

# PITCHER RETIREMENT PLAN

## Investment Performance – Half-year ended 31 December 2017

We are pleased to report that the investment performance of the Fund continues to be strong with returns exceeding benchmark investment performance and targeted investment returns over the last 5 years to 31 December 2017.

The following table summarises the investment performance for the six months ended 31 December 2017 and for the five years ended 31 December 2017. The returns are net of taxes and fees charged by investment managers.

| Investment Strategy                               | Cash         | Capital Stable | Balanced     | Growth       | High Growth   |
|---|--------------|----------------|--------------|--------------|---------------|
| <b>PRP crediting rate (half-year)<sup>#</sup></b> | <b>1.11%</b> | <b>2.69%</b>   | <b>4.08%</b> | <b>5.45%</b> | <b>6.87%</b>  |
| Benchmark (half-year)                             | 0.73%        | 2.99%          | 4.19%        | 5.43%        | 6.63%         |
| <b>PRP 5-year average<sup>^</sup></b>             | <b>2.89%</b> | <b>5.58%</b>   | <b>7.85%</b> | <b>8.90%</b> | <b>10.59%</b> |
| Benchmark (5-year average)                        | 1.99%        | 5.22%          | 6.74%        | 8.35%        | 9.65%         |
| Long Term Investment Objective <sup>*</sup>       | 2.9%         | 4.9%           | 5.4%         | 6.4%         | 6.9%          |

<sup>#</sup> Please contact the Plan for the specific pension crediting rates. Investment earnings of pension accounts are not taxed in the Plan and, accordingly, the crediting rates for pension members will be different than those disclosed above.

<sup>^</sup> 5 year compound average return.

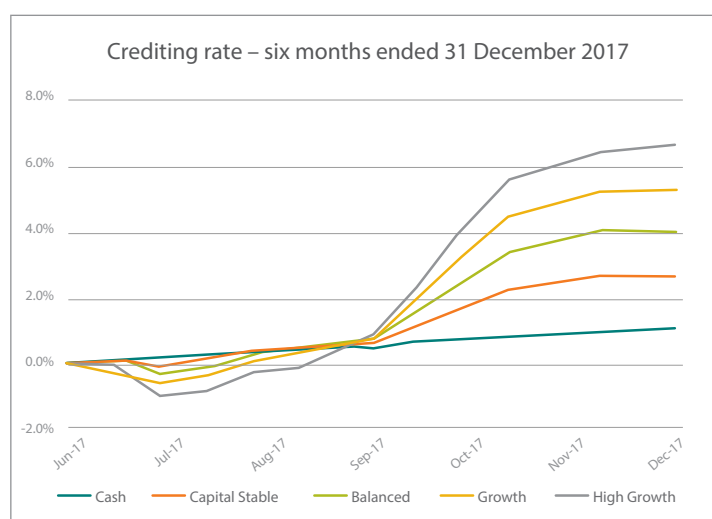
<sup>\*</sup> Long Term Investment Objective is outlined in the Pitcher Retirement Plan Product Disclosure Statement titled "Investment Strategies". This document can be found at [www.prpsuper.com.au](http://www.prpsuper.com.au).

### Investment Commentary and Outlook

2017 represented a very positive year for investors that held growth assets. Investors shrugged off concerns over premium valuations in many asset classes, buoyed by synchronised global growth across both developed and emerging economies, benign inflation conditions and a swathe of positive economic activity indicators.

Global equities led the performance tables, underpinned by robust returns from most regions. Emerging markets and Asian equities (including Japan) were the key highlights, buoyed by their leverage to global growth/trade and cheaper relative valuations. In the US, investors pushed the S&P 500 to record highs due to supportive economic conditions and optimism about President Trump's significant corporate and personal tax cut reforms, which passed into law late in the year. European equities also rallied on a more stable political environment (for now) and an improving economic environment. UK equities underperformed due to the continuing uncertainty about Britain's withdrawal from the European Union ('Brexit').

Within fixed income, Global and Australian government bonds delivered modest returns as yields increased, partly due to action by a number of central banks to raise rates (as in the US, UK and China) or take steps (like the European Central Bank) to curtail monetary stimulus measures. Credit securities continued to be well supported given the positive fundamental backdrop and strong demand from investors seeking higher yielding securities.



After years of substantial monetary stimulus, including large-scale asset purchase programs, a number of central banks decided in 2017 to change course to a tightening stance, including the US Federal Reserve lifting its interest rate three times over the calendar year. However, any tightening is likely to be done very gradually to ensure they preserve the economic recovery that has been successfully engineered to date. It will be a challenge to maintain this fine balancing act and we expect to see a few hiccups along the way.

The Australian economy grew at a faster pace than the preceding 12 months, however the data continues to be mixed as the cash rate remained steady at 1.5%. A strong labour market and robust infrastructure and business investment pipeline is balanced against still heavily indebted consumers experiencing tepid wage growth. Inflation and wage growth are the key focus areas for the RBA in 2018.

Whilst Australian equities lagged many offshore markets, its 2017 return was its best calendar year performance since 2013 and the sixth consecutive positive year for investors.

### Market Returns

The following were the returns of the major asset classes for the six months ended 31 December 2017.

| Growth Asset Class |                               |                                 |                            |                               | Income Asset Class        |                              |       |
|--------------------|-------------------------------|---------------------------------|----------------------------|-------------------------------|---------------------------|------------------------------|-------|
| Australian Shares  | International Shares (hedged) | International Shares (unhedged) | Australian Listed Property | International Listed Property | Australian Fixed Interest | International Fixed Interest | Cash  |
| 8.37%              | 9.49%                         | 8.49%                           | 9.75%                      | 4.72%                         | 1.37%                     | 1.79%                        | 0.86% |

### Asset Allocations

The following schedule details the allocation of assets for each investment strategy.

| Investment Strategy          | Cash        | Capital Stable | Balanced    | Growth      | High Growth |
|------------------------------|-------------|----------------|-------------|-------------|-------------|
| Australian Equities          | 0%          | 12%            | 22%         | 33%         | 46%         |
| International Equities       | 0%          | 10%            | 17%         | 24%         | 31%         |
| Listed Property              | 0%          | 8%             | 9%          | 10%         | 10%         |
| Alternatives                 | 0%          | 5%             | 6%          | 6%          | 6%          |
| International Fixed Interest | 0%          | 12%            | 10%         | 10%         | 0%          |
| Australian Fixed Interest    | 0%          | 16%            | 16%         | 15%         | 5%          |
| Cash                         | 100%        | 37%            | 20%         | 2%          | 2%          |
| <b>Total</b>                 | <b>100%</b> | <b>100%</b>    | <b>100%</b> | <b>100%</b> | <b>100%</b> |

### Member Representative Election

We are pleased to confirm that Ian White has been reappointed as a Member Representative Director effective December 2017.

### Further information

Disclosure documents and forms are available from the Fund's website [www.prpsuper.com.au](http://www.prpsuper.com.au). Any questions you may have can also be directed to the Plan's administrator on (03) 9691 2944 or [prp@pitcher.com.au](mailto:prp@pitcher.com.au).

#### Administrator

#### Trustee

#### Fund