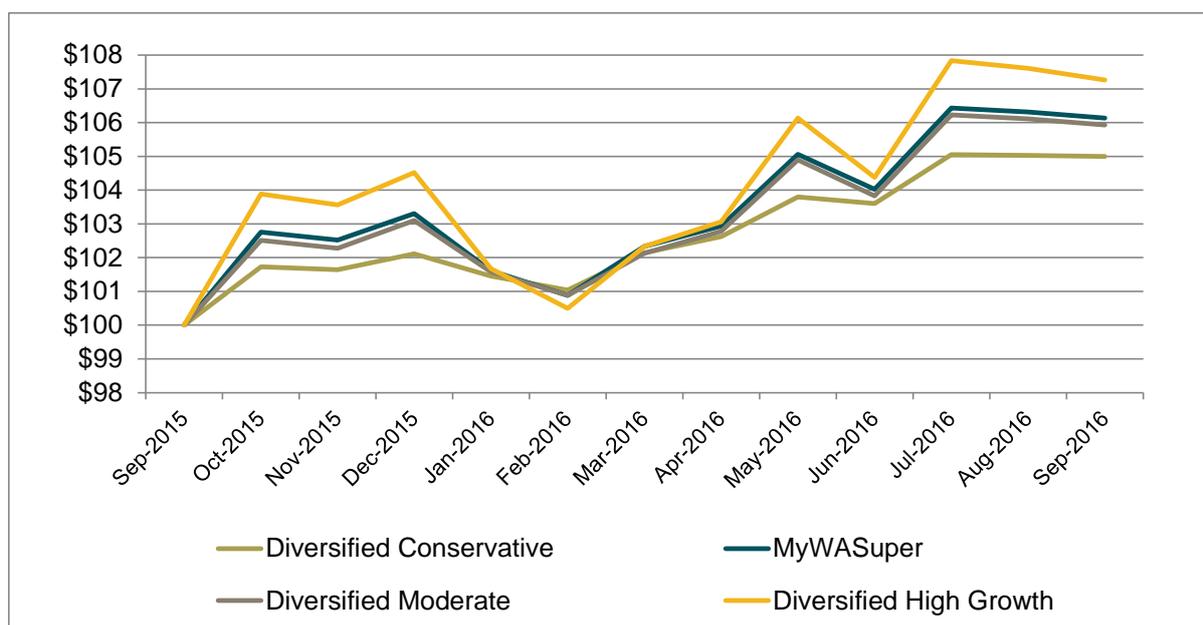


INVESTMENT UPDATE SEPTEMBER QUARTER 2016

- » Growth asset classes had a volatile, up-and-down quarter. Australian shares grew by 5.21% over the quarter on the strength of a strong July, followed by two months of negative or flat earnings.
- » Low interest rates continue to be a global concern. Developed market bond yields hit all-time lows in July. German government bond yields falling to -19 basis points at one point, among other events, led to a new round of speculation that yields have reached a low.
- » The flip side of falling interest rates is that defensive asset classes also delivered strong returns over the quarter at the same time as growth assets performed well - Australian bonds returned 0.94%.

Chart 1: WA Super Diversified Investment Options – Growth of \$100



Source: WA Super

The MyWASuper option and the other diversified options are pre-mixed investment options where WA Super has chosen the asset allocation based on the return objective and appetite for risk. These options are automatically rebalanced and regularly reviewed.

- » The Diversified Conservative option (4.98%) has delivered the lowest return over the last year due to its higher allocation to defensive assets. The Conservative option performed its principal objective of providing lower volatility than the higher risk options while still delivering a strong return over the quarter
- » The MyWASuper option (6.16%) and the Diversified Moderate option (5.93%) were positive performers for the past year with balanced allocations to defensive and growth assets. Both options were also positive (2.02%) for the quarter
- » The Diversified High Growth option (7.43%) led the other diversified options over the last year due to its higher exposure to growth assets. It was also the best performer over the September quarter (2.77%) as growth assets had a very strong July.

Chart 2: Asset Class Index Performance – Quarter and Year to September 2016



Source: Bloomberg

September Quarter Insights

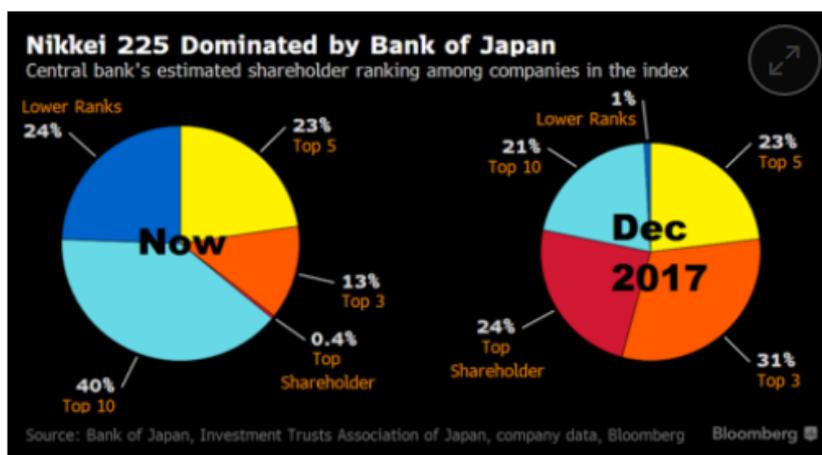
- The Bank of Japan (BOJ) has embarked on an extraordinary buying spree, even by the standards of the age of quantitative easing. The BOJ is on course to become the number one shareholder in 55 of the firms listed on the Nikkei 225 by the end of 2017

- Interest rates, both government and corporate, continue to push down to new lows. In September, both French and German companies sold bonds with negative yields to maturity – the net effect being that these companies are actually being paid to borrow

- Theresa May, Prime Minister of the United Kingdom, has promised to begin the formal process of exiting the European Union by March of 2017. Much of the long term impact will depend on whether Britain opts for a “hard” or “soft” Brexit, which remains to be seen

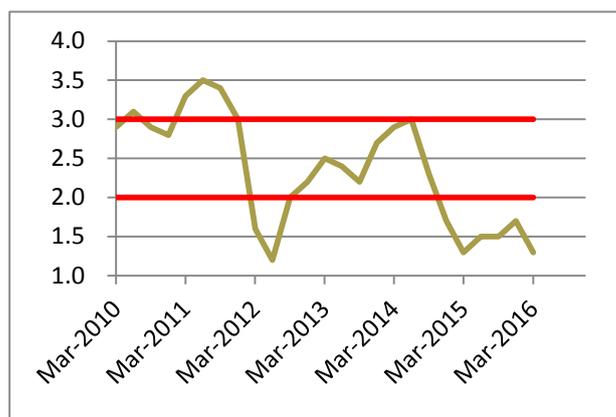
- The Reserve Bank of Australia (RBA) lowered the cash rate 0.25% to 1.50% in August. The RBA judged at the time that prospects for sustainable growth in the economy, with inflation returning to target over time, would be improved by easing monetary policy

Chart 3: BOJ Share Ownership



Source: Bloomberg

Chart 4: Australian Consumer Price Inflation



Source: Reserve Bank of Australia (RBA)

The information provided is of general nature only. It has not been prepared taking into account your particular investment objectives, financial situation and particular needs. You should assess whether any advice is appropriate to your individual investment objectives, financial situation and particular needs before making any decision. You should also consider seeking the assistance of a professional adviser. Investment markets can fall as well as rise, so you shouldn't rely on past performances as a guarantee of what future performance may be.