstraZeneca PLC	0.00	0.29	-0.29
Costco Wholesale Corporation	0.16	0.46	-0.29
AbbVie, Inc.	0.16	0.45	-0.29
Salesforce, Inc.	0.15	0.41	-0.26
Bank of America Corp	0.13	0.38	-0.25
Walmart Inc.	0.13	0.38	-0.24
Toyota Motor Corp.	0.14	0.38	-0.24
JPMorgan Chase & Co.	0.58	0.82	-0.24
Walt Disney Company	0.11	0.32	-0.20
Philip Morris International Inc.	0.00	0.20	-0.20

20 Largest Overweight Positions vs MSCI ACWI ex AU	Portfolio Weight (%)	MSCI ACWI ex AU (%)	Difference (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	2.04	0.83	1.20
Samsung Electronics Co., Ltd.	1.13	0.40	0.72
Novo Nordisk A/S Class B	1.23	0.59	0.64
HCA Healthcare Inc	0.72	0.09	0.62
Roche Holding Ltd	0.84	0.25	0.58
Techtronic Industries Co., Ltd.	0.61	0.03	0.58
UnitedHealth Group Incorporated	1.16	0.65	0.51
Lennar Corporation Class A	0.55	0.06	0.49
ING Groep NV	0.53	0.08	0.46
Vanguard FTSE All-World ex-US Index Fund	0.43	0.00	0.43
BNP Paribas S.A. Class A	0.53	0.10	0.42
Cigna Group	0.57	0.15	0.42
TotalEnergies SE	0.62	0.21	0.41
Suncor Energy Inc.	0.46	0.07	0.39
Danaher Corporation	0.64	0.25	0.39
Nestle S.A.	0.78	0.40	0.38
General Dynamics Corporation	0.47	0.09	0.38
Atlassian Corp Class A	0.40	0.04	0.36
Shopify, Inc. Class A	0.35	0.00	0.35

Source: FactSet (March 2024)

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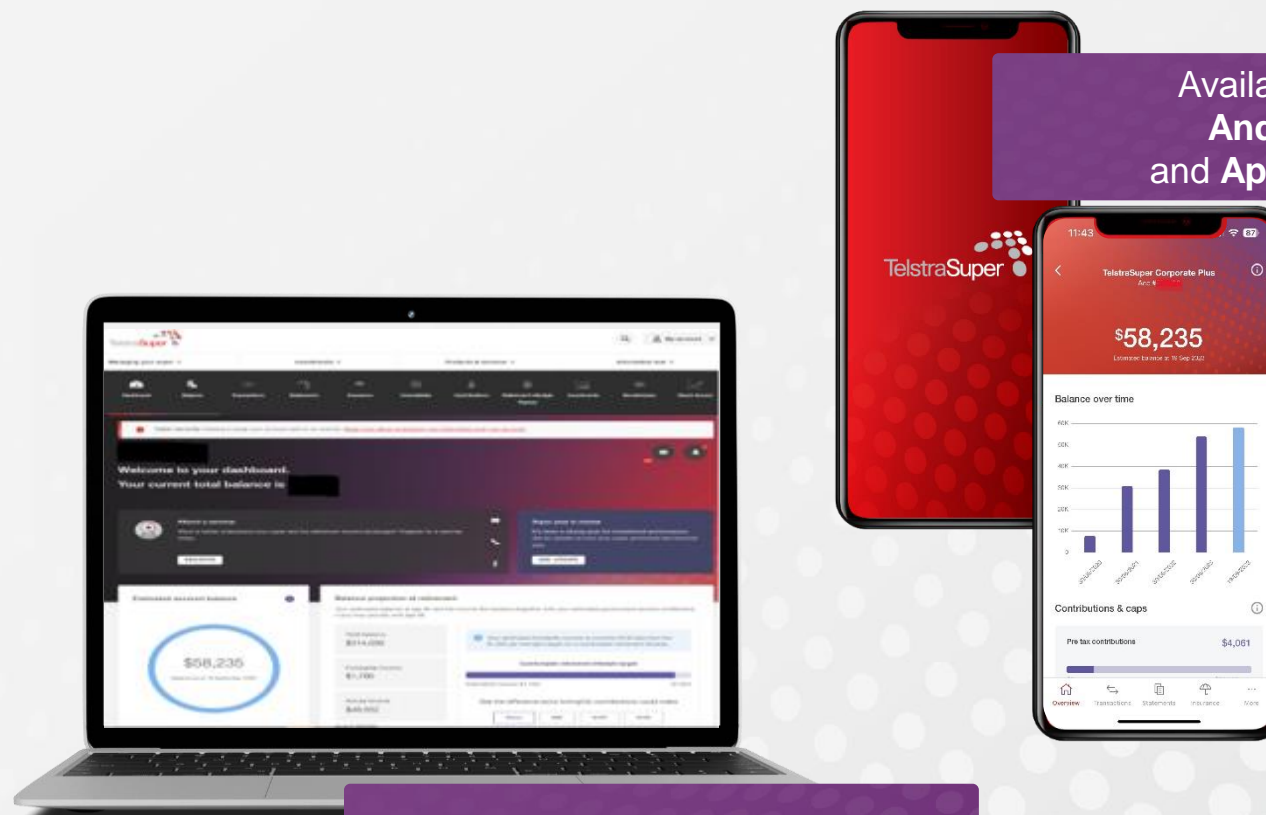
HOW TELSTRASUPER CAN ASSIST



HOW TELSTRASUPER CAN ASSIST

Keeping in touch with your super

- ✓ Update your personal details
- ✓ Provide your personal email address
- ✓ Check your account balance
- ✓ Review your insurance cover
- ✓ View your nominated beneficiaries and make a non-binding nomination
- ✓ Review your investment options and investment returns
- ✓ Keep track of pre-tax contributions against the concessional contribution caps
- ✓ Review benefit statements
- ✓ View latest contributions and transactions



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We're happy to answer your questions



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