# PITCHER RETIREMENT PLAN

PITCHER PARTNERS
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news

September 2015

# Key Facts & Figures – 2015 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 2015.

This summary report should be read with your 2015 Member Statement. Together, both documents make up our annual reporting to members.

The full 2015 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.

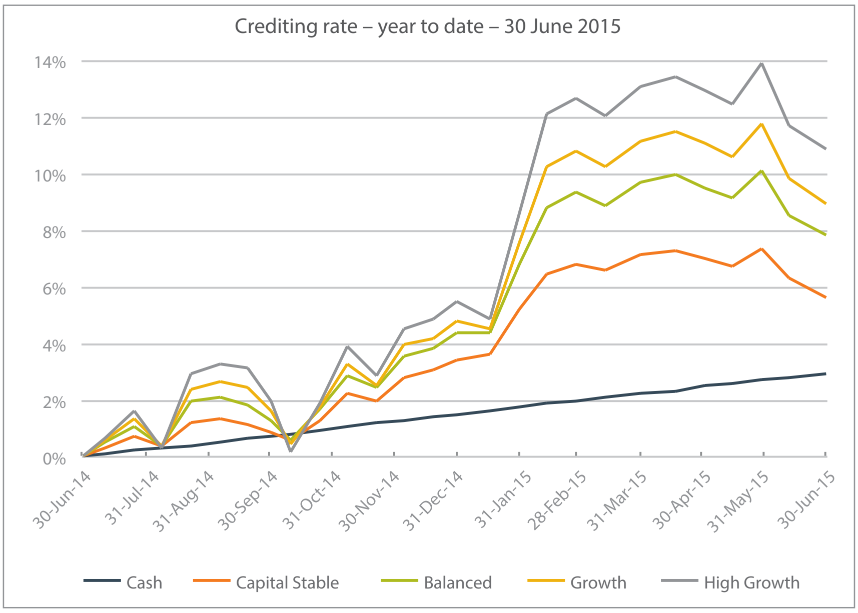
## Summary

Markets produced strong returns during the 2014/2015 financial year, despite a selloff in June 2015, with particularly strong performance provided by the growth asset classes of equities and property.

Each of the Plan's investment strategies achieved strong positive returns for the 2014/2015 financial year as follows:

| Investment Strategy | Cash | Capital Stable | Balanced (MySuper) | Growth | High Growth |
|---|---|---|---|---|---|
| Crediting rate | 2.95% | 5.61% | 7.81% | 8.96% | 10.85% |

## Investment commentary




Global growth forecasts remain below the long run averages and for this reason we saw Japan and Europe instigate large quantitative easing programs as they sought to provide liquidity and kick start their respective economies. At the same time, the US Federal Reserve ceased its bond buying program and started talking about finally lifting interest rates.

All of this, together with the fears of Greece withdrawing from the Eurozone, generated an increase in volatility on global markets. Unfortunately, we can expect the volatility to remain with us for some time due to the impending lift in US interest rates. Despite the increased volatility, international equities markets performed strongly, returning 25.2% on an unhedged basis and 8.5% on a hedged basis.

The difference in unhedged and hedged returns is really reflective of the weaker Australian economy, the dramatic falls in commodities and subsequently the softness in the Australian dollar. Despite the dramatic pullback in mining related expenditure, the overall corporate sector remains in relatively good shape and Australian equities provided a respectable 5.7% return over the year.

The softer domestic economy pushed the Reserve Bank of Australia to cut interest rates twice over the course of the year and the official cash rate now sits at 2.0%. This low cash rate has once again forced investors to look for higher yielding options, with Australian property being one of the main capital destinations. Over the course of the year listed property returned 20.2% and unlisted commercial property provided 10.5%.

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## Crediting rates

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 |
|---|---|---|---|---|---|
| 2015 | 2.95% | 5.61% | 7.81% | 8.96% | 10.85% |
| 2014 | 3.49% | 7.56% | 10.56% | 11.87% | 13.32% |
| 2013 | 4.26% | 9.18% | 12.90% | 14.80% | 19.37% |
| 2012 | 5.28% | 5.83% | 2.33% | 1.4% | -2.38% |
| 2011 | 5.42% | 5.53% | 6.29% | 7.01% | 7.31% |
| **5 year average^** | 4.26% | 6.73% | 7.92% | 8.71% | 9.45% |
| **5 year target*** | 3.42% | 5.42% | 5.92% | 6.92% | 7.42% |
| **10 year average^** | 4.80% | 5.37% | 6.06% | 5.95% | 6.33% |

# 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/10 year compound average return

* 5 year rolling average target, based on CPI movements of 2.42%

### The long term performance of each investment strategy 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

The Australian consumer remains in a strong position and has built up a significant cash buffer as indicated by the high savings rate. These additional savings should stave off any significant rise in housing defaults. Once the consumer has become comfortable with their employment situation and the low interest rate environment, we expect that the savings rate will decrease, adding significantly to domestic consumption and therefore increased revenues for businesses.

The US economy has emerged from its cold snap and the first quarter 2015 Gross Domestic Product (GDP) number continues to be revised upwards. Employment continues to rise, as do house prices, and wage rates are finally starting to lift. All of this points to a stronger US economy however, it will still take some time to get back to its long term growth rates. At the same time the US Federal Reserve will be looking to gradually increase its official cash rate from the 0% to 0.25% range.

In Europe, there are signs that growth is once again emerging. Portugal, Ireland and Spain are all witnessing increased demand and a general pick up in their economies. Given the large volumes of people who remain unemployed, these economies will take far longer to recover than in previous turnarounds. Unfortunately, critical reforms are still required in many countries and as such this is likely to act as a brake on economic growth. That being said, international equities are still likely to provide significant returns in the short term.

We remain cautious about defensive assets in a world where interest rates look to normalise from historic lows. Some of this correction has already played out as we witnessed German interest rates turning negative before eventually climbing back into the positive region. Such moves will make it difficult to generate strong returns from cash and fixed interest and may even generate capital losses for fixed interest investors.

Members who are in the capital stable investment strategy should note that its strategic benchmark allocation to fixed interest securities is 28%. Accordingly, members should be aware that a movement in interest rates referred to in the above paragraph may contribute to a negative return for the strategy.

## Further information

Disclosure documents and forms, and the latest MySuper Product Dashboard, are available from the Plan'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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**Fund**
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