



# INVESTMENT UPDATE

## MARCH 2020 QUARTER

Dear Member,

Welcome to the latest *Investment Update* for the Nissan Superannuation Plan, keeping you up to date with what's been happening in the financial markets and how the Plan's investments and your super have performed during the March quarter.

If you have any questions about your super, please contact a member of the Policy Committee.

Towers Watson Superannuation Pty Ltd

### Quarter results

The Plan's **March quarter investment returns\*** for the:

- Growth option was -10.63%
- Balanced 50/50 option was -6.48%
- Cash option was 0.23%

Investment returns for the key asset classes for the quarter for:

- Australian shares was -23.4%
- International shares (hedged) was -21.1%
- International shares (unhedged) was -9.0%
- Global listed property (hedged) was -28.4%
- Australian fixed interest was 3.0%
- International fixed interest was 1.3%
- Cash was 0.3%

Due to the extreme volatility in the share markets, all super funds are currently experiencing negative returns and the situation for the Nissan Superannuation Plan is no different. The Plan's Growth option, with its higher exposure to shares, experienced a significant fall over the quarter. The return for the Plan's Balanced 50/50 option fared somewhat better, however it also registered a negative return.

If you are a Defined Benefit member, the defined benefit part of your super is generally not affected by investment returns as it is instead linked to your salary. However, Accumulation accounts and any additional voluntary contributions and rollovers you have, receive the investment earnings of your selected option.

The end of March 2020 marked a low point for investment markets to date. During April 2020 we have seen share markets recover some of their losses and the Australian dollar has strengthened against other currencies. We expect improved investment returns for the Plan in future, however we caution that share markets continue to be volatile and ready to react to the slightest of news.

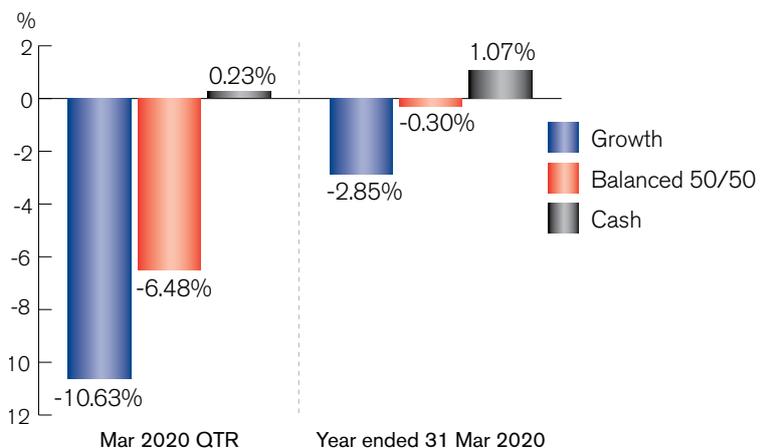
### Plan investment performance

Economies and markets were hit hard over the quarter to 31 March 2020 due to the rapid spread of the Coronavirus and the resulting lockdowns. International shares (as measured by the MSCI World Index ex Australia (hedged in AUD)) fell by 21.1% over the quarter. Australian share markets lost 23.4% over the quarter, reversing the gains made over the year to December 2019.

Central banks have responded with interest rate cuts and quantitative easing programs in a bid to stimulate spending. In Australia, the Reserve Bank of Australia cut interest rates twice during the quarter, reducing the rate from 0.75% to 0.25%, and introduced quantitative easing for the first time. There was also a large stimulus response from the Australian Federal Government, headlined by the \$130 billion wage subsidy package commonly referred to as JobKeeper.

The increased uncertainty has seen investors seek the safety of bonds, resulting in positive returns for fixed interest investments. This has benefited the Plan's Balanced 50/50 option, which has a 40% exposure to fixed interest investments. The Australian dollar depreciated against the US dollar, finishing March at 61.35 US cents, down from 70.21 US cents at the start of the quarter. This depreciation has provided some protection for that portion of the Plan's international share investments that do not have currency hedging.

The graph below shows the Plan's net investment returns\* for the three investment options for the quarter ended 31 March 2020 and for the year ended 31 March 2020.



\* Net of investment fees and taxes.

Please note that past investment performance is not necessarily an indication of future performance.

The results detailed in the graph above represent the final crediting rates for the year and these will be used to update your benefits at 31 March 2020. The preparation of your annual *Benefit Statement* and the Plan's *2020 Annual Report* are currently underway and these are expected to be issued to members by the end of June 2020.

## Market volatility and your super

At times of high volatility and negative returns, it's important to keep in mind that for most members, superannuation is a long-term investment.

The Trustee has strategies in place to achieve specific performance goals for each of the Plan's investment options over the long term. In addition, some of the recent investment changes (described below) were designed to help cushion the impact of a contraction in global economic activity.

The Government has also introduced measures to support superannuation members financially impacted by the Coronavirus. Refer to the leaflet, 'COVID-19 Assistance Package' on the Plan's website for details.

## Investment changes

The Trustee works closely with its investment adviser to regularly review the Plan's portfolio. Following a review, completed at the end of 2019, the Trustee has made some changes to the Plan's share investments. These changes affect the Plan's Growth and Balanced 50/50 investment options and were implemented by 1 March 2020.

### What has changed?

#### Greater proportion in International shares

The Plan will now invest more of its share investments internationally (60%), with the remainder in Australian shares (40%). Previously the split was 50/50. The aim of this change is to increase diversification, as the Australian share market only makes up around 2% of world markets and the available shares can be quite limited compared with shares available internationally. The fortunes of Australian shares also rely heavily on the local economy and that of its key trading partners.

The new benchmarks and asset allocation ranges are shown to the right.

#### More unhedged shares

Of the shares that are invested internationally, 70% will now be exposed to movements in foreign currency (unhedged) and 30% will be insulated from foreign currency fluctuations (hedged). Previously, the split was 60/40.

The investments will continue to be managed by the Plan's existing investment managers through the GQG Partners Global Equity Fund and Macquarie Arrowstreet Global Equity Fund.

Increasing the Plan's exposure to foreign currency is seen as a tool to manage downside risks. For example, when international markets fall, typically we see a weakening in the Australian dollar (AUD). The impact of the loss from international markets is cushioned when there is a simultaneous weakening in the AUD. This situation is being seen with recent market falls. For example, in March 2020 global share markets fell around 13.4%. The AUD fell as well, which limited the loss (in AUD) to around 8.3%.

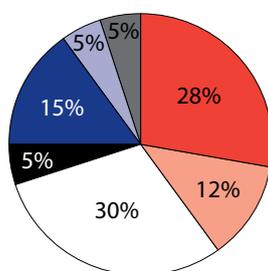
## Understanding the changes

The Plan's overall exposure to shares will not change. There will also not be any changes to the options' investment objectives (specific performance goals set by the Trustee), the split between growth (higher risk/higher return) and income (lower risk/lower return) assets, or the overall measures of risk.

## New asset allocations from 1 March 2020

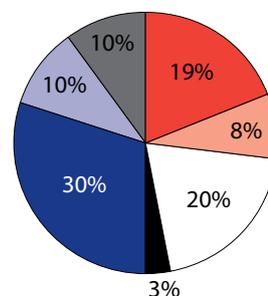
The new benchmarks and asset allocation ranges are shown below.

### Growth



Australian shares	21% to 35%
International shares (hedged)	5% to 19%
International shares (unhedged)	23% to 37%
Global Listed Property	2% to 8%
Australian fixed interest	0% to 20%
International fixed interest	0% to 20%
Cash	0% to 10%

### Balanced 50/50



Australian shares	14% to 24%
International shares (hedged)	3% to 13%
International shares (unhedged)	15% to 25%
Global Listed Property	0% to 6%
Australian fixed interest	5% to 35%
International fixed interest	5% to 35%
Cash	5% to 15%

For more details, see the *Member Investment Choice* leaflet, available at [nsp.nissan.com.au](http://nsp.nissan.com.au) under 'Forms and Publications'.

### What does this mean for me?

The changes aim to increase the Plan's diversification and improve the portfolio's resilience in times of global financial stress.

You do not need to take any action as a result of these changes.

The Trustee continues to monitor and review the Plan's investments with the aim of ensuring the Plan delivers on its investment objectives and achieves competitive returns for members.

Should you have any questions about the Plan or your benefits, please contact the Plan administrator on **1800 127 953**. Members of the Policy Committee can also assist with general queries relating to the Plan. See [nsp.nissan.com.au](http://nsp.nissan.com.au) for more details.

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