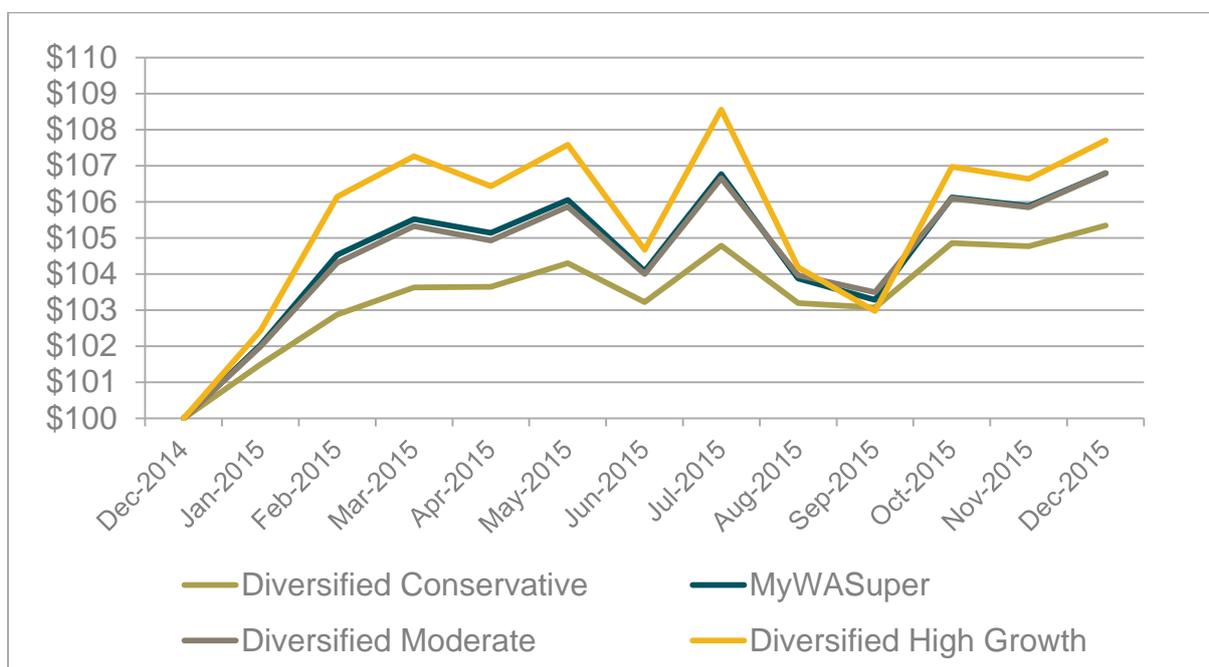


INVESTMENT UPDATE DECEMBER QUARTER 2015

- » Growth asset classes rebounded in the December quarter after the volatility of the previous quarter. Global shares gained 6.2% in local currency terms, although the unhedged return in Australian dollars was 1.7% after accounting currency appreciation over the quarter. Emerging Market countries fell 2.8% as they were affected by slower Chinese growth and falling commodity prices, but despite this Australian shares gained 6.5% for the quarter driven by non-commodity sectors.
- » Active managers appointed to the Australian Equities sector positively contributed to the annual return of the diversified options as their strategies outperformed during volatile markets in 2015.
- » Defensive asset classes did not keep pace with growth assets over the quarter; global bonds returned 0.6% while Australian bonds declined by 0.25% as bond yields rose (and therefore bond prices fell) after much stronger than expected labour market data released over the quarter.

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

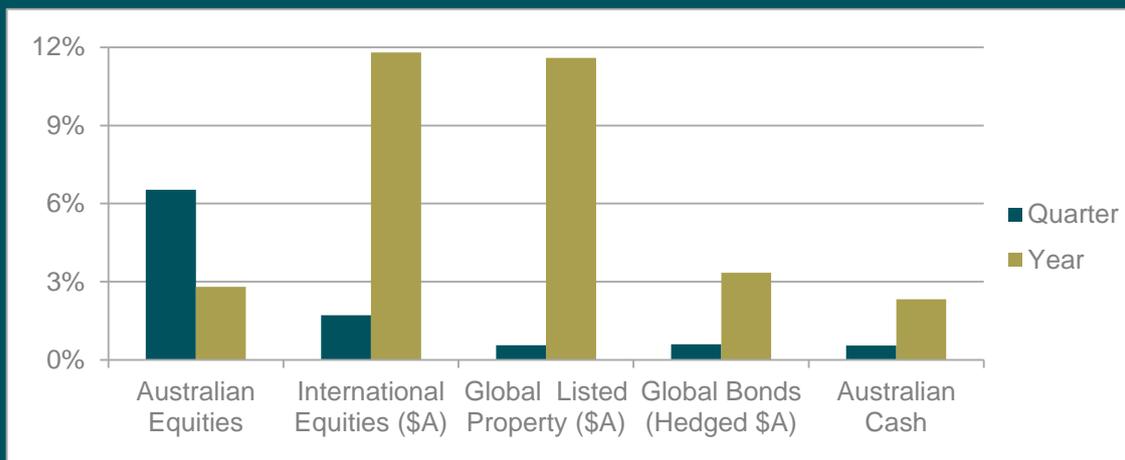


Source: WA Super

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 High Growth option (7.6%) has delivered the highest return over the past 12 months due to its higher allocation to growth assets, in particular shares which performed well in the first quarter of 2015. The Diversified High Growth option was also the best performer for the December quarter (4.5%) as growth assets rebounded.
- » The MyWASuper option (6.7%) and the Diversified Moderate option (6.7%) were also strong performers for the past year with higher allocations to growth assets than defensive assets.
- » The Diversified Conservative option (5.2%) performed well but lagged the stronger performances of the investment options with higher exposure to growth assets. However, it was the best performer over the September quarter as its allocation to defensive assets performed their role of cushioning this option from growth asset downturns.

Chart 2: Asset Class Index Performance – Quarter and Year to December 2015

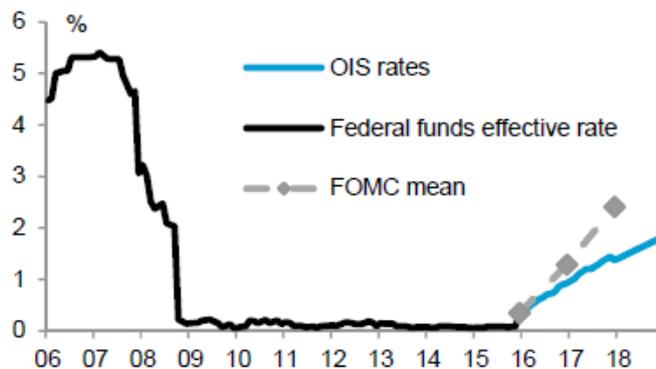


Source: Bloomberg

December Quarter Insights

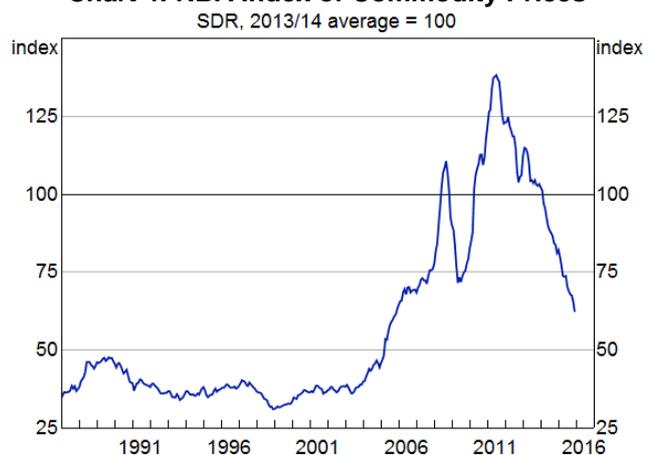
- Moderate global economic growth is expected in the medium term as recovering developed economies such as the US, Germany and the UK are offset by slower growth in the rest of the Eurozone, Japan, China and other parts of the emerging world.
- The US Federal Reserve (The Fed) finally began normalisation of monetary policy in December by raising the Fed Funds target rate from 0-0.25% to 0.25-0.5%. The Fed’s forecasts imply four interest rate hikes over 2016 (FOMC), whilst the market (OIS) is expecting a more gradual tightening pace (Chart 3).
- Commodity prices continued the downward trend of 2015 (Chart 4). OPEC refused to cut oil production despite higher US shale oil output, which resulted in excess supply and oil prices below \$40/barrel by year end. Bulk commodities also saw price declines as slower Chinese demand growth combined with elevated supply.
- The policy challenges of rebalancing China’s economy away from a fixed asset investment-led growth model to more reliance on consumption remains a key risk to the fragile global recovery.

Chart 3: Fed Funds Interest Rate Expectations



Source: Bloomberg, Thomson Reuters, Willis Towers Watson

Chart 4: RBA Index of Commodity Prices



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.