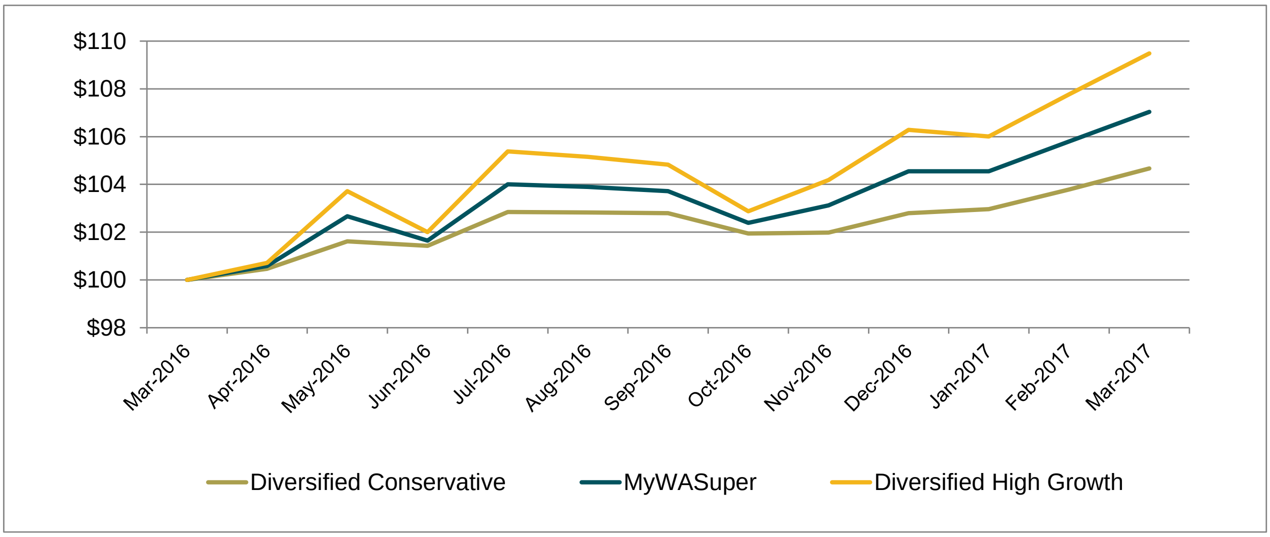
INVESTMENT UPDATE
MARCH QUARTER 2017

» Growth asset classes had a strong quarter. Domestic and global shares, property and other alternative growth investments all posted gains in excess of 1.5% over the quarter

» After coming under pressure from rising interest rates at the end of last year, bonds performed well this quarter, gaining 1.79%.

» After spiking sharply in November of last year, interest rates have remained relatively flat over the quarter. US 10 Year Treasury rates moved from 2.45% at the end of December to 2.40% at the end of March.

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 (4.66%) has delivered the lowest return over the last year due to its higher allocation to defensive assets. This option delivered on 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 (7.04%) was a positive performer for the past year with balanced allocations to defensive and growth assets. This option also provided solid growth (2.38%) for the quarter

» The Diversified High Growth option (9.50%) 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 March quarter (3.01%)

» 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 March 2017

Source: Bloomberg

March Quarter Insights

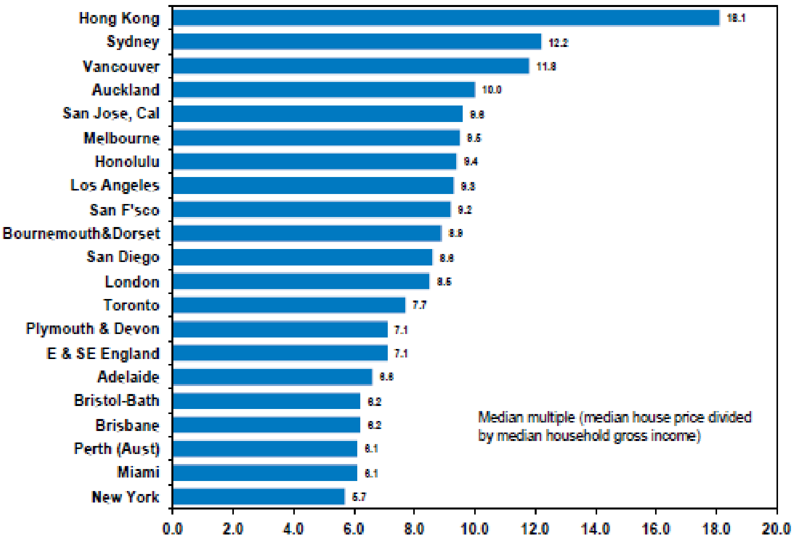
- Easy credit policies, encouraged until recently by central bankers, have fuelled an expansion of household debt which has led, in many developed countries, to rapidly increasing house prices. In many markets, prices and debt levels now exceed pre-GFC highs.

- Commentators have long been waiting for inflation to pick up as a result of central bank policy since the GFC. The impact to date has primarily been seen in asset prices. In the March quarter, however, it appears that retail price inflation is emerging. The most obvious example of this is in the Eurozone, where all 19 countries have now moved from outright deflation to inflation.

- Political turbulence continued to be a story in the quarter to March. In Britain, Theresa May is set on pursuing a “hard” exit from the EU, formally triggering Article 50 on 29 March. A French presidential election in April looks likely to end in a run-off between a hard-right candidate, Marine Le Pen who advocates for exit from the EU, and a more trade-friendly centrist, Emmanuel Macron. A German election scheduled for September will pit incumbent Angela Merkel against several less EU-friendly contenders.

- The RBA left the cash rate unchanged at 1.50% over the quarter, with reasons to either cut or raise rates evenly balanced. Softness in the broader economic is being weighed up against hot Sydney and Melbourne property markets.

Chart 3: Median Multiple House Prices



Source: Demographia International Housing Affordability

Chart 3: Median Multiple House Prices