

REST Investment Update

December quarter 2017

REST's Core Strategy finished 2017 on a strong note, with another quarter of positive returns (+3.97%) for the period ending 31 December 2017.

Over the last 12 months, the Core Strategy has returned +10.68%, well above its return objective of CPI + 3%.¹

Overseas and Australian shares were the largest contributor to returns followed by property and growth alternatives.²

Core Strategy option to 31 December 2017*

3 month (%)	1 Year (%)	10 Year (%pa)
3.97%	10.68%	6.52%

Balanced option (REST Pension) to 31 December 2017*

3.31%	9.50%	6.51%
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December quarter investment update

with Brendan Casey, REST's General Manager, Investments

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Buoyant sharemarkets continue

A strong December quarter topped off yet another stellar year for global sharemarkets.

Thanks to a continuing run of favourable global economic indicators such as robust growth and low inflation, International shares as measured by the MSCI All Country World ex Australia Index (unhedged in AUD), surged a further +6.2% over the December quarter, and an impressive +15.2% for the 12 months ending 31 December 2017.

While US and Japanese sharemarkets dominated the headlines for hitting new records, it was Asia (excluding Japan) and emerging markets such as Argentina and Turkey that proved to be the best performers this year. Historically, a weak US dollar is good news for emerging markets and this certainly proved to be the case in 2017.

Advancing Australia

Anchored by an attractive dividend yield (around 4% on average), respectable earnings growth, and a Reserve Bank outlook for an extended period of record low interest rates, Australia's S&P/ASX300 Accumulation Index, gained +7.7% over the quarter, and +11.9% for the 12 months ending 31 December 2017.

China powers on

The recovery in commodity prices (notably copper), as Chinese activity accelerated during the year also helped the Australian sharemarket.

China's rapidly mounting debt levels (estimated at around 300% of GDP) did not agitate global markets as earlier feared. Over the quarter, China's 19th National Congress outlined a plan for curbing financial risks while focusing

¹ Rolling ten year periods

² Growth Alternatives comprise of Credit (credit or debt securities typically issued by corporations and governments), Equity Strategies (investment in equity related strategies), Private Equity and Agricultural investments.

* 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.

on delivering slightly lower, but still very substantial GDP growth.

This suggests the risk of a China 'hard landing' remains low and a collapse in commodity demand unlikely.

Trump's tax triumph

In the US, the optimism that followed Donald Trump's election win returned with the passing of tax reforms, which are expected to support corporate earnings and the take-home pay of lower and middle-income households.

US corporate taxes falling from 35% to 21% brings the US more in line with the global average. This may lead to increased consumer and business spending combined with even lower unemployment (already at 17-year lows), which in turn could stoke inflation and lead the US Federal Reserve to lift interest rates faster than expected.

Looking ahead

2017 overall proved more resilient than many were expecting. And while much political uncertainty lingers across the world, solid prospects for global growth continue to be supportive of global sharemarkets.

Following strong returns over the past 12-18 months however, valuations across major global markets range between 'fair' and 'elevated' with most trading above pre- global financial crisis (GFC) levels on a range of measures. And, as the monetary policies put in place by global central banks after the GFC become less supportive, record low levels of volatility may end.

Reflecting this increased uncertainty, REST has been positioning the Core Strategy more defensively. This means re-allocating a greater share of the portfolio from shares and property into lower risk asset classes such as cash. This will provide the opportunity to purchase assets at more attractive valuations when markets correct as interest rates around the world rise and/or other significant risks materialise.



REST hits \$50 billion under management

REST celebrated yet another milestone in December 2017, reaching \$50 billion in funds under management.

This is great news for REST members as our size means we can deliver real value for money thanks to our economies of scale.

It also means we're able to work with leading Australian and overseas investment managers to help identify and take advantage of opportunities as they arise.

We also have the capacity to access a more diverse range of investments than smaller funds. For example, we can invest in large assets such as direct property, or alternative asset classes such as infrastructure. This enables REST to capture different types of investment opportunities outside of smaller or traditional asset classes.

Thanks to our size, we're also able to negotiate fee savings with our service providers, leading to lower costs. For members, these savings directly impact the fees charged to administer and invest your retirement savings.

And it's this combination of low fees and competitive investment returns that sees REST's Core Strategy ranked number one for investment performance over 10 years, when compared to similar options of other funds surveyed.*



Make the investment choice that suits you best

Spending 15 minutes today exploring your investment options could make thousands of dollars difference to your super in the long run.

It's easier than you think, and won't cost you anything extra – just some of your time.

Here's how to explore your investment options:

Login to the REST Online Advice tool using your member number

Take the Investment Choice questionnaire – it considers your attitudes and goals to design the right investment solution for you

Once complete, your personal recommendation will be emailed to you

You can then go with the recommendation, or save it for later.

[GET STARTED NOW](#)

To learn more about REST Advice, go to rest.com.au/advice

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*SuperRatings Fund Crediting Survey – SR 50 Balanced (60-76) Index, November 2017. Ratings, awards 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.

REST performance results to 31 December 2017*

Investment Option	3 month (%)	1 Year (%)	3 Year (%pa)	5 Year (%pa)	10 Year (%pa)
Core Strategy	3.97	10.68	7.54	10.00	6.52
Structured					
Cash Plus	0.43	2.02	2.05	2.50	3.17
Capital Stable	2.01	6.32	4.92	6.33	5.32
Balanced	3.09	8.57	6.44	8.31	5.77
Diversified	4.27	11.05	8.16	10.72	6.28
High Growth	5.28	12.97	9.33	12.33	6.59
Tailored					
Basic Cash	0.34	1.42	1.64	1.93	N/A
Cash	0.45	1.84	2.01	2.28	3.09
Bonds	-0.08	2.95	2.49	3.79	5.90
Shares	7.38	15.58	10.07	14.64	6.62
Property	2.87	12.76	10.85	9.54	5.58
Australian Shares	9.24	15.46	10.35	12.22	6.42
Overseas Shares	6.11	15.25	9.38	15.81	6.07

REST Pension performance results to 31 December 2017*

Investment Option	3 month (%)	1 Year (%)	3 Year (%pa)	5 Year (%pa)	10 Year (%pa)
Core Strategy	4.19	11.96	8.11	10.78	7.14
Structured					
Cash Plus	0.51	2.43	2.44	2.94	3.78
Capital Stable	2.18	7.10	5.45	7.04	6.12
Balanced	3.31	9.50	7.03	9.14	6.51
Diversified	4.56	12.13	8.83	11.72	6.99
High Growth	5.60	14.14	10.01	13.36	7.22
Tailored					
Basic Cash	0.39	1.68	1.93	2.26	N/A
Cash	0.53	2.19	2.38	2.72	3.71
Bonds	-0.08	3.44	2.84	4.39	6.89
Shares	7.86	16.76	10.47	15.63	7.02
Property	3.10	14.13	11.94	10.62	6.29
Australian Shares	9.46	16.15	10.22	12.78	6.85
Overseas Shares	6.64	16.71	10.29	17.55	6.61

We're here to help

 rest.com.au

 **Live Chat at rest.com.au**

Monday to Friday 8am - 10pm and Saturday 9am - 6pm AEST

 **1300 300 778** Monday to Friday 8am - 10pm AEST



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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