

PITCHER RETIREMENT PLAN

Key Facts and Figures – 2018 Review

We are pleased to present this summary report to you highlighting performance results for the Pitcher Retirement Plan for the year ended 30 June 2018.

This summary report should be read with your 2018 Member Statement. Together, both documents make up our annual reporting to members. The full 2018 Member Report is available at www.prpsuper.com.au. Alternatively, you can contact the Plan administrator to request a printed copy. Contact details are provided at the end of this report.

Summary

A strong year of investment returns particularly across growth asset classes with Australian Shares, International Shares and Australian Listed Property delivering double digit returns, which were above long term expectations. Fixed Interest and Cash provided single digit returns, however International Fixed Interest failed to outperform Cash.

Each of the Plan's investment strategies achieved strong positive returns for the 2017/2018 financial year as follows:

Investment Strategy	Cash	Capital Stable	Balanced	Growth	High Growth
Crediting rate	2.31%	4.58%	6.83%	9.22%	12.26%

Investment Commentary

The 2018 financial year was another profitable year for investors, with positive gains made across all the major asset classes.

The first half of the year witnessed synchronised economic expansion across both developed and emerging economies, benign inflation and low levels of market volatility. Risk appetite grew as investors chased growth and yield in a low rate world. The second half of the year saw volatility return back toward historical norms, as the US pursued an aggressive trade agenda with its global partners, particularly China. Major central banks, led by the Federal Reserve, began the process of slowly unwinding monetary stimulus from financial markets, after an almost decade long process of quantitative easing.

Equity markets posted double digit gains for the year, led by the US where robust corporate earnings (particularly from the technology sector) were buoyed even further by the passing of the substantial corporate tax cut package. Emerging markets and Australia also performed strongly, with the ASX 200 led higher by resource, energy and healthcare companies.

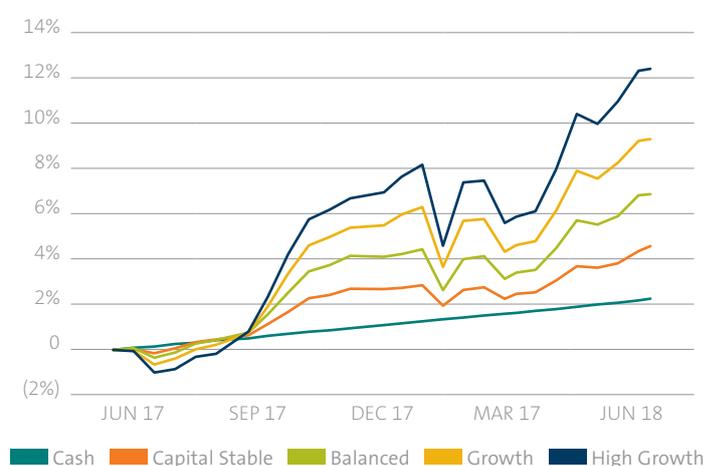
Domestic property securities outperformed their global counterparts on a more stable interest rate outlook, premium yields and superior earnings generation across most sectors.

Australia posted a world record 27th consecutive year of economic expansion, however that was not enough for the RBA to lift cash rates, which remained at 1.5% over the year. Wage inflation remains dormant despite the creation of 300,000 new jobs over the year, highlighting significant labour market slack that remains in the economy.

In offshore bond markets, the US Federal Reserve lifted its own cash rate three times over the year as its economic expansion appears to have now moved into late cycle territory. European sovereign bond yields spiked late in the year as the formation of a new and 'euro sceptic' Italian Government reignited investor concerns over the future of the Eurozone.

Crediting rates

Crediting rate – twelve months ended 30 June 2018



The following summarises the annual crediting rates (after tax), the long term earnings rate and the long term performance target for each investment strategy.

Year/Period Ended #	Cash	Capital Stable	Balanced	Growth	High Growth
2018	2.31%	4.58%	6.83%	9.22%	12.26%
2017	2.39%	3.58%	5.03%	6.80%	8.79%
2016	2.45%	4.69%	6.08%	5.44%	4.62%
2015	2.95%	5.61%	7.81%	8.96%	10.85%
2014	3.49%	7.56%	10.56%	11.87%	13.32%
5 Year Average [^]	2.72%	5.20%	7.25%	8.44%	9.92%
5 year target *	2.91%	4.91%	5.41%	6.41%	6.91%
10 Year Average [^]	3.76%	5.20%	6.02%	5.95%	6.59%

Please contact the Plan for the specific pension crediting rates. Investment earnings of pension accounts will be different than those disclosed above

[^] 5 year / 10 year compound average return

* 5 year rolling average target, based on CPI movements of 1.91%

The long term performance of each investment strategy, with the exception of cash, has exceeded long term performance targets.

Further information on each investment strategy, including the likelihood of negative returns, is outlined in the Plan’s publication “Choosing your investment strategy”. This is available from the Plan’s website www.prpsuper.com.au.

Investment Outlook

As we pass the 10 year milestone of the collapse of Lehman Brothers in the depths of the Global Financial Crisis, we retain our cautiously optimistic stance for the year ahead despite the strong run of asset class performances in recent years.

However, we note that risks are building at a faster pace than in recent times.

The economic outlook has become a little more divided in recent times – especially after the synchronised global growth we saw in late 2017. We expect growth may peak or even slow as we head into 2019 as tighter financial conditions, led by the onset of quantitative tightening, takes hold. Volatility is likely to remain a key feature as trade, political and other economic outcomes also become more divergent.

In Australia, the economy looks set to continue benefiting from public sector spending and other forms of investment. However,

the embattled consumer is tackling high debt loads and a gradual unwinding of house prices while wages levels remain sluggish. Equity valuations remain elevated compared to history, but we still see areas of opportunity.

Global sovereign bonds hold little in the way of absolute or relative value against a backdrop of potential rate increases over the coming 12 months. Locally, rates may remain on hold for the coming year which could bode well for credit investors.

Against this backdrop, we still favour equities because of their favourable risk/reward trade off versus other asset classes. Returns will likely be driven by corporate earnings as opposed to multiple expansion, but we are mindful valuations remain at a premium compared to long term averages.

We also like Alternative investment strategies that can deliver attractive absolute returns with low sensitivity toward other asset classes and during period of increased volatility.

Website update

Over the coming months, we will be making some changes to the PRP member login to help simplify and improve the process. Further information will be published on the PRP member website to keep you up to date but if you have any questions please contact prp@pitcher.com.au

Member representative election

We are pleased to announce that Victoria Lindores and Chris Gibson have been appointed as Member Representative Directors to fill two vacancies created after retirements from Jim West and Ian White. Victoria and Chris’ appointments are effective from November 2018.

Further information

Disclosure documents and forms are available from the Fund’s website 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

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