

## Quarterly snapshot: 2nd Quarter (Oct - Dec 2018)

### Mid-cycle slowdown

**Investment markets had a torrid quarter, with slowing growth, fear of the US Federal Reserve Bank hiking interest rates and hopes of a trade deal between the US and China dashed.**

#### Key points

- Our MySuper Balanced option returned 0.17% and our Balanced option for pensions returned 0.26% for the 2018 calendar year.
- Diversification helped the Balanced options deliver a positive return for 2018.
- Options with a concentration of just one or two asset classes (such as Australian shares, international shares and indexed shares) recorded negative returns for the 2018 calendar year.
- Although markets may seem doom and gloom in the last quarter, super is a long-term investment. We encourage members not to switch in and out of long-term investment strategies in response to short-term market movements.

### How the markets performed

While quarter one of the 2018/2019 financial year looked positive, falls in stocks, commodities and credit markets in this quarter resulted in one of the worst in recent memory. This weakness was driven primarily by a combination of slowing global growth (particularly in China) and worry of the US Federal Reserve Bank pushing interest rates too high. Mid-December also did not see the “Santa Claus” rally we hoped, with the above fears causing panic selling across global stocks. While it might seem a bit doom and gloom, investment markets do tend to over-react to bad news.

While the outlook for risk assets has moderated, a global recession does not appear imminent. However, the market now has more realistic expectations for 2019.

### What this means for your LUCRF Super account

We continue to look for good investment opportunities (especially within our MySuper Balanced and Balanced option for pensions). However, given the slowing economic backdrop and unpredictability of trade disputes we are taking a cautious approach.

This backdrop has also led to us reducing shares in developed markets and buying more in Australian and emerging markets. We also restructured the way we construct some of our asset classes to encourage better returns.

### Looking ahead

The new year looks to be a tale of two halves. Several events cast a shadow of uncertainty over the first six months of the year. This includes: the UK leaving the EU, ongoing trade negotiations between

the US and China, the impact of the US' government shutdown, and Australia's election in May. How these events are resolved may dictate performance for the following six to twelve months.

As these events unfold, we expect listed shares to continue to remain volatile and 'whipsaw' (with pricing 'whipping' from one direction to another). Given the economic outlook, material changes to global macroeconomics or investment markets may result in us looking to buy shares at lower prices than today, or conversely sell shares at higher prices than today if we feel they have become too expensive within the balanced options.

We encourage members not to switch in and out of long-term investment strategies in response to short-term movements in the markets. We're monitoring the markets closely and maintaining a well-diversified portfolio for our members.

If you have any questions, please call us on **1300 130 780** and speak with one of our financial advisers.

## Latest returns

This table shows how your investment has performed for the quarter and financial year to date (FYTD). To discuss market conditions or your own financial situation, please call one of our financial advisers on **1300 130 780**.

### Super/TTR rates

Investment options	2nd Quarter (1 Oct – 31 Dec 2018)	FYTD (1 Jul – 31 Dec 2018)
MySuper Balanced	-4.85%	-2.80%
High Growth	-6.34%	-3.40%
Targeted Return	-1.87%	1.69%
Moderate	-2.93%	-1.08%
Conservative	-2.02%	-0.91%
Australian Shares	-8.48%	-6.68%
International Shares	-9.72%	-4.33%
Indexed Shares	-8.53%	-4.63%
Property	-1.61%	0.05%
Cash	0.5%	0.99%

### Pension rates

Investment options	2nd Quarter (1 Oct – 31 Dec 2018)	FYTD (1 Jul – 31 Dec 2018)
Balanced	-5.33%	-3.04%
High Growth	-7.00%	-3.76%
Targeted Return	-2.10%	1.57%

<b>Moderate</b>	-3.21%	-1.14%
<b>Conservative</b>	-2.20%	-0.90%
<b>Australian Shares</b>	-9.07%	-7.05%
<b>International Shares</b>	-10.69%	-4.93%
<b>Indexed Shares</b>	-9.08%	-4.89%
<b>Property</b>	-1.70%	0.16%
<b>Cash</b>	0.59%	1.17%

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