PITCHER RETIREMENT PLAN

PITCHER PARTNERS
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news

September 2016

Key Facts & Figures – 2016 Review

Investment Performance

We are pleased to present this summary report to you highlighting performance results for the Pitcher Retirement Plan for the year ended 30 June 2016.

This summary report should be read with your 2016 Member Statement. Together, both documents make up our annual reporting to members.

The full 2016 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.

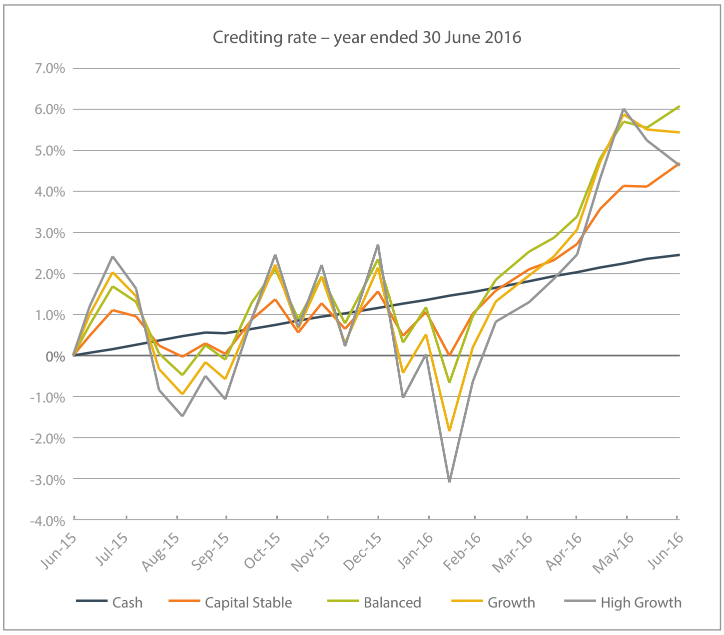
Summary

Volatile market conditions during the year saw mixed results across investment sectors. Australian and International equites produced low returns while strong returns were provided by the listed property and fixed interest sectors. Interest rate cuts by the RBA during the year also negatively impacted the returns on cash.

Each of the Plan's investment strategies achieved strong positive returns for the 2015/2016 financial year as follows:

Investment Strategy	Cash	Capital Stable	Balanced (MySuper)	Growth	High Growth
Crediting rate	2.45%	4.69%	6.08%	5.44%	4.62%

Investment commentary



Interest rates were a key driver of market returns in the first six months of 2016. Markets have come to the conclusion that interest rates will remain low for an extended period of time and any other investment that offers a return above cash has been well supported.

Equity markets however, did not start the year in such a positive manner. The official US cash rate was finally increased in mid-December 2015 – ending a nine year run of falling interest rates. Despite concerns to the contrary, the market took this news relatively well. However, this new found confidence was short lived as equity markets sold off significantly in January and February 2016. Over these two months, most markets fell approximately 10%, Japan fell 17% and China topped the list with a 20% fall.

Markets recovered ground from March to June and finished the six months essentially where they were in December 2015. Australian shares were up just 0.5% for the 12 months to 30 June 2016, international shares on an unhedged basis were up 0.4% and down 2.7% on a hedged basis. The clear winner was Australian listed property with a positive 24.5% return; while international property climbed 15.2%. Both Australian and international bonds performed relatively well adding 7.0% and 9.3% respectively for the 2016 financial year.

Flat equity markets over the financial year was a relatively strong outcome given the increased volatility highlighted by the United Kingdom voting to leave the European Union and some US$11 trillion invested in government bonds with negative interest rates.

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
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%
2013	4.26%	9.18%	12.90%	14.80%	19.37%
2012	5.28%	5.83%	2.33%	1.4%	-2.38%
5 year average^	3.68%	6.56%	7.87%	8.39%	8.90%
5 year target*	3.14%	5.14%	5.64%	6.64%	7.14%
10 year average^	4.46%	4.94%	5.39%	5.06%	5.18%

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 2.14%

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 fact that we are stuck in a low growth environment and there is so much money tied up in negative yielding government bonds means that investors should lower their return expectations for at least the next five years.

Equity markets have been pushed higher post 30 June, as have property prices. These higher prices and a slowing economy (the Reserve Bank of Australia decided to reduce rates in May and August by 0.25% each time to support the economy) suggest market valuations are starting to look stretched. With this being the case, returns over the next 5 years are likely to be lower than what we have witnessed over the last 5 years.

Despite the higher equity valuations and trillions of dollars invested in government bonds with negative rates, we still see pockets of value. Emerging markets currently look attractive on valuation grounds – however these investments need careful consideration due to the increased political risk and volatile currency movement. Domestically, we still see value in some fixed interest offerings, hybrids and certain equity sectors. At this point in the market cycle it becomes important to have quality investment managers working for you.

While we are cautious on current equity valuations, in a low growth world with historically low interest rates, valuations may stay at these higher levels for a considerable time. It is very possible that interest rates in Australia will continue to fall.

Further information

Disclosure documents and forms 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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