



# INVESTMENT UPDATE

## SEPTEMBER 2016 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 September 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 **September quarter** investment return\* for the:

- Growth option was 3.69%
- Balanced 50/50 option was 2.69%
- Cash option was 0.41%

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

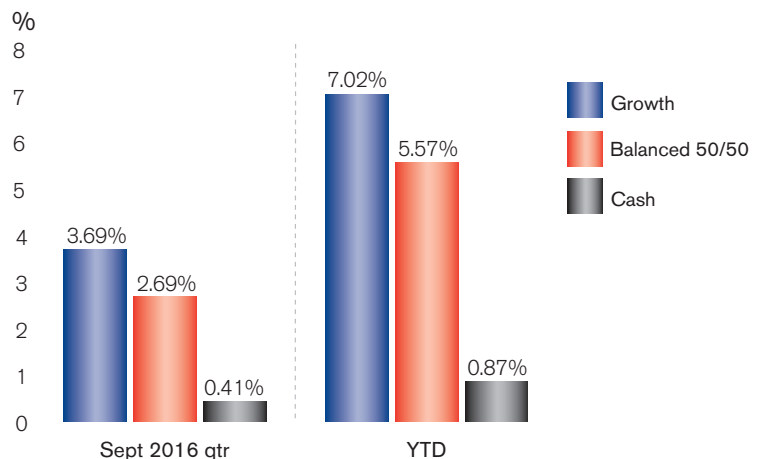
- Australian shares was 5.2%
- International shares (hedged) was 5.1%
- International shares (unhedged) was 2.0%
- Global property (hedged) was 0.6%
- Australian fixed interest was 0.9%
- Australian cash was 0.5%

Over the September quarter, the Australian dollar rose against the US dollar, from 74.51 US cents at 30 June to 76.64 US cents at 30 September. The Australian dollar also rose against the currencies of its major trading partners. This was in part due to the US decision to leave interest rates unchanged and a reversal in commodity prices.

Global listed property was relatively flat over the September quarter. Government bond yields around the world (except the US) declined over the same period, which in turn benefited Australian and international fixed interest investments.

The encouraging performance of shares during the quarter has resulted in reasonably good returns for the Plan's Growth and Balanced 50/50 options.

The graph below shows the Plan's net investment returns\* for the three investment options for the quarter ended 30 September 2016 and for the year to date (1 April 2016 to 30 September 2016).



\* Net of investment fees and taxes. Between 1 April 2016 and 30 June 2016, net investment returns also allowed for the build up of the Operational Risk Financial Requirement reserve.

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

### Plan investment performance

Share markets achieved reasonably strong returns over the September quarter. After falls in late June 2016, Australian shares rebounded in July, returning 5.2% over the quarter (S&P/ASX 300 Accumulation Index). Over the same period, international shares returned 2.0% (MSCI World ex Australia Accumulation Index, unhedged, A\$). Removing the impact of foreign currency from the returns, the A\$ hedged returns for the same period was 5.1%.

Data for the September quarter signalled a slight deterioration of the Australian economy. The Australian manufacturing index reflected a slowdown in the rate of expansion, dropping from 51.8 to 49.8 over three months. Business confidence held steady, but consumer confidence fell over the quarter. The unemployment rate fell slightly from the previous quarter, to 5.6%.

The Reserve Bank of Australia (RBA) lowered the official cash rate again from 1.75% to a historic low of 1.50% at its August meeting. According to the RBA Board, lower interest rates would assist stronger economic growth and help to ensure that inflation returns to the target band of 2% to 3% over time. In contrast, the Federal Reserve kept the US official rates on hold, but expressed confidence in the US economic growth, leaving the door open for potential rate hikes before the end of the year.

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## Government revises Budget super proposals

The Government has recently flagged revisions to some of its superannuation proposals announced in the May 2016 Federal Budget. The original proposals were summarised in the *2016 Annual Report*, which is available on the Plan's website at [nsp.nissan.com.au](http://nsp.nissan.com.au).

The intended start date for the changes is generally 1 July 2017, and they still require Parliament to pass the necessary legislation.

Here is a quick snapshot of the main changes.

- While the Government has not changed its plan to reduce the concessional contributions (pre-tax) cap to \$25,000 per year for all members from 1 July 2017, it will delay the introduction of the ability to make "catch up" contributions. Members with less than \$500,000 in super will have to wait an extra year until 1 July 2018 to start carrying forward up to five years' worth of unused concessional contribution caps.
- The proposed \$500,000 lifetime limit on non-concessional contributions (generally post-tax contributions) has been replaced with an annual limit of \$100,000 for these contributions from 1 July 2017. The current limit is \$180,000 each year. The ability to bring forward up to two years of contributions if you are under age 65 will remain, with transition arrangements being made to phase the new lower \$100,000 limit into the two year bring-forward rule.
- The Government will now maintain the work test which restricts the ability of people over age 65 to make contributions to super. This means those aged between 65 and 74 must be employed for at least 40 hours in any 30 day period in the financial year for contributions (other than SG contributions) to be accepted into a superannuation account. It had previously proposed abolishing this work test.

There are no changes to the pension proposals made in the Budget. The \$1.6 million limit on the amount in the pension phase remains. The Government still intends to start taxing investment earnings in Transition to Retirement Pensions at a maximum of 15%.

We will keep you updated on key developments to superannuation through future member updates.