

REI Super Pension Bulletin 2018

From your Industry Super Fund

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Another year of solid growth for REI Super.

Investment markets experienced a degree of volatility during the 2017/18 financial year caused by a range of factors, but in the final analysis, most asset classes ended the financial year showing gains, translating into another solid year of investment returns for REI Super members.

Our Pension Balanced option provided a net return of 6.59% to pension members' accounts for the year, and the longer term return is even stronger. Over the five years to 30 June 2018, the Pension Balanced option has provided an average net return to pension members of 9.12% per annum.

Pleasingly, our results are also in excess of the Balanced option's primary performance objective of providing a net return to members of at least inflation plus 3% per annum.

Delivering another year of consistent returns is a clear demonstration of the benefits of having your account invested

in a diversified investment portfolio. Members' funds in our Balanced option are allocated and closely managed across a range of different types of assets, including Australian and overseas shares, listed and unlisted property, fixed interest and cash. This is the ninth straight year of positive returns generated since the GFC, including four years of double digit returns.

For members in the Pension phase, who are drawing an income stream from REI Super, we have now made it possible to combine the benefits of the longer term growth potential of the Balanced option with the downside risk protection control

of the Cash option, according to their age, all within a single investment strategy.

See page 4 for details of our new investment strategy for Pension members and information on the government's new downsizing into superannuation measures.

Yours sincerely,

Mal Smith
Chief Executive
Officer



Investment update.

The first six months of the financial year were extraordinarily strong.

Investment markets were driven by optimism about stronger global economic growth and the potential positive impact of President Trump's tax cuts on US company profits. Most global share markets performed extremely well during this period, especially those in emerging market economies and the technology sector.

In the second six months of the year this optimism had waned and markets had become wary of risks related to trade wars, rising interest rates and political events. During this period emerging markets suffered reverses on their earlier gains, while developed markets generally strengthened. During this period we saw greater volatility in markets.

REI Super's portfolio performed well under these pressures. Our Australian and international share market exposures provided above-average returns and bond returns were also solid.

Our portfolio benefited in particular from our holdings in European shares – especially within the energy sector. Both listed and unlisted property delivered solid gains during the financial year.

For the financial year the Fund's Balanced option delivered a net return to members of 6.59%, which again was in excess of its performance objective of providing an annual net return of at least 3% above inflation.

Outlook

The reason for constructing a well diversified portfolio across different asset types is of course because the recent peaks and troughs are normal.

In terms of the future outlook, history suggests that both shares and bonds have produced unusually high returns in recent years, fuelled in part by central banks' running stimulus measures to kick start growth in many economies.

Our assessment is that at the present time, shares, property and bonds all appear expensive, relative to past valuation, and therefore caution is warranted when it comes to making new investments.

We expect more short term volatility is ahead, which will create opportunities for the Fund to acquire assets at better prices.

Our strategy is only to generally buy assets when they are well priced and when the market conditions indicate they have good prospects for future growth, with an acceptable level of risk.

New investment strategy balances risk control with growth potential.

Now that you're drawing a retirement income you're likely to be focused on protecting the value of your asset as much as possible while at the same time seeking longer term growth through solid investment returns.

That's why we created a new default investment strategy for pension account members. It is designed to provide a level of certainty, with a percentage of your savings invested in the Cash option and the opportunity for growth with the remainder of your savings invested in the Balanced option.

Long term growth with acceptable risk

Your regular pension payments are made from the Cash option (which has capital security) where possible, giving the Balanced option maximum opportunity to deliver investment growth. The Balanced option is designed to meet long term capital growth needs with an acceptable level of risk.

For members who do not want to actively manage their own investment mix this strategy could be a very good choice.

The asset allocation is rebalanced each year to ensure a minimum balance in the Cash option is maintained to fund your income stream payments, with the percentage in the Cash option increasing as you increase in age.



Available to all new and existing pension members

Provided to all new pension members as their default option (if they don't choose a different investment option or options). The new strategy is also available to all existing pension members to choose.

| Age | Cash option | Balanced option |
|----------|-------------|-----------------|
| Under 65 | 8% | 92% |
| 65-74 | 10% | 90% |
| 75-79 | 12% | 88% |
| 80-84 | 14% | 86% |
| 85-89 | 18% | 82% |
| 90-94 | 22% | 78% |
| 95+ | 28% | 72% |

Downsizing has a new upside.

Under new rules, from 1 July 2018 proceeds from the sale of your home of up to \$300,000 per person can be used to top up your super without affecting contribution caps. This can make a significant difference to your super outcome. Of course rules apply.

To be eligible you must:

- ✓ Be 65 years or older at the time you make a downsizer contribution.
- ✓ Have owned your home for ten years or more and it must be your main residence.
- ✓ Provide your super fund with a downsizer contribution form.

- ✓ Make the contribution from the proceeds of the sale of your home with the contract of sale exchanged (signed) on or after 1 July 2018.
- ✓ Make your downsizer contribution within 90 days of settlement.

- ✓ The amount cannot be greater than the proceeds of the sale and you only have one lifetime opportunity to make a downsizer contribution.

You will not be able to make a contribution from any subsequent property sales.





‘Life is wonderful and we are happy, healthy and looking forward to many more adventures.’

Neil & Glenda Stripling
REI Super Pension Members

‘Keeping us in the lifestyle we planned.’

Neil and Glenda Stripling couldn't be more active and loving life. Just back from a 5 month stint in India, staying in the beautiful 'Golden Fort' Jaisalmer in Rajasthan which dates back to 1250, they are full of stories of life and culture.

The next trip is already being planned.

‘It's an amazing and fascinating place, we love it so much. This is our fifth trip so I think we have lived in India for more than 12 months now.’

Wedding, funerals, everything

‘There is always something going on, be it a funeral, a wedding, a procession or a festival, so much colour and movement.’ But India isn't their only destination. ‘We love our cruises,’ says Neil. ‘We've been on three or four cruises in the past couple of years. The latest one took us to Bulgaria, Venice and Rome amongst other fascinating and wonderful places.’

Now back in their home town of Darwin they are happiest on their balcony at sunset overlooking the water. Neil and Glenda look forward to having their grandchildren a couple of days a week and staying involved in their local community.

Neil is currently writing a book on his life. Not for general publication but to share with family and friends.

‘I was born in 1939 and have seen and experienced incredible changes in that time. I just want to share that with my grandchildren and perhaps their children to make it real for them,’ he said.

Now it's a quick trip down to Melbourne to catch up with family and friends and most importantly watch their beloved Cats take on the Roos at Kardinia Park.

Winding up our SMSF was the best thing we've done

‘Winding up our Self Managed Super Fund some years ago was the best thing we've done. It's taken the worry out of investing and getting a regular income. Our nest egg is in good hands with our REI Super Pension.’

‘Life is wonderful and we are happy, healthy and looking forward to many more adventures.’

If you've got questions – we have answers

Call our Helpline 1300 13 44 33

Mon – Fri 8:30am to 7pm AEST

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