LUCRFsuper
Australia's first industry fund

Employer News

Dec 2016

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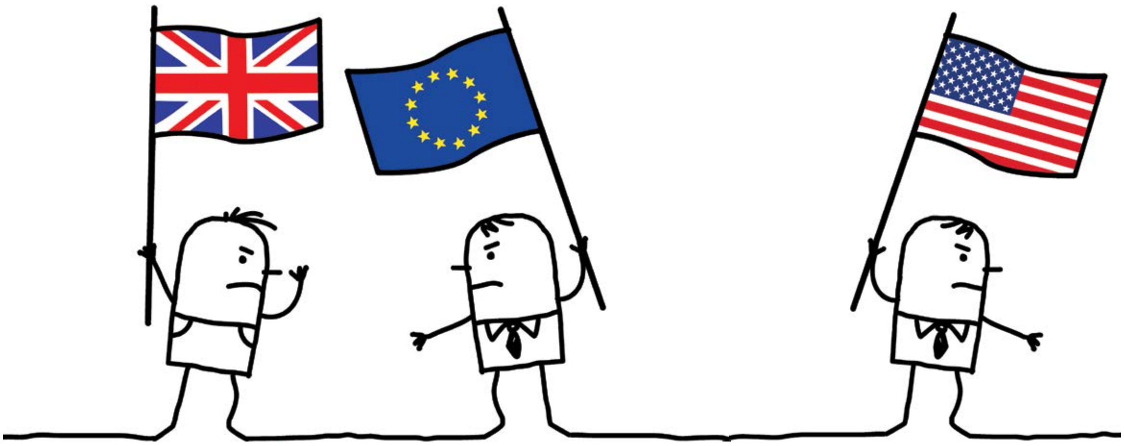
2017 Wall Planner *enclosed*



Brexit, Trumpageddon – have we seen it all? *What's next?*

The financial year started off well with share markets around the world rallying in July, following the volatility at the end of June from Brexit.

Central banks around the world stepped in early in the first quarter to stimulate markets. The Reserve Bank of Australia cut interest rates to a new record low of 1.5% in August. Share markets generally ended the quarter higher than where they started.

In the second quarter, the surprise election of American businessman Donald Trump to the White House shocked many. The effect on global share markets has also been a bit surprising. In a volatile week around the US election (8 Nov) the Australian Stock Exchange (ASX) actually posted its best week since July, as fear subsided into optimism following Trump's victory speech.

In fact, when US share markets opened the day after the election, markets rallied, which flowed through to Australian shares the next day. The ASX posted its best day since 2011, jumping 3.3 per cent, and ending up 3.7 per cent higher for the week.

The biggest loser from the Trump presidency to date has been bonds, because markets expect higher inflation and higher interest rates in the US on the horizon. This has also negatively affected 'interest rate-sensitive' sectors, such as listed property (where our Property option is invested). Generally, the asset classes that performed best in recent years (as interest rates fell) have been the poorest performing over the 2016/17 financial year to date, as markets expect interest rates to rise.

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Looking ahead

It is still very early days to predict what the long-term effect will be on our share market. Trump will be inaugurated as President on 20 January 2017 and has around 4,000 government appointments to make between now and then. As he appoints his key cabinet positions, markets should gain a better perspective on which of his campaign promises are likely to be followed through.

Trump's commitment to rebuild US infrastructure could stimulate growth in the short and medium term. However, this could spur some inflation in the US, which would mean the US Federal Reserve is more likely to increase US interest rates.

Immigration and trade agreement policy changes could also have an impact but it's hard to tell at this early stage just how big an impact, especially for Australia. It is unchartered territory and although big changes generally mean more volatility, one of our main tools to manage through this volatility is diversification. While we can't predict the future, we can ensure that our investment portfolios are best placed to take advantage of all market factors and continue to grow member account balances over the long term. Now more than ever is a good time for well diversified portfolios.

Investment returns – 1 July to 31 October 2016*

Option name	Super	Pension
LUCRF Super MySuper Balanced	1.90%	2.16%
Master Trust (retail funds) median	1.44%	1.76%

*Source: SuperRatings Fund Crediting Rate Survey – SR50 Balanced (60-76) Index, October 2016 and SuperRatings Pension Fund Crediting Rate Survey – SRP50 Balanced (60-76) Index, October 2016. Note: Past performance is not a reliable indicator of future performance.

Contribution caps update

Changes to super contributions caps have been on the agenda recently, and legislation was finally passed in November. Here are the changes in detail.

Concessional contribution cap

From 1 July 2017, the Government is cutting concessional (before-tax) contribution caps to $25,000 for all, regardless of age. The current caps that apply for 2016/17 are: $35,000 for those 50 or over and $30,000 for those 49 or under (as at 30 June 2017). Concessional contributions include super guarantee (SG) payments as well as salary sacrifice contributions and any additional before-tax contributions made by you or your employee. From 1 July 2018, individuals can carry forward any unused concessional contribution caps for up to five years, provided their super balance is below $500,000.

Non-concessional contribution cap

The Government proposed a $500,000 lifetime cap on non-concessional (after-tax) contributions in the 2016 Federal Budget. This is no longer going ahead and from 1 July 2017, the non-concessional contribution cap will instead drop from $180,000 to $100,000 per financial year, with the bring-forward cap also dropping to $300,000 (from $540,000).

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