

Investment Performance – Half Year Ended 31 December 2015

Investment Performance

The Trustee is pleased to report solid investment returns for the first six months of the 2015/2016 financial year, with returns outperforming benchmark performance across all investment strategies. The long term performance of each investment strategy has also exceeded the long term investment objective over the five years to 31 December 2015.

The following table summarises the investment performance for the six months ended 31 December 2015 and the long term investment objective for each investment strategy. The returns are net of taxes and fees charged by investment managers.

Investment Strategy	Cash	Capital Stable	Balanced	Growth	High Growth
PRP crediting rate (half year)[#]	1.16%	1.57%	2.35%	2.14%	2.71%
Benchmark (half year)	0.93%	1.42%	1.19%	1.00%	0.54%
5 year average – return[^]	3.97%	6.33%	7.33%	7.71%	8.31%
5 year target [*]	3.30%	5.30%	5.80%	6.80%	7.30%

Please contact the Plan for the specific pension crediting rates. Investment earnings of pension accounts are not taxed in the Plan and, because of this, the crediting rates for pension members will be different than those disclosed above

[^] 5 year compound average return

^{*} 5 year rolling average target, based on CPI movements of 2.3%. 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.

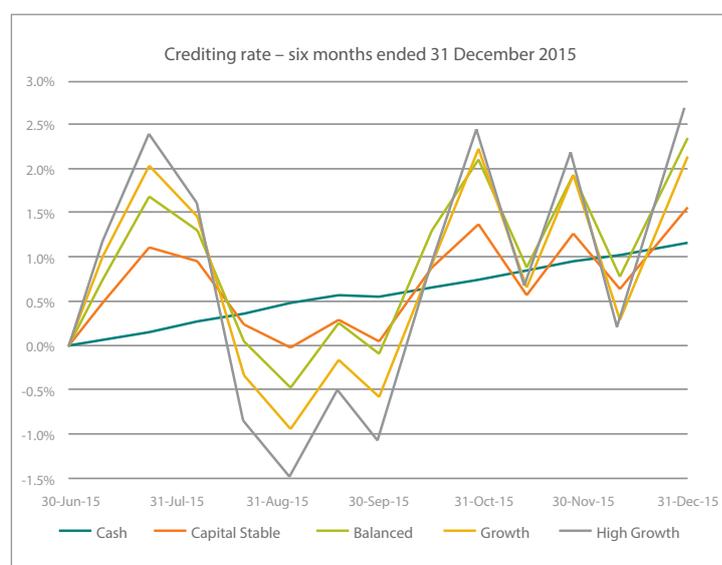
Investment commentary and outlook

In financial markets, 2015 was almost a carbon copy of 2014. Central banks continued with low interest rate settings, negative rates in Europe, the price of oil and commodities continued to fall, inflation remained stubbornly low despite ample liquidity and China continued to transition from an infrastructure based economy to a services led economy.

About the only financial indicator to increase significantly was volatility. The increased volatility was a reflection of greater market uncertainty and fear that China’s economy would face a hard landing and drag global growth even lower.

With this economic background, Australian Shares posted a remarkably flat finish for the six months ending December 2015, registering a fall of only 0.53%. The relatively flat finish masked very divergent returns in Australian Shares with energy sector stocks off 25.1% for the six months, commodity producers falling 17.4% and consumer discretionary stocks rising 14.1% along with the defensive healthcare sector climbing 11.7%.

It was also interesting to note that our dollar remained fairly stable over the final half year of 2015 despite the price crunch in commodities. This is clearly witnessed in the relatively small return differences between International Shares Hedged at -1.99% and Unhedged at 2.13%. Global growth concerns were the key issues for markets and helped drag overall equity market returns lower.



The low global interest rate environment and speculation that the US Federal Reserve would finally lift its official cash rate off 0% kept a cap on the returns generated in the fixed interest and cash sectors. The only area to really benefit from these record low interest rates was property, both domestically and internationally.

Low interest rates generally benefit property managers due to the levels of debt that they carry when purchasing new properties. A flood of money exiting China looking for new trophy assets to

invest in also helped push property prices higher all around the world. Higher property prices and solid rental returns saw the property sector become a safe haven for yield hungry investors.

Looking ahead we expect to remain in a low global growth environment. In such an environment volatility is likely to remain elevated. We believe that it will be difficult to generate significant positive returns in 2016 and return expectations should probably be reduced relative to recent years to reflect this.

Market Returns

The following were the returns of the major asset classes for the six months ended 31 December 2015.

Growth Asset Classes					Income Asset Classes		
Australian Shares	International Shares (Hedged)	International Shares (Unhedged)	Australian Listed Property	International Listed Property	Australian Fixed Interest	International Fixed Interest	Cash
-0.53%	-1.99%	2.13%	7.12%	10.36%	1.95%	2.47%	1.09%

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%
Total	100%	100%	100%	100%	100%

Alternatives

With the aim of reducing expected portfolio volatility while maintaining expected long term return objectives, the Trustee agreed to include an allocation to Alternatives within the Pitcher Retirement Plan.

Alternatives include a wide range of assets that do not fit into the standard asset classes of Equity, Property, Fixed Interest and Cash. Alternative assets include private equity, commodities, unlisted infrastructure and funds (sometimes referred to as hedge funds) that employ a number of strategies to derive returns.

The Trustee believes that Alternatives are attractive in the current market conditions because:

- Cash rates and Bond Yields are at low levels from a historical perspective;

- Alternatives in general have lower volatility than other growth asset classes of equities and listed property;
- Alternatives will increase diversification within a portfolio; and,
- Alternatives have a reasonably low correlation with all other assets classes, therefore adding this asset class to portfolios can reduce expected frequency of losses without materially reducing (or possibly even increasing) the expected return.

A full list of managers used by the Pitcher Retirement Plan can be found at www.prpsuper.com.au.

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.