

Acumen Investment Update

September quarter 2015

The Core Strategy (in which most Acumen members are invested) returned -1.92% for the September quarter after a flat June quarter which returned -0.06%. Shares were the main contributor to the slide in returns. Australian shares, in which REST has a lower allocation relative to overseas shares, generally fell more than overseas shares.

Recent lacklustre returns are not surprising given that markets have performed above the long-term market rate of return in the last few years. The Core Strategy has returned significantly above the long-term investment return objective of CPI + 3% per annum over the last 3 and 5 years with a return of 11.16% per annum and 8.98% per annum respectively.

Acumen Performance results to 30 September 2015

Investment Option	3 month (%)	1 Year (%)	3 Year (%pa)	5 Year (%pa)	10 Year (%pa)
Core Strategy	-1.92	5.39	11.16	8.98	7.24
Structured					
Cash Plus	0.40	2.39	2.99	3.49	3.88
Capital Stable	-0.63	4.63	7.18	6.71	5.78
Balanced	-0.84	5.93	9.35	8.00	6.31
Diversified	-1.23	7.33	12.07	9.53	6.99
High Growth	-1.46	8.32	13.87	10.46	7.34
Tailored					
Basic Cash	0.43	1.96	2.23	2.87	N/A
Cash	0.48	2.28	2.60	3.20	3.85
Bond	-1.28	2.42	4.66	5.88	5.93
Shares	-2.58	9.15	17.01	11.41	7.17
Property	4.27	8.50	7.79	6.75	6.42
Australian Shares	-3.10	2.88	11.85	8.62	7.63
Overseas Shares	-2.44	12.88	20.12	12.96	5.86

Returns are net of investment fees and tax. 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 acumensuper.com.au/investment



Surprise Chinese currency devaluation rattles markets

The Chinese authorities allowed their exchange rate to depreciate around 4.5% in August as part of a plan to move towards a more market-determined rate. This has generally been viewed as a positive development.

However, the move may have been broadly interpreted by investors as a sign of more serious economic issues surrounding the slowing Chinese economy. This caused a plunge in the Chinese share market leaving some market commentators to argue that the sell-down in China was overdone and not supported by any broad weakness in the country's economy.

Recent economic data from China points to a contraction in manufacturing activity for six months in a row. However, retail sales were better than expected and new house prices continue to improve as the Chinese regulators provide stimulus, such as the recent lowering of the down payment requirement for first mortgages from 30% to 25% in most cities.

Emerging markets suffer brunt of recent market volatility

Concerns following the recent devaluation of the Chinese currency also sparked a fierce sell-off across emerging markets. The MSCI Emerging Market Index, which represents shares from over 20 emerging market countries (including China, Brazil, India and South Africa) returned -18.5% in the September quarter.

Australian share market not spared

The Australian share market (represented by S&P/ASX 300 Accumulation Index) was not spared with its reliance on commodity exports to China. The price of iron ore, Australia's largest mineral export, is currently US\$57 per tonne down from US\$105 mid last year. The Australian share market index slumped to another negative quarter with a return of -6.5% in September adding to June quarter's loss of -6.5%. The cumulative loss over the last two quarters was the largest in four years.

In light of current events, the Reserve Bank of Australia's (RBA) decision to leave the cash rate at 2.00% since May this year should sustain our moderately expanding economy which is still adjusting to a decline in mining investment that peaked at 8% of Gross Domestic Product (GDP) in late 2012.

Share markets of developed economies relatively more resilient

The overseas share market (represented by MSCI World ex Australia Index, unhedged in Australian dollars), valued in foreign currencies, has resiliently returned +0.4% over the September quarter and +18.9% over the last 12 months. The performance of overseas shares in Australian dollar terms was predominantly driven by the -20% fall of the Australian dollar to \$0.70 against the US dollar in the last 12 months.

Listed US and European companies which comprise over half of the overseas share market were resilient overall on the back of the favourable global financial conditions. An improving US economy remains to be supported by low interest rates and other major central banks' continued easing of their monetary policies to support their economic recovery.

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Please call between 8am-6pm, Monday to Friday

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