

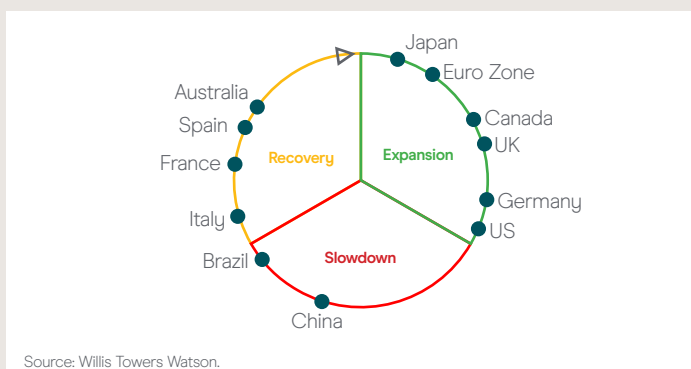
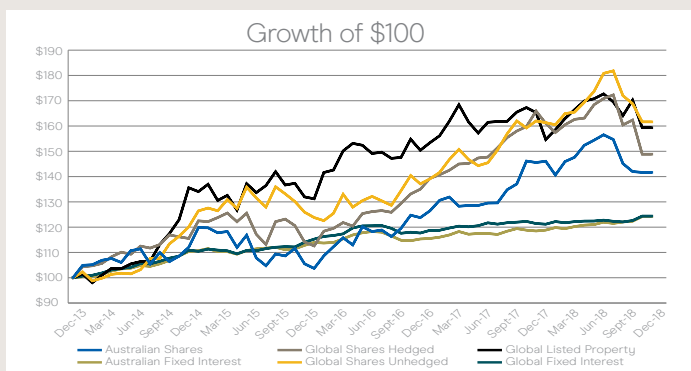
# Boringggggggg investment update

## Q4 - September to December 2018

### Highlights

- Another rate hike in the US
- The Australian Dollar weakened in the fourth quarter
- Local economy still sound

### Q3 in two charts



The S&P/ASX 200 closed December at 5,646 points. The market traded lower amid weakness across the major miners and lingering US-China trade uncertainty. Global share markets fell sharply in the fourth quarter. Markets were impacted by softer-than-expected European economic data and the prospect of further US monetary tightening. Losses were concentrated in December; the MXWO Index fell -7.7% and the S&P 500 index dropped -9.2%.

A material slowdown in global economic growth is expected to be driven by tightening financial conditions and the fading impact from corporate tax cuts in the US in early 2018. A weakening macro environment combined with low risk premia mean achieving fixed "inflation plus" target is going to be difficult moving forward.

## The market and how it affects your super

### Global economic growth less synchronised

Global growth remains in expansion, but the outlook has deteriorated as key business activities are showing signs of slowdown. As the US economy enters into late-cycle conditions, a tighter labor market and rising wages tend to lead to narrower corporate profit margins.

At WA Super, our focus is on constructing portfolios which are diversified across different return sources. The current environment presents opportunities for both traditional and alternative strategies that can benefit from elevated levels of volatility and dispersion.

### US Monetary Policy

Backed by strong corporate earnings following corporate tax cuts in early 2018, the Fed increased its official rate the fourth time this year in December, which spurred a further reduction in the gap between long and short term bond yields.

WA Super's Fixed Income portfolio is comprised of 75% Australian assets mainly invests in government and high-quality corporate bonds and 25% in international assets. Over the past quarter, WA Super's Fixed Income portfolio returned 1.28%, helping to cushion against the falls in share markets.

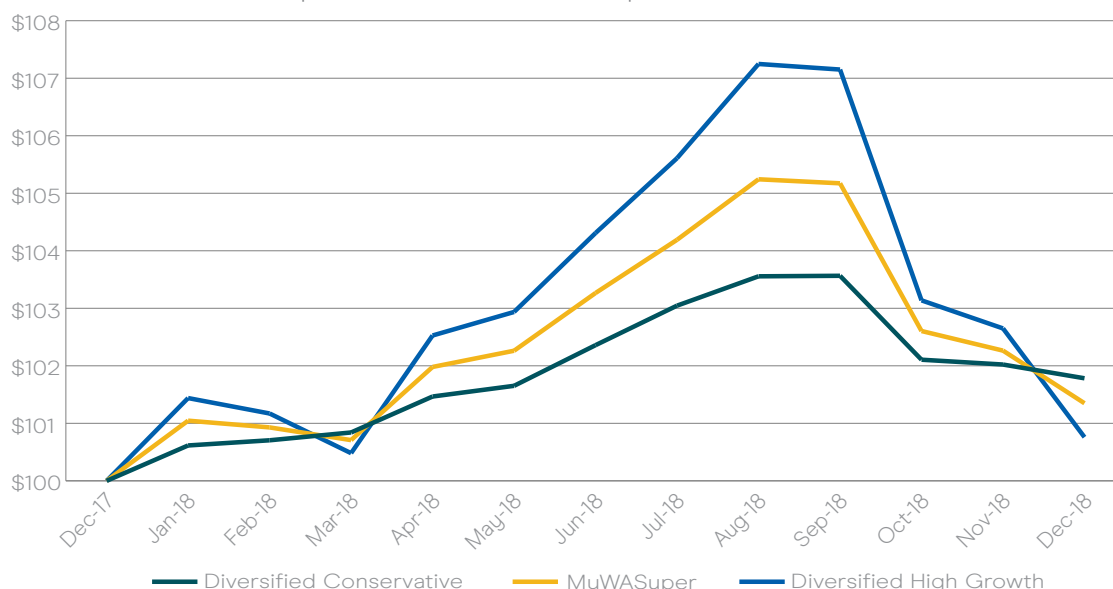
# Fund performance



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 (+1.78%) has delivered the highest return over the past twelve months, as growth assets have seen a sharp sell-off over the December quarter have seen a sharp sell-off over the December quarter sharp selling.
- The MyWASuper option, with its balanced allocation to growth and defensive assets, was a positive performer for the past year (+1.35%).
- The Diversified High Growth option (+0.76%) has delivered a positive return over the last year despite the poor performance of growth assets over the quarter.

WA Super Diversified Investment Options – Growth of \$100<sup>1</sup>



<sup>1</sup>December returns, and therefore all return figures quoted in this report, are estimates only.

## Asset class performance snapshot

Asset classes	Performance last quarter	Performance last year	Commentary
Equities (Australian)	—	—	Equity markets experienced a tough quarter arising from geopolitical issues, weaker European earnings, and falling commodity prices. WA Super's Australian Equities returned -9.36%.
Equities (Global)	—	+	Equity markets experienced a tough quarter arising from geopolitical issues, weaker European earnings, and falling commodity prices. WA Super's Global Equities posted a negative return of -11.29% for the quarter.
Real assets	—	—	After a market sell-off in September and October, REITs recovered in November 2018. WA Super's Real Asset sector posted a negative return of -0.39% for the quarter, driven by listed assets.
Alternatives	—	—	WA Super's Alternatives portfolio is designed to deliver return streams that are different from broad equity and fixed income markets. Alternative investments were down over the quarter and year, although our portfolio did outperform equities.
Fixed income	—	—	WA Super's Fixed Interest sector delivered a positive return of 1.24% in this quarter.
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](http://wasuper.com.au).

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