



# INVESTMENT UPDATE

## DECEMBER 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 December 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 **December quarter** investment returns\* for the:

- Growth option was 3.5%
- Balanced 50/50 option was 1.6%
- Cash option was 0.4%

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

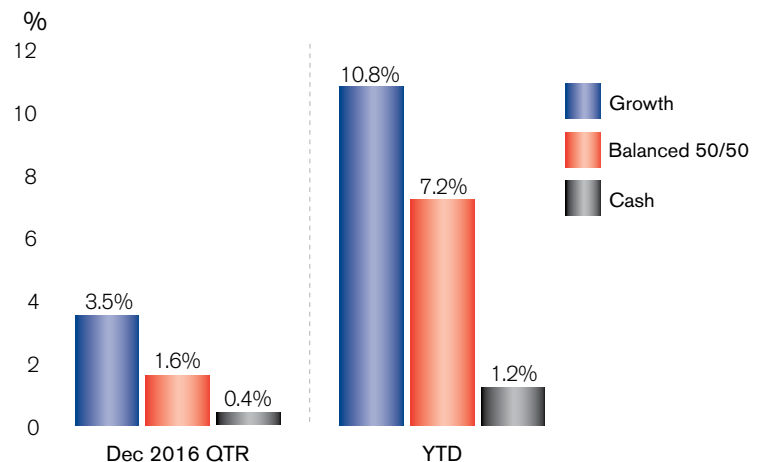
- Australian shares was 4.9%
- International shares (hedged) was 5.2%
- International shares (unhedged) was 7.7%
- Global property (hedged) was -3.0%
- Australian fixed interest was -2.9%
- International fixed interest was -2.2%
- Australian cash was 0.4%

The Reserve Bank of Australia (RBA) left the official cash rate unchanged at 1.5% during the December quarter. The RBA Board noted significant economic risks ahead, including an expectation that the labour market will have excess capacity for some time.

The Australian dollar depreciated against the US dollar, from 76.64 US cents at 30 September to 72.08 US cents at December end. This was largely driven by 'the Trump effect', with some of the potential Trump administration's policies, such as lighter regulation and measures to stimulate the economy, improving the perceived outlook for the US. The Australian dollar did, however, appreciate against the currencies of its other major trading partners.

The Plan's Growth option delivered a strong result for the quarter. The return of the Balanced 50/50 option was more restrained, reflecting the option's higher exposure to fixed interest investments.

The graph below shows the Plan's net investment returns\* for the three investment options for the quarter ended 31 December 2016 and for the year to date (1 April 2016 to 31 December 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

It was a tumultuous final quarter for global markets, with a number of significant election results in both the US and more broadly in the Eurozone having a major influence. International shares performed strongly in the December quarter, returning 5.2% (MSCI World ex Australia Accumulation Index, hedged). When taking into account a weakening Australian dollar, this equated to a return of 7.7% in unhedged terms. Despite sustaining losses in the month of October, the Australian share market performed well, returning 4.9% over the quarter (as measured by the S&P/ASX 300 Accumulation Index).

Not all assets performed well over the quarter. Global listed property returns were negative, as were Australian and international fixed interest returns which were a result of a global bonds sell-off in November following Trump's US election victory.

Economic data released in December 2016 indicated some deterioration of the Australian economy, with the fastest fall in Australian GDP since the end of 2008. Both business confidence and consumer sentiment declined, and the unemployment rate rose from 5.6% to 5.8% over the quarter. On the upside, Australian manufacturing increased over the period due to strong expansions in new orders, sales and exports. There were also price increases in a number of Australia's key export commodities.

## Contribution limits are reducing soon

### Is it time for you to top up your super?

Each year there are limits on how much money you can put into super which will be taxed at concessional rates. For the current financial year, which ends on 30 June 2017, the annual limits for making “concessional contributions” to your super depend on your age:

- \$35,000 if you were 49 years or over at 30 June 2016;
- \$30,000 if you were under age 49 at that date.

**These limits will be reducing to \$25,000 per year from 1 July 2017 for everyone, regardless of age. This means there’s a window of opportunity to top up your super before 30 June 2017 under the current rules before the new, lower limit applies.**

Note that limits for making non-concessional contributions (generally after-tax contributions) will also be reducing from 1 July 2017. There are some complex rules for phasing in the new provisions, so if you’re thinking of making non-concessional contributions, you should firstly seek individual financial advice.

**Please contact Nissan payroll if you wish to change your contribution rate.**

### What are concessional contributions?

Concessional contributions include:

- any contributions you make from your before-tax salary i.e. by salary sacrifice;
- your employer’s contributions; and
- notional contributions in respect of your defined benefit (see below).

### Arrangements for Defined Benefit members

The amount of concessional contributions that count toward the cap in respect of your defined benefit (your “notional contributions”) is calculated by the Plan actuary in accordance with special rules, rather than your employer’s actual contributions. For more information about your notional employer contributions from the Plan, contact Marcus Wappet on 03 9797 4290.