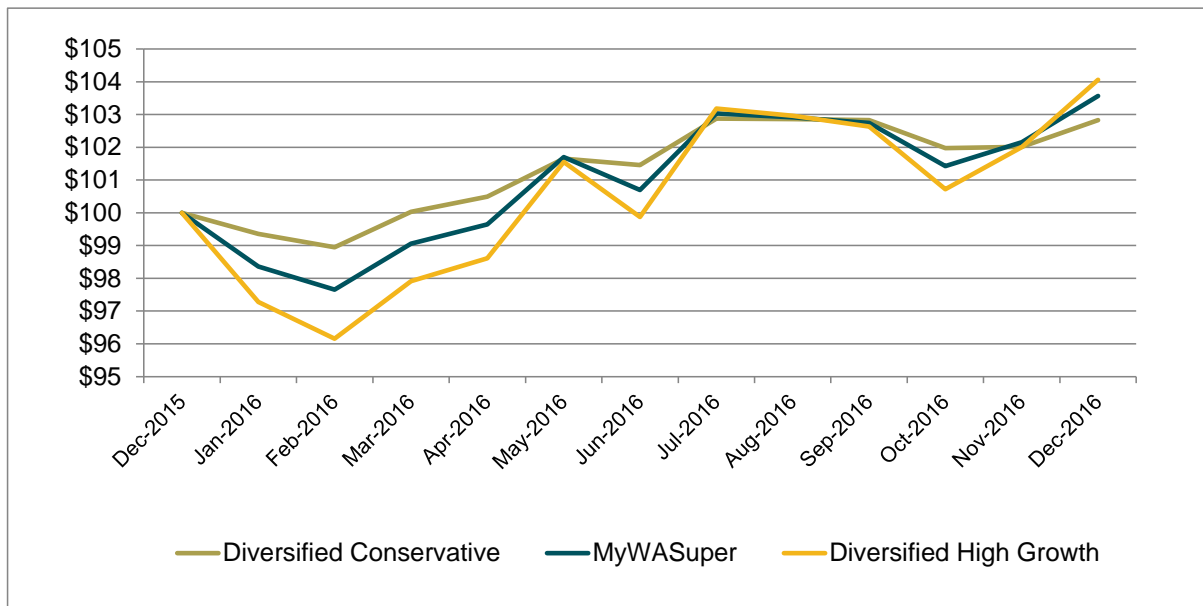


INVESTMENT UPDATE DECEMBER QUARTER 2016

- » Growth asset classes had a strong quarter. Australian shares, global shares, and global property securities all posted gains in excess of 4% over the quarter
- » Spurred by the election of fiscally aggressive Donald Trump, bond yields across all maturities have risen sharply. US 10-year treasury yields have risen from a low point of 1.36% in July, hovering around 2.5% as of the end of December.
- » Rising interest rates put pressure on bond prices. Australian bonds accordingly fell by 2.87% over the quarter.

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

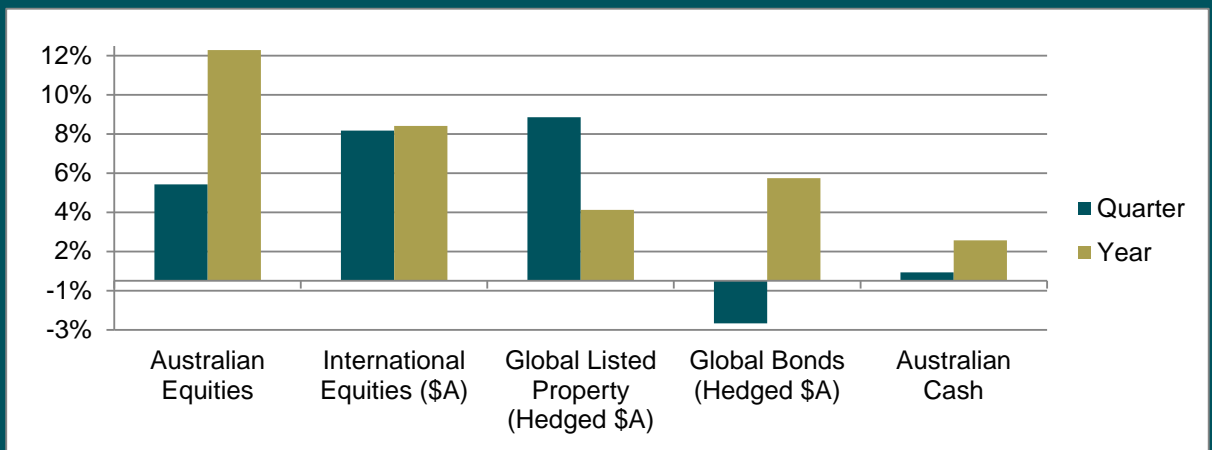


Source: WA Super

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 Conservative option (2.83%) 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 strong return over the previous 12 months
- » The MyWASuper option (3.57%) was a positive performer for the past year with balanced allocations to defensive and growth assets. This option was also positive (0.80%) for the quarter
- » The Diversified High Growth option (4.06%) 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 December quarter (1.39%)

Chart 2: Asset Class Index Performance – Quarter and Year to December 2016

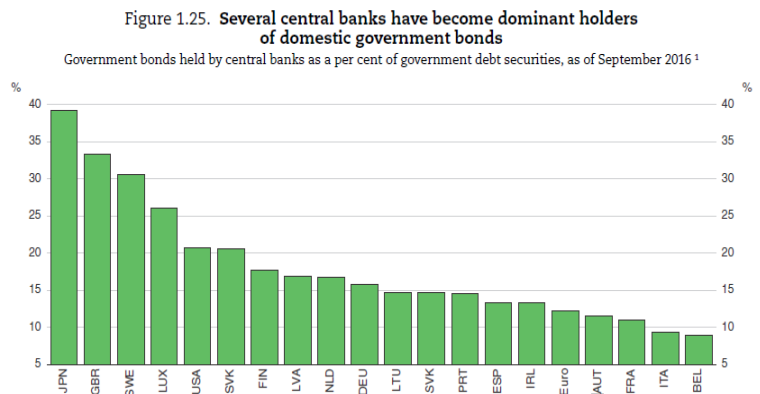


Source: Bloomberg

December Quarter Insights

- With past and current purchases of government bonds, central banks have become dominant holders and buyers of sovereign debt. The most visible impact of this program has been to push nominal interest rates to very low levels. Even with the recent uptick in rates, many European countries still have sovereign bonds with negative yields.
- Perhaps the most striking example of central bank intervention is Japan. The Bank of Japan owns almost 40% of Japanese sovereign bonds and now explicitly targets the yield curve as part of its mandate, in addition to making outright purchases of securities listed on the Nikkei index.

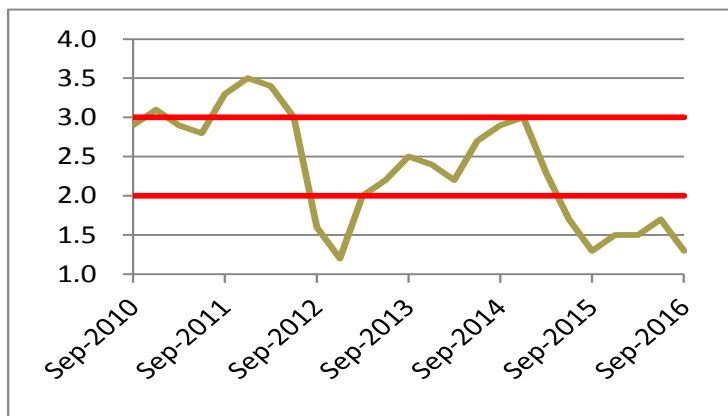
Chart 3: Government Bonds Held By Central Banks



Source: OECD Economic Outlook, November 2016

- Political turbulence continued to be a story in the quarter to December – Donald Trump became President-elect in America, while Italian Prime Minister Matteo Renzi called for and lost a constitutional referendum. There are more opportunities for political upheaval in 2017, from general elections in the Netherlands and Germany, Presidential elections in France, and the triggering of Article 50 to begin the process of exiting the EU in Britain.

Chart 4: Australian Consumer Price Inflation



Source: Reserve Bank of Australia (RBA)

- The RBA left the cash rate unchanged at 1.50% over the quarter, judging that holding the stance of policy unchanged would be consistent with sustainable growth in the economy and achieving target inflation over time.

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.