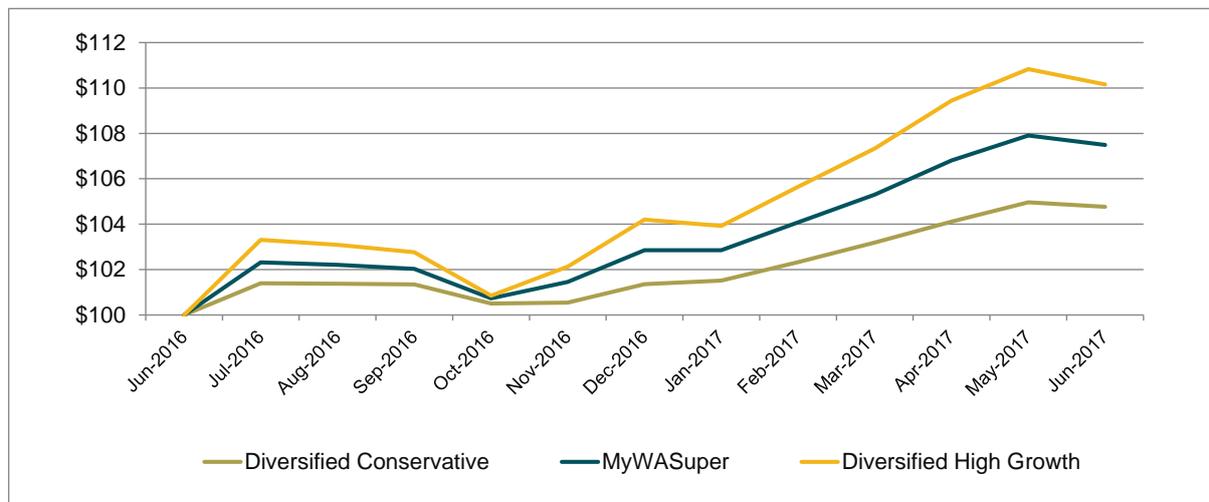


## INVESTMENT UPDATE JUNE QUARTER 2017

- » With the exception of domestic shares, growth asset classes had a strong quarter. Global shares, Property and other alternative growth investments all posted gains in excess of 2% over the quarter
- » Despite a sharp sell-off towards the end of June, bonds posted a second straight quarter of gains, rising 1.37% in the quarter.
- » Interest rates fluctuated significantly this quarter. Rates on 10-year US Treasury notes reached a post-election low in mid-June of 2.14% before rising sharply to 2.31% by the end of the month.

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

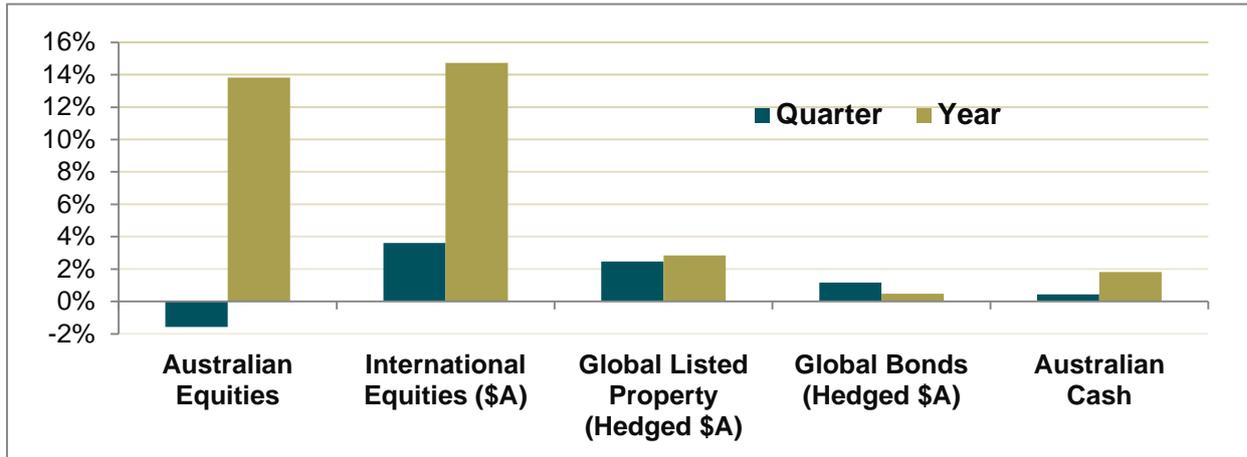


Source: WA Super

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 (4.75%) has delivered the lowest return over the last year due to its higher allocation to defensive assets. This option performed its principal objective of providing lower volatility than the higher risk options while still delivering a reasonable return over the previous 12 months
- » The MyWASuper option (7.48%) was a positive performer for the past year with balanced allocations to defensive and growth assets. This option also provided strong growth (2.38%) for the quarter
- » The Diversified High Growth option (10.17%) 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 June quarter (2.62%)
- » All of the Diversified Options have exceeded their CPI-linked return targets over the past year and quarter.

**Chart 2: Asset Class Index Performance – Quarter and Year to June 2017**



Source: BlackRock

**June Quarter Insights**

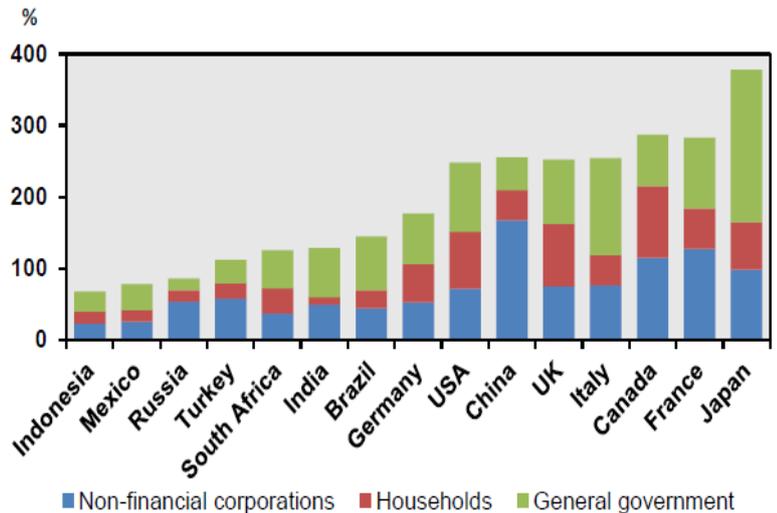
- Despite signalling from central banks that monetary policy may begin to tighten, easy credit policies continue to encourage the expansion of debt for businesses, households and governments. Corporate debt in the US relative to GDP has reached an all-time high, while in both the US and the UK consumer credit has hit all-time highs relative to disposable income.

- The continued use of quantitative easing policies by central banks has kept interest rates at historic lows in most developed countries. This trend is most apparent among EU and Eurozone members, where nine countries have more than 60% of their stock of bonds trading at negative yields. As of the end of June, the Eurozone stock of Government bonds with negative yields totalled around \$2.5 trillion USD.

- The chances of an orderly exit from the EU for Britain look increasingly unlikely. The political situation became more complex this quarter, with the governing Conservative party losing their majority in a surprise election result on June 8<sup>th</sup>.

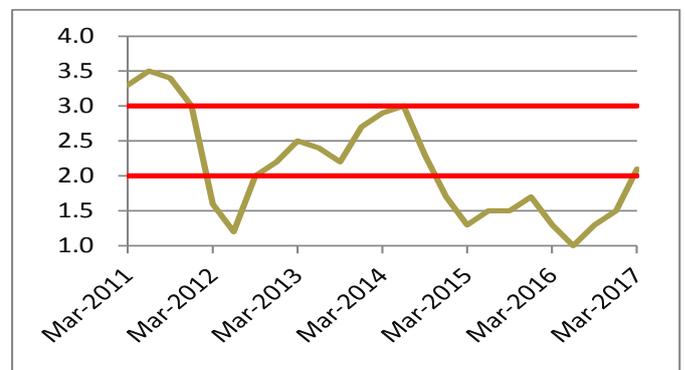
- The RBA left the cash rate unchanged at 1.50% over the quarter, noting that developments in the labour and housing markets continue to warrant careful monitoring.

**Chart 3: Debt by Borrower as a % of GDP**



Source: OECD Economic Surveys

**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.