

Investment update

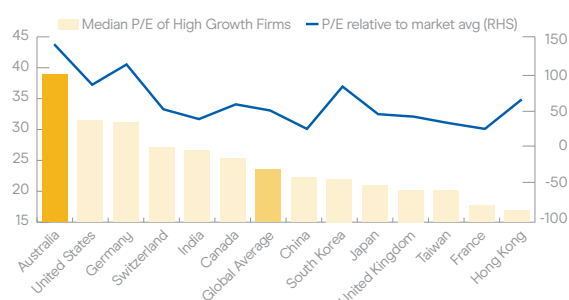
Q2 - April to June 2019

Highlights

- Australian WAAAX stocks are some of the most expensive in the world
- RBA cuts cash rate
- US and China make progress on trade at G20 Summit

Q2 in two charts

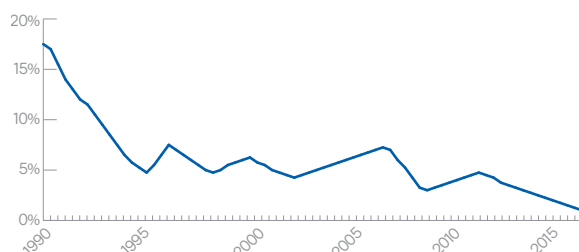
Australia has the most expensive growth stocks



Source: <https://www.livewiremarkets.com/wires/waaax-on-waaax-off>

The Australian WAAAX (Wisetech, Appen, Afterpay, Altium and Xero) stocks are now the some of the most expensive high growth stocks in the world. Australian high-growth stocks on average are trading at a forward price-to-earnings ratio of 38.9x which is now 65% above the global average and 25% above the US, which is currently the second most expensive growth market in the world.

RBA cash rate



Source: Reserve Bank of Australia

The RBA cut the cash rate by 25 basis points over the quarter (and again to 1.0% in July), continuing a trend towards historically low developed market interest rates. The RBA's stated goal is to support employment growth, spur household consumption and to spur confidence that inflation will be consistent and within targets. The continual lowering of interest rates has been a factor in the strong performance of bonds over the year.

The market and how it affects your super

Strong ASX growth has been highly sector driven, with the technology sector being a major contributor over the past two years. The WAAAX stocks (Wisetech, Appen, Afterpay, Altium and Xero) have been the highest performing stocks on the ASX and have become historically expensive as measured by price-to-earnings.

At WA Super, our focus is on constructing portfolios which are diversified, both geographically and across different sources of return. Our portfolios have significant exposure to different industry sectors and countries both within and outside of Australia so that we can continue to deliver returns if the domestic economy slows.

The European Central Bank lowered their growth forecast for the Eurozone from 1.8% to 1.2%. The ECB stated that there will be no increase in benchmark interest rates before 2020. A rally in European bonds has continued as yields dropped, despite being near or in negative territory in places.

WA Super's portfolios include allocations to alternative assets such as hedge funds, real return funds and alternative risk premia funds. Such investments are intended to provide meaningful diversification from traditional markets like bonds and equities and are less conditionally dependent on broader macroeconomic conditions.

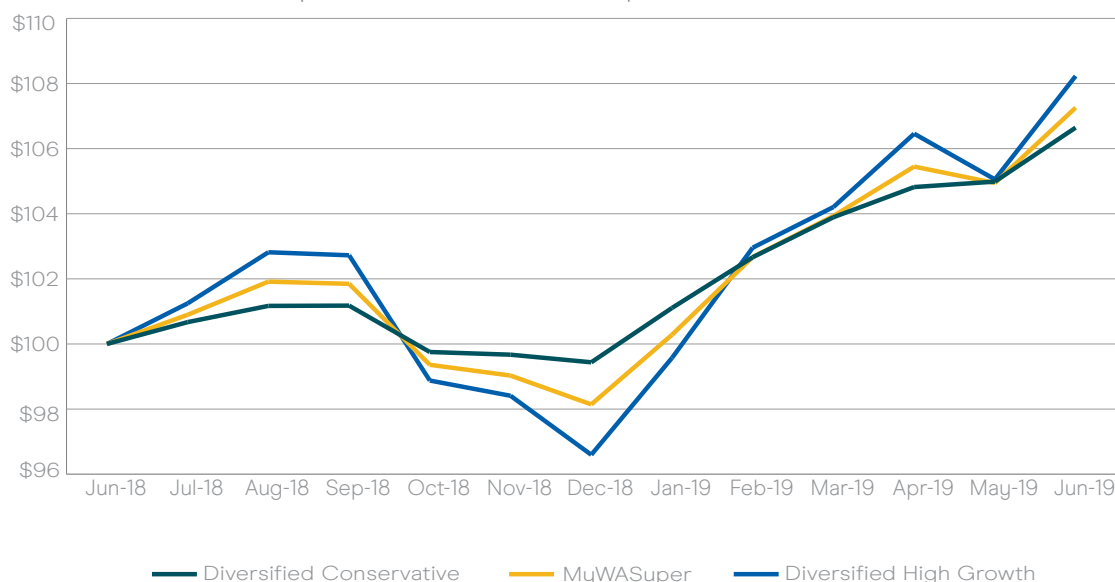
Fund performance



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 (6.65%) has delivered a positive return, although it is the lowest among the diversified options, over the past twelve months, as equities have outpaced the growth in fixed income assets over this period.
- The MyWASuper option, with its balanced allocation between growth and defensive assets, was a positive performer for the past year (7.26%).
- The Diversified High Growth option (8.23%) has delivered the highest return among the diversified options over the past year as equities have rebounded sharply following a sell off to end 2018.

WA Super Diversified Investment Options – Growth of \$100¹



Asset class performance snapshot

Asset classes	Performance last quarter	Performance last year	Commentary
Equities (Australian)	—	—	The Australian equity market had a very strong performance as confidence rallied after the federal election. Australian They had a positive quarter with the ASX 200 gaining 8.05%.
Equities (Global)	+	+	Global Equity Markets had a positive quarter with the MSCI ACWI up 4.88%.
Real assets	+	+	WA Super's Real Assets portfolio has gained 2.03% and 9.23% over the past quarter and year respectively, well in excess of our CPI-linked objective.
Alternatives	+	—	WA Super's Alternatives portfolio is designed to deliver return streams that are diversified from equity and fixed income markets. Our Alternative investments outperformed their cash benchmark over the past quarter.
Fixed income	+	+	WA Super's Fixed Interest sector has delivered positive returns over the past quarter and year, of 3.00% and 8.20%. Bonds have rallied globally as interest rates continue to drop.
Cash	+	+	WA Super's cash portfolio aims to deliver performance that is in line with the Ausbond Bank Bill Index. The portfolio has achieved this goal over the past quarter and year, slightly outperforming its benchmark over both time periods.

Key: + Exceeding or meeting objective — Below objective

The information provided is of a 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 investment objectives, financial situation, and particular needs before making any decision. You should also consider seeking the assistance of a professional adviser. Investment returns are not guaranteed. Past performance is not a reliable indicator of future performance. Before making a decision about WA Super, read the relevant Product Disclosure Statement at wasuper.com.au.

Issued by WA Local Government Superannuation Plan Pty Ltd ABN 64 066 797 162, AFSL 269006, as Trustee for WA Local Government Superannuation Plan ABN 18 159 499 614. Before making a decision about WA Super, read our PDS at wasuper.com.au.