

REI Super Pension Bulletin 2019

From your Industry Super Fund

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A satisfying year

Investment returns are on track and performing to expectation, which is particularly pleasing in the current market climate. The balanced option where most members are invested, is achieving a 6.39% return for the year.

Member satisfaction

Outcomes from the recent Royal Commission into the banking and finance sector have highlighted the good governance and performance of Industry Funds compared to the banking and retail sector. This has seen significant funds rolled in to REI Super further strengthening our investment position.

Our annual member satisfaction survey was extremely positive. Highlighted by the level of comfort members have knowing we are an Industry Fund and demonstrated by how easy we are to deal with.

Retirement with REI Super is looking good

Earlier in the year we were pleased to deliver a reduction in Pension plan administration costs, effectively reducing the cost from \$182 to \$85.80 p.a., along with the introduction of a new tailored investment option for pension members.

The Premium Income option tailors your investment mix based on your age to maximise your income while balancing security and growth.

New admin contract delivers value

We're pleased to report the outcome of our recent administration contract negotiations with fund administrator Mercer. This resulted in a hold to the same level of fees charged plus the implementation of some new technology, making it super easy for members to roll in all their super to REI Super from other funds.

Since we launched our new super matching tool, we've reunited over 300 super accounts for members with a total of over \$3.8 million. We will also be rolling out a new website to members early in 2020, making it even easier to keep on top of your super.

Binding nominations now possible

Many members have been asking for binding death nominations, and we are happy to report that we will be offering this feature to all members from 1 October 2019.

What is a binding nomination and what does it mean to you?

Nominating your preferred beneficiaries is an important part of your super and pension account. When you do this it gives our trustees a clear indication of your wishes if you die. That said, it can be contested and trustees are then put in a position where they have to make decisions on your behalf. A Binding Death Nomination on the other hand is a legal document that directs trustees to do exactly as you wish, no questions asked.

Look out for more detail on this change in the coming months when we will communicate more detail.

A big thank you

This is my last report to members, as I am stepping down as Chief Executive of the Fund after 15 fantastic years working to secure the retirement savings of real estate professionals. I feel a great sense of pride at what we have achieved together, and have thoroughly enjoyed working with members and employers, and of course the board. It has been a continuing highlight to work with a dedicated board and team, with their ongoing commitment to serving members of REI Super.

Yours sincerely,

Mal Smith
Chief Executive Officer



Investment update

REI Super's Pension Balanced Option delivered another solid investment return of 6.39% (net of fees and taxes) meeting our long-term performance objective of returning inflation plus 3% per annum over 10 years.

Pleasingly, the Pension Balanced option recorded its 10th consecutive year of positive returns since the global financial crisis, including four years of double-digit returns.

Solid performance across our investment portfolios

The 2018/19 year saw investments in Australian and international shares delivering above average returns for the year, while bond markets also provided strong returns.

Our portfolios particularly benefited from outstanding returns from our international share managers and emerging market share investments. Listed and unlisted property likewise

delivered exceptional gains during the financial year as well.

Looking back

Global investment markets ended the year higher, however it wasn't all smooth sailing. With ongoing concerns over trade tensions between the U.S. and China, uncertainty over Brexit in the UK and the fall out from the Banking Royal Commission in Australia, amongst other factors, causing considerable volatility in equity markets during the year.

Mid year there was a significant dip in global equity markets on mounting evidence that global growth was slowing, raising concerns over the future earnings expectations of companies.

This sentiment was short-lived as central banks around the world, most notably the U.S. Federal Reserve, indicated that the door to future interest rate cuts was open. At home we saw the Reserve Bank of Australia cut rates for the first time in 3 years.

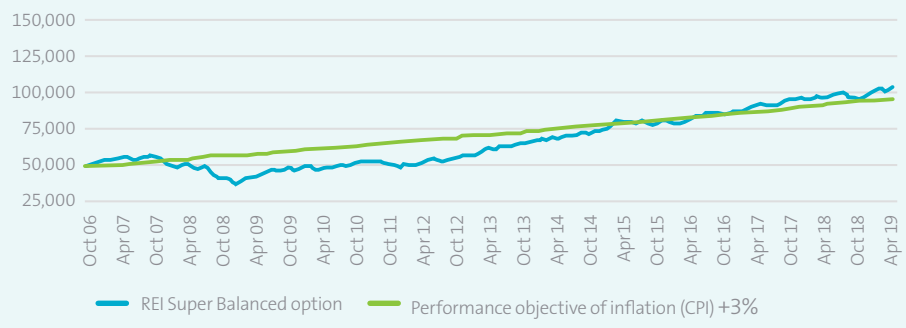
Over the final six months of the financial year, investment markets strengthened, with some equity markets pushing towards or reaching new highs. Fears that the powerhouse U.S. economy was headed for an economic recession spurred bond markets higher and saw bond yields fall to new lows in many markets.

The Australian sharemarket recorded double digit returns and was one of

the best performers for the year. Bond markets ended the year higher as expectations of lower interest rates gained momentum and this fall in bond yields was positive for interest rate-sensitive asset classes, such as

global listed property and global listed infrastructure. The significant decline in the Australian dollar versus the U.S. dollar helped to boost the unhedged returns from global investment markets, for Australian investors.

How the Balanced option has performed against its objective (Value of \$50,000 since inception)



Source: REI Super

Note: Benefits shown in the graph are net of investment fees and tax and expressed in today's dollars. No contributions paid in and no benefits paid out. Future investment performance can vary from past performance, and you should not base your decision to invest in REI Super simply on past performance. Past earning rates are not an indicator of future earning rates. Investment returns of less than one year should not be relied upon as any guide to future performance. The investment returns of REI Super are not guaranteed, and the value of the investment may rise or fall.

A conservative approach to the year ahead



We have seen the U.S. economy record the longest expansion in its history this year. With this mature expansion comes risks, and as growth cannot continue indefinitely, we are concerned about the impact of declining growth on investment markets, especially equities, which are vulnerable to losses from these lofty levels. Consequently, our portfolios are focused on managing the potential risk of future loss.

In recognition that many markets are now trading at prices that are higher than are warranted by underlying fundamentals, our portfolios have held elevated cash balances. These higher cash balances have caused some drag in returns given that markets have galloped higher. However, protecting your wealth from losses is critically important, and we believe it is prudent to reduce risk when the true value of an investment, or asset class, is significantly below its market price.

Working his way into retirement while adding to his nest egg

Terry Brown has it worked out nicely.



Working hard with partners in his own business for 22 years, gathering investments and setting himself up for the next stage in life. Terry sold out 4 years ago and pulled back to a 3 day a week role to ease his way into retirement.

‘I started a REI Super pension some time ago to take advantage of the tax-free investment earnings, then started working and adding to my super again. With the pension there is a minimum amount you must take each year. I didn’t always need the cash at the time, so I’d put some or all of it back in my super account, keeping that building for when I stopped altogether.’

‘As it turns out, I have just finished up in the role. I’ve got enough to keep me busy now. I have an investment property to renovate, I love my garden and that takes time. I regularly walk with mates to keep fit and enjoy a coffee. Three days a week I hop on the bike (non lycral) and ride into the city and back. That’s enough for now.’

‘My wife Lynda is a teacher and still working, for how much longer now that I’ve retired remains to be seen. We’re planning a trip overseas later this year but that’s about it for the moment. With a bit more time on my hands, we’ll see where that takes us.’

‘One tip I’d offer to people starting out in the industry – don’t start up a self managed super fund with business partners. We did it on the advice of our accountant in the early days, and ended up buying property in Broome when the slump was on. Then one of the partners got sick and wanted his money out, – what a nightmare.’

‘My advice... look after yourself and let the investment experts at REI Super look after your super.’

Terry & Lynda Brown



Unlisted property delivers consistently great returns

Unlisted property assets are a great source of strong, stable, long-term returns for REI Super's portfolio.

Approximately 50 percent of REI Super's property portfolio is invested in unlisted property assets, through one of our long-standing investment managers, Industry Super Property Trust (ISPT).

Unlisted property trusts hold assets that are not included in portfolios listed on the stock exchange and are generally not readily available for individuals to invest.

Unlisted property provides for excellent long-term investment, with a combination of growth and income to REI Super's portfolio. It also has fewer short-term ups and downs in returns compared to many other investments.

Our investment in ISPT is through the Core Fund, which is a diverse portfolio of around 75 Australian commercial, industrial and retail properties of unmatched quality across capital cities and regional centres.

A great performance record

Since it started in 1994 to 30 June 2019, the ISPT Core Fund has delivered an average return of **9.56%** per annum (net of fees). In the 12 months to 30 June it returned **6.96%** (net of fees).

A growing portfolio of high quality property assets

At 30 June 2019 the ISPT Core Fund was valued at a huge **\$15.2 billion**. The portfolio includes many iconic Australian properties. For example: Melbourne's GPO, Westfield's Doncaster Shopping Centre, Brisbane's Wintergarden complex, Casselden Place in Melbourne, Liberty Place in Castlereagh Street, Sydney, 2 National Circuit in Canberra and 100 St Georges Terrace in Perth.

Image: Artist impression – Knowledge Hub under construction in the Victoria University precinct Little Lonsdale Street Melbourne

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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 admin@reisuper.com.au

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