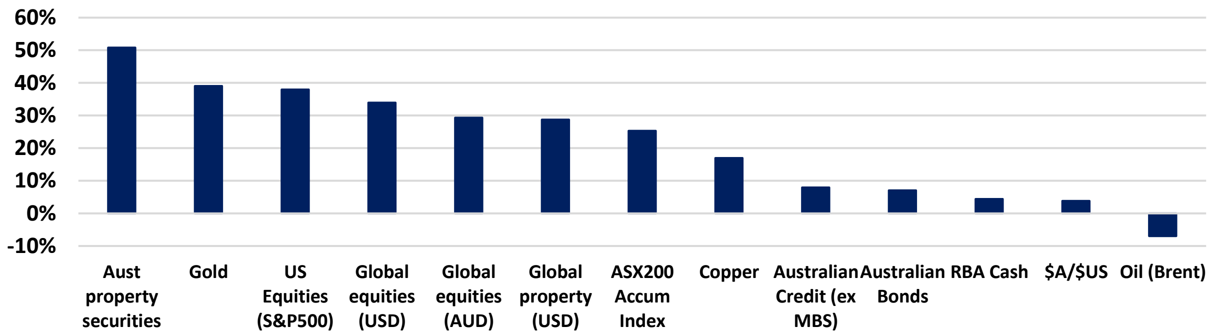
AFLPA PRA FY2024 REVIEW

MARKET SUMMARY

Overall, it was a very positive year for investment markets. Growth assets such as equities led by strength in the US economy and ongoing market leadership of the "Magnificent 7" technology stocks stood out. Equity markets rallied as the odds of a "soft" economic landing scenario increased with ongoing resilience in US consumer demand, solid productivity gains and moderating inflation being supported by interest rate cuts by the US Federal Reserve.

Asset classes - 1 year return to 31 October 2024



Source: Bloomberg, CLSA, Morgan Stanley, UBS

AFLPA PRA PORTFOLIO PERFORMANCE – AS AT 31 OCTOBER 2024

The investment objective of the AFLPA PRA is to maximise the net (after fees and taxes) earnings of the funds at the acceptable level of risk, having regard to protecting the long-term capital value of the investments. The assets of the AFLPA are managed as 4 individual sub funds (Conservative, Balanced, Growth and High Growth) with each of the sub funds having their own individual investment objectives and associated investment strategy. Each of the strategies performed very strongly over the 12 months to 31st October 2024.

	1 Year	3 Year (p.a.)	Since Inception (p.a.)	Inception Date
AFLPA Conservative Option[1,2]	12.7%	3.0%	4.8%	31/08/2012
CPI + 1%[3,4]	3.8%	6.1%	3.7%	
AFLPA Balanced Option[1,2]	16.3%	3.3%	4.8%	31/08/2016
CPI + 2.5%[3,4]	5.3%	7.6%	5.6%	
AFLPA Growth Option[1,2]	17.3%	4.7%	8.3%	31/08/2012
CPI + 4%[3,4]	6.8%	9.1%	6.7%	
AFLPA High Growth Option[1,2]	23.1%	4.8%	8.4%	31/08/2013
CPI + 4.5%[3,4]	7.3%	9.6%	7.2%	

[1]EQT AM commenced management of the AFLPA PRA from 1st May 2022

[2]For periods prior to 1st May 2022, the performance is based on data provided to EQT by previous investment managers

[3]CPI related benchmarks are based off the current AFLPA investment objectives for each strategy

[4]CPI is on a one period lag

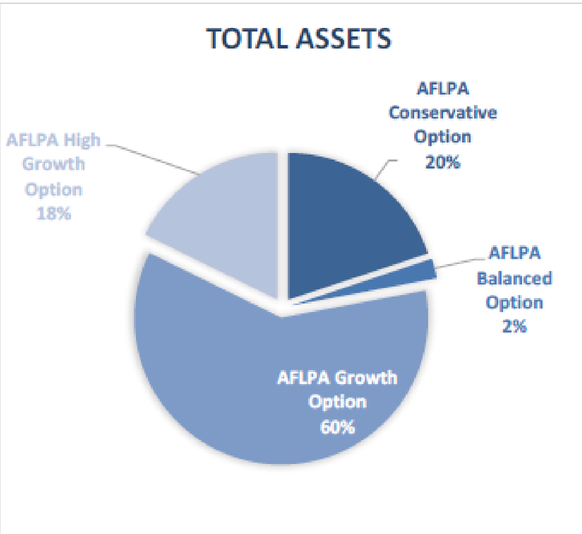
STRATEGIC ASSET ALLOCATION

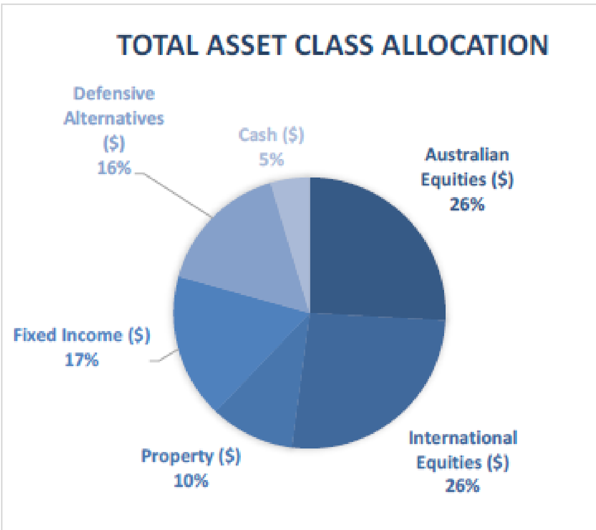
The table below shows the strategic asset allocation or split of different asset classes for each investment strategy option. For more information on the strategy objectives and risk profile please review the AFLPA PRA handbook.

AFLPA PRA Investment Options (% split)				
Asset Class	Conservative	Balanced	Growth	High Growth
Australian Equities	10	20	30	40
International Equities	10	20	30	40
Property	10	10	10	10
Growth Alternatives	0	0	0	0
Total Growth Assets	*30*	*50*	*70*	*90*
Fixed Income	30	25	15	6
Defensive Alternatives	30	20	12.5	4
Cash	10	5	2.5	0
Total Defensive Assets	*70*	*50*	*30*	*10*
Total Assets	100	100	100	100

HOW THE OVERALL AFLPA PRA ASSETS ARE SPLIT

As at 31/10/2024, 60% of member funds were held in the Growth Strategy, 20% invested in Conservative, 18% in High Growth and 2% in Balanced. Once all assets of the different strategies are combined the AFLPA PRA member assets are well diversified across the six asset classes with the greatest exposure held in International and Australian equities (26% each).





Source: EQT

OUTLOOK AND STRATEGY FOR 2025

Global economic growth should remain reasonably robust, albeit slightly below trend. We expect US economic growth to slow but remain resilient supported by President Trump's pro-growth agenda and interest rate cuts. However the new policies are likely to be inflationary which may see the US Federal Reserve cut interest rates only twice in 2025 (ie a shallower cutting cycle than some previously thought). Trump 2.0 policies are likely to be market friendly overall, it will also arguably be a period of greater policy volatility and uncertainty.

Concerns about higher inflation has led to higher bond yields which will remain a cap to US equities in the face of unchanged or lower growth expectations. Equity markets have performed very well over the last two years, but are now trading at expensive levels.

US equity market earnings growth should remain supported in the near term by ongoing strength in Mega-technology company earnings and a broadening of growth in the market as interest rate cuts feed through the economy. Earnings growth for the Australian equity market in CY25 is forecast to rise ~4% on CY24 as interest rate cuts support economic growth, however the impact on Chinese economic growth from potential trade tariffs remains uncertain.

Our current tactical asset allocation views are to hold a modest underweight to growth assets offset by a modest overweight in defensive assets.

Equities (Shares) – we remain modestly underweight equity markets as we believe the market is pricing in an already optimistic view of the path ahead. Elevated valuations leave little scope for adverse surprise or disappointment. The relative valuation appeal to bonds is also not as attractive as it has been in recent years.

Property Securities (REITS) – Real Estate Investment Trust (REITs) valuations and consumer spending should be supported as we move into a rate cutting cycle. Unlisted property valuations appear to have bottomed but listed prices have run ahead leading to likely moderate gains.

Fixed Income (Bonds) – We believe the outlook for Fixed Income returns looks reasonable as yields are at more sustainable levels and provide a degree of income support and diversification. We see bonds as slightly cheap and offering improved income returns. At current bond yields we believe fixed income can deliver a 4.75% total return over the next 12 months with a range of returns between 2.5% to 7.5%.

Credit – The running yield on listed credit is currently quite reasonable. The asset class is supported by broadly supportive economic conditions and relatively conservative corporate gearing. Investor interest remains supportive for new issuances.

Global Listed Infrastructure – There are pockets of value in the global listed infrastructure space. Higher inflation should support cashflows for many infrastructure assets, however higher interest rates may be a constraint to valuation. Active stock selection, strong industry positions and defensive qualities will remain key.

Cash – Returns from Cash have been steady. Assuming the RBA target cash rate averages 4% next year, we can expect the EQT Cash Management Fund to deliver an average gross return of circa. 4.5%. Should the economy weaken considerably, then cash offers strong defensive characteristics.

How do I see the value of my account?

Members can login to the AFL Player's Association Player Retirement Account portal to view your account, access the PRA Handbook, utilise the AFLPA PRA calculator and read market updates. Simply click here.

Equity Trustees and the AFLPA encourage members to seek advice from a qualified financial adviser to determine what, if any, investment options a member may be entitled to choose are appropriate to a member's individual circumstances.