PITCHER RETIREMENT PLAN

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news

March 2017

Investment Performance – Half Year Ended 31 December 2016

Investment Performance

We are pleased to report continued outperformance across all strategies against benchmark and the long term investment objective over the 5 years to 31 December 2016.

The following table summarises the investment performance for the six months ended 31 December 2016 and the five years ended 31 December 2016. 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)#	**1.35%**	**1.21%**	**1.72%**	**2.72%**	**3.60%**
Benchmark (half year)	0.78%	1.77%	3.15%	4.58%	6.61%
5 year average^	**3.48%**	**6.72%**	**8.92%**	**10.06%**	**11.33%**
Benchmark (5 year average)	2.37%	6.07%	7.68%	9.40%	10.70%
Long Term Investment Objective*	3.0%	5.0%	5.5%	6.5%	7.0%

#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

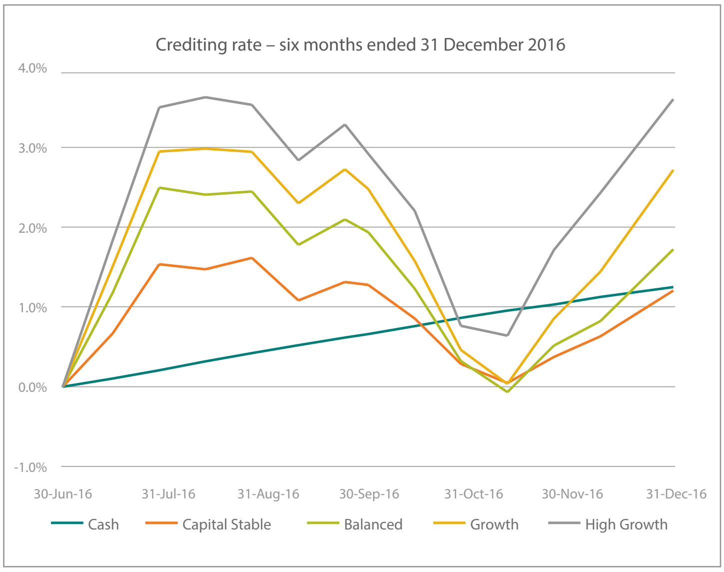
^ 5 year compound average return

* 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

The past 12 months have been decidedly unique in both financial markets and the political systems on which they depend.

Financial newsflow began to change course. Central banks began to shy away from negative interest rates, focussing instead on quantitative easing (releasing cash into the financial system through buying bonds). In the US the Fed announced only its second interest rate hike in the past 10 years in December, a move that had been largely expected. Fiscal stimulus (government spending on infrastructure) is now being touted as a way to deliver economic growth and is particularly popular in populist political campaigns. The market's fear of deflation dissipated as possible fiscal stimulus combined with a reflation in energy prices led investors to start fretting about inflation risk.



In politics unexpected outcomes became the norm. At the end of June the surprise Brexit vote startled markets into a brief selloff before recovering. In November the election of Donald Trump as the US President triggered a return in volatility producing a sharp increase in bond yields (fall in bond prices) and a sharp rally in the equity markets. Finally December saw Italy's Prime Minister Matteo Renzi announce his resignation as the country cast a resounding 'No' vote against his planned constitutional reforms, which is seen as opening the door for populist parties in the next general election.

Despite financial media and markets predicting Armageddon in the event of an 'unexpected outcome', the performance of both the UK and US markets saw those regions generate among the best returns in the second half of 2016. Japan was the standout, returning 29% in the half, though this was a much more modest 3% on a 12 month view.

The Australian market performed strongly for the six months, returning 10.6% including dividends, but once again sector selection had a strong influence on portfolio returns. Energy and resources companies continued their commodity price-led rally (+10.0% and 21.8% respectively) and banks responded positively as previous economic and political concerns began to dissipate (+13.3%). A focus on the potential for interest rate rises in 2017 saw high Price to Earnings and interest rate sensitive stocks in areas like health, telcos and real estate fall -8.0% on average

Looking forward, we expect the RBA will hold rates at 1.5% this year. This view remains data dependent and we would lean towards a rate cut being slightly more likely than a rise due to the possibility of continuing disappointing growth and benign inflation numbers.

Currency is another area of focus driven by likely US stimulus and a return to a falling AUD. More accurately, we view it as likely the US dollar will rise against most major currencies as uncertainty tends to push investors into USD assets. The catch of Trump rhetoric-driven volatility is that US manufacturing would actually be better served by a weak US dollar. His management of this balance will be a key driver of markets and returns this year.

We view the outlook to be cautiously optimistic in 2017. Global growth remains positive, with key regions seeing their forecasts raised incrementally. The latter stages of 2017 may bring economic surprises around inflation and growth.

Market Returns

The following were the returns of the major asset classes for the six months ended 31 December 2016.

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
10.59%	9.78%	9.72%	-2.38%	-1.07%	-1.96%	-1.36%	0.92%

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%

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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