

# REST Investment Update

March quarter 2017

REST Core Strategy delivered strong performance for the first quarter of 2017, returning 2.29% over the three months ending 31 March 2017 and 8.50% for the financial year to date.

The largest contributor to Core Strategy performance over the March quarter was international equities, followed closely by Australian shares. Both markets benefited from an overall improvement in investor confidence and the positive effects of the 'Trump' share market rally.

Property was another key contributor to the returns of the Core Strategy over the first quarter of 2017, with rising property asset valuations supported by the ongoing strength of commercial property in major Australian cities.



## March quarter investment update

with Brendan Casey, REST's General Manager, Investments

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## Hopes of 'Trumponomics' drive global share markets higher

Donald Trump made a dramatic start to his US Presidency following his inauguration in January and global equity markets responded in similar dramatic fashion. Share investors managed to look past much of the controversy around border protection and foreign trade and looked favourably upon Trump's proposals to lower US taxes and boost government spending.

Share markets rallied strongly with hopes that Trump's economic policies – known as 'Trumponomics' – could bolster growth in the world's largest economy and have positive spill-over effects for the rest of the world.

International shares, as measured by the MSCI All Country World ex Australia Index (unhedged in USD), added 6.3%. Australian shares, according to the S&P/ASX300 Accumulation Index, rose 4.7% over the three month period ending 31 March 2017.

But the more telling numbers were over the financial year to date, with international shares returning 12.3% and Australian shares increasing 15.6% over the period.

### Core Strategy option to 31 March 2017\*

3 month (%)	1 Year (%)	10 Year (%pa)
2.29%	11.77%	6.25%

### Balanced option (REST Pension) to 31 March 2017\*

2.19%	11.11%	6.38%
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\* Returns are net of investment fees and tax, except Pension which is untaxed. Three month returns are not annualised returns. Returns for the ten year period are annualised returns. Past performance is not an indicator of future performance. For full information, please see page 3.

## The 'Trump' effect not so good for bond markets

The rise of 'Trumponomics' could see growing inflationary pressures on the US economy and this has resulted in growing expectations of rising interest rates. As bond prices move in the opposite direction to interest rates, this prompted many investors to sell out of bonds.

Global government bonds, as measured by the Citigroup World Government Bond Index (in USD), returned -6.8% over the financial year to date despite managing a gain of 1.5% over the quarter ending 31 March 2017.

Expectations of rising interest rates arise from potential action that may be required by the US central bank to moderate inflationary conditions, by increasing rates. In fact, the US Federal Reserve did raise rates in March by 0.25% to a new federal funds rate target of 0.75% - 1.00%. This was the second rise in three months and was spurred by positive economic growth in the US.

## Risks emerging as share markets reach new peaks

It's no secret that equity markets have had an impressive run over recent months and investment portfolios with exposure to shares have certainly benefitted from this strong performance, including REST's own flagship Core Strategy investment option.

But risks appear to be emerging as share markets continue to rise and share prices - reflecting company market value - appear to be increasing with no end in sight. There are some concerns that these valuations may not be driven by key fundamental drivers of company growth such as quality earnings.



### Did you know?

REST uses more than 30 investment managers across the globe to manage our members' retirement savings.

## Looking ahead

REST sees potential risks with the continuing rise in the valuations of both Australian and international equity markets and has reduced its investment in shares in the Core Strategy by 10% since late 2016.

This is very much a part REST's active management approach to manage risks and capture opportunities which has seen REST deliver competitive investment performance for members in the long term.



## Investment spotlight

REST invests around \$1.9 billion\* (4.6% of total funds under management) in large scale infrastructure investments such as roads, railways, pipelines and renewable energy generation.

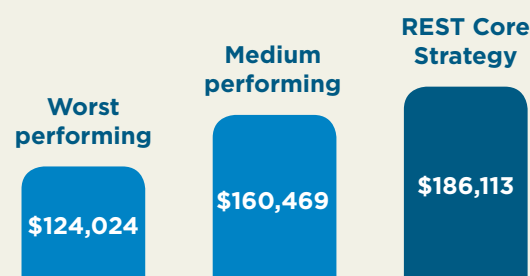
Melbourne Airport is one of REST's infrastructure investments. Enjoying strong international and domestic growth, Melbourne Airport is Australia's second busiest airport with more than 34 million passengers annually.

\* As at 31 December 2016

## Delivering real net benefits to members

Here's how \$100,000 invested in REST's Core Strategy compares to the same investment in the worst and median performing balanced funds.

(December 2006 - December 2016)\*



## Combining your super is now just a few clicks away

You can now search for lost and other super accounts and transfer automatically to your REST account.

Speak to a financial adviser to check how switching might affect your insurance, benefits and any exit fees in your current fund. Visit [supermatch.rest.com.au](http://supermatch.rest.com.au)

\*Source: SuperRatings Fund Crediting Rate Survey - SR50 Balanced (60-76) Index, December 2016. Growth in \$100,000 over the past 10 years from Dec 2006 to Dec 2016. Returns are net of investment fees, tax and implicit asset-based administration fees. Explicit fees such as fixed dollar administration fees, exit fees, contribution fees and switching fees are excluded. Ratings or investment returns are only one factor that you should consider when deciding how to invest your super. Past performance is not an indicator of future performance. SuperRatings Pty Limited does not issue, sell, guarantee or underwrite this product. Go to [superratings.com.au](http://superratings.com.au) for details of its ratings criteria.

**REST performance results to 31 March 2017\***

Investment Option	3 month (%)	1 Year (%)	3 Year (%pa)	5 Year (%pa)	10 Year (%pa)
Core Strategy	2.29	11.77	7.36	9.82	6.25
<b>Structured</b>					
Cash Plus	0.57	2.30	2.26	2.75	3.38
Capital Stable	1.57	7.64	5.35	6.56	5.30
Balanced	1.88	10.06	6.62	8.28	5.64
Diversified	2.25	12.89	8.18	10.42	6.08
High Growth	2.47	14.84	9.16	11.77	6.29
<b>Tailored</b>					
Basic Cash	0.36	1.54	1.84	2.13	N/A
Cash	0.45	2.00	2.17	2.50	3.32
Bonds	1.50	3.93	4.20	4.96	5.96
Shares	2.47	16.53	9.87	13.44	5.90
Property	3.50	10.44	10.03	9.02	5.86
Australian Shares	3.58	19.68	8.80	12.10	6.35
Overseas Shares	1.67	14.06	10.08	13.92	4.73

**REST Pension performance results to 31 March 2017\***

Investment Option	3 month (%)	1 Year (%)	3 Year (%pa)	5 Year (%pa)	10 Year (%pa)
Core Strategy	2.74	12.72	7.79	10.66	6.86
<b>Structured</b>					
Cash Plus	0.70	2.77	2.66	3.24	4.02
Capital Stable	1.84	8.55	5.95	7.34	6.11
Balanced	2.19	11.11	7.27	9.19	6.38
Diversified	2.57	13.99	8.89	11.50	6.78
High Growth	2.81	16.07	9.87	12.85	6.91
<b>Tailored</b>					
Basic Cash	0.43	1.84	2.17	2.52	N/A
Cash	0.54	2.40	2.60	3.00	3.97
Bonds	1.69	4.54	4.83	5.75	6.97
Shares	2.84	17.62	10.36	14.44	6.27
Property	3.69	11.47	11.03	10.07	6.55
Australian Shares	4.11	19.53	8.91	12.96	6.87
Overseas Shares	1.83	15.49	11.07	15.53	5.13

**We're here to help**

 [rest.com.au](http://rest.com.au)  
 **1300 300 778 (Monday to Friday, 8am-8pm)**



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\*Returns are net of investment fees and tax, except Pension which is untaxed. The earnings applied to members' accounts may differ. Investment returns are at the investment option level and are reflected in the unit prices for those options. Returns for the three, five and ten year periods are annualised returns. N/A applies to options running less than the indicated time periods. Past performance is not an indication of future performance. For more investment information including the latest investment returns visit [rest.com.au/investment](http://rest.com.au/investment)