

Member

THE NEWSLETTER FOR MARITIME SUPER MEMBERS

FOCUS

Spotlight on investments



February 2019
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60 seconds with
Associate Planner,
Andrew Arnold

Market review ...

Market uncertainty set to continue in 2019

news

Snapshot:

- Geopolitical tensions set the tone for the quarter as global markets experienced increased volatility
- Maritime Super's investment options performed in line with markets, as did many other super funds

Rising geopolitical tensions set the tone for the quarter as global markets experienced increased volatility. The decline in markets over the fourth quarter, and an especially sharp decline in December, was largely attributable to persistent concerns over rising US interest rates, global trade tensions and slowing economic growth.

Political affairs also continued to weigh on sentiment throughout the quarter. Developments in the US-China trade tensions led to a deferral in the 1 January 2019 tariff increases, as well as China announcing they would purchase a substantial amount of agricultural, energy and other goods from the US. In the face of these external headwinds, China's growth has slowed, with the economy recording its weakest quarterly growth since the global financial crisis. In response to decelerating growth, the People's Bank of China cut its reserve requirement ratio in October to stimulate bank lending.

In Europe, the European Central Bank announced it would stop its quantitative easing program in January and confirmed that interest rates would remain unchanged until the end of September 2019. The long-running controversy over Italy's budget for the 2019 fiscal year was settled with a narrowing of its budget deficit to 2.04% compared to the 2.40% originally envisaged.

The UK published its draft EU Withdrawal Agreement in November, which was met with mixed reactions, particularly around the proposal for the Northern Ireland border. The ongoing uncertainty around Brexit has raised questions on the political stability of the UK government, weighing heavily on business and consumer confidence. Oil prices fell over the fourth quarter amid concerns of a supply glut and weakening outlook in global demand.

The Australian economy grew 0.3% over the third quarter, which was the weakest growth in two years. Not surprisingly, the Reserve Bank kept rates on hold at 1.50%.

Investor sentiment has become more negative, factoring in increasing regulatory risk and a potential change in Government. From a fundamental perspective, the Commonwealth Treasury's Mid-Year Economic and Fiscal Outlook provided an improved 2019/20 budget surplus forecast from A\$2.2b to A\$4.1b, strengthening economic expectations.

The Australian dollar depreciated against all major currencies over the quarter, falling against the USD (-2.7%), the Euro (-1.1%) and Pound (-0.4%), the New Zealand dollar (-3.8%) and the Japanese Yen (-6.0%).

The December quarter was marred with considerable investment volatility and is not representative of longer-term investment fundamentals, which remain positive. Maritime Super's investment options performed in line with markets, as did many other super funds.

It's important to remember that volatility is commonplace when it comes to investing.

While market volatility may lead to a short-term drop in your account balance, history shows us that you are likely to recover your short-term losses if you stay on course with your long-term investment strategy.

The volatility we're currently experiencing is not an unusual part of long-term investing. Even so, we understand that you may feel uneasy about it. If you wish to check on your investment strategy, speak to one of our financial planners. Unless your personal circumstances have changed, you should be wary about making changes to your investment strategy.

For more information on investments, see the next page.



Australian shares

Australian shares, as measured by the S&P/ASX 300 Accumulation Index declined 8.4% over the quarter, performing better compared to hedged international shares for the quarter and over the one-year period. Small cap stocks underperformed large cap stocks, with the ASX Small Ordinaries Accumulation Index returning -13.7% and the S&P/ASX 50 Accumulation Index returning -6.8% over the quarter.

International shares

International shares, as measured by the MSCI World ex-Australia Index (hedged in AUD) declined 13.5% over the quarter. Emerging markets broadly outperformed developed markets, with Brazil (10.2%) and Hungary (6.7%) posting the strongest returns.

Across developed markets, Hong Kong (-4.5%) and Singapore (-6.9%) were among the strongest performing countries, while Austria (-19.4%) and Japan (-17.1%) underperformed the broader developed market in local currency terms.

Property

Australian property (unlisted) returned 1.4% over the December quarter.

Fixed Interest

Australian bonds returned 2.2% over the fourth quarter, outperforming hedged international bonds (1.7%).

Cash

The RBA maintained the cash rate at 1.5% during the quarter.

Investment performance - to 31 December 2018

DIVERSIFIED OPTIONS	1 year	3 years	5 years	10 years
Growth	-0.23%	6.62%	6.94%	7.87%
Growth MVP	0.32%	5.59%	N/A	N/A
Balanced	0.63%	5.78%	6.09%	7.19%
Indexed Diversified	N/A	N/A	N/A	N/A
Moderate	0.78%	5.21%	5.23%	N/A
Conservative	1.46%	3.64%	3.96%	5.45%

The 1, 3, 5 and 10-year returns are per annum for the periods ending 31 December 2018.

These returns are based on movements in unit prices and are net of asset-based fees and taxes. The returns apply to accumulation accounts; different rates of return apply to pension accounts. Refer to the website or call Member Services for more information.

Note that past performance is not a reliable indicator of future performance.

SECTOR OPTIONS	1 year	3 years	5 years	10 years
Australian Shares	-3.29%	6.23%	6.39%	N/A
International Shares	-3.95%	6.46%	6.64%	N/A
Cash Enhanced	1.67%	1.94%	2.15%	3.19%
Cash	1.52%	1.48%	1.66%	2.33%



Next Fixed Term Investment starts 1 March 2019

You have until **22 February 2019** to invest in the Fixed Term Investment.

Simply complete the *Fixed Term Investment application* available from our website or by calling Member Services. Refer to the website in mid-February for the interest rates.

Investing your super

Your investment strategy has a big part to play in your future income. How you invest your super will directly impact the amount of income you have in retirement, and therefore your retirement lifestyle.

The Fund goes to great effort to provide members with educational resources and access to investment advice through our financial planning team to help members make informed decisions about their super and get on track for a great financial future.

Unfortunately, too often we see members reacting to media hype and market volatility and making decisions that could jeopardise their financial outcomes. This article aims to provide you with an overview of the key principles of investing and to remind you to check in with us first before you make any changes to your investment strategy.

Your investment strategy

Your investment strategy should be aligned to your long-term savings goals, which will depend on your expected lifestyle in retirement and how much you think you'll need to achieve it. It's then a matter of working out what investment strategy you need to help you get there. Your age, how long you have until retirement and your own comfort level with variability of investment returns will also influence your investment strategy decision.

It's important to keep in mind that, even when you retire, your money will potentially be invested for 20 years or more as you draw down a pension, so you need to make sure your money continues to grow and at least keeps pace with inflation.

Before you decide on an investment strategy, let's cover some basics.

The relationship between risk and return

There's a fundamental relationship between risk and return – the higher the expected return on an investment, the higher the risk, and vice versa. When you're looking to achieve a given level of growth, you also need to think about the level of risk you're comfortable taking to achieve it.

The different types of assets

Investments are often classified into two types of asset classes: growth and defensive.

Growth assets, such as shares and property, generally deliver higher returns over the long term and are more likely to go up and down in value in the short term.

Defensive assets, such as cash and fixed interest, generally deliver lower returns over the long term and are less likely to go up and down in value in the short term.

The concept of diversification and risk management

Diversification is essentially managing risk – it means not putting all your eggs in one basket. When one asset class is performing poorly, another may be doing well, so your overall investment is not as exposed to poor performance.

Maritime Super is a 'profit to members' industry super fund that has carefully and successfully managed superannuation and retirement incomes of our members for 51 years.

Your investment options with Maritime Super

The Fund offers a broad range of investment options for you to choose from – below is an overview. You can invest your money in one option, or across a range of different options. You can even choose to invest your existing balance one way and your future contributions another way. We offer you choice and flexibility, and even free phone advice if you're unsure which option's right for you.

Diversified options - invested across various asset classes - spreading the risk

Option	% assets
Growth	90% Growth/10% Defensive
Growth MVP	90% Growth/10% Defensive with MVP overlay
Balanced	70% Growth/30% Defensive
Indexed Diversified	70% Growth/30% Defensive
Moderate	70% Growth/30% Defensive with MVP overlay
Conservative	30% Growth/70% Defensive

Sector options - invested in only one asset class - 'all eggs in one basket' can be higher risk

Option	% assets
Australian Shares	100% Growth
International Shares	100% Growth
Cash Enhanced	100% Defensive
Cash	100% Defensive
Fixed Term Investment	100% Defensive

Investment switching – a dangerous game to play

People sometimes panic when markets are volatile, but it's important to keep your emotions in check. When markets are down, it's usually not a good idea to move your super to a lower risk option, like cash. When you switch at a low price you are essentially locking in losses, and history shows that investors who do this usually miss the market recovery.

If your personal circumstances have changed or you're not sure you're in the right investment option, we recommend that you talk to a financial planner before making a change to your investment strategy – they can help you assess your situation and choose the right strategy for you.

Getting a handle on market volatility

We know market volatility can make some people feel uneasy, and that's ok. While there may be cause for some concern, often there's a lot of media hype around it too. It's important to resist the urge to switch without being fully informed.

Market volatility is a normal part of investing, especially with growth assets. History shows us that, over time, markets invariably recover and return to the same or higher ground after a bout of volatility. If you're in the saving phase of your super journey, you can't access your account until much later anyway, so you are able to ride out market movements. If you're in the pension phase of your super journey, your strategy may already include a defensive component; if so, your account may not be exposed to the full extent of market movements.

Remember if you're invested in a growth-style investment option, it's probably because you are aiming for higher long-term investment growth so it's best you stick to your strategy. Low-risk investment options will not deliver significant growth in returns over time.

We're here to help!

The Fund offers a depth of resources from general information right through to personal financial advice.

You have access to a detailed investment supplement, investment fact sheets, investing your super video, and a range of other resources online in the 'Investments' section of the website. Be sure to check these out, to make an informed decision.

If you have any questions or you're not comfortable choosing an investment option, we're here to help.

You can call us on 1800 757 607 to:

- get general information regarding investments with Member Services
- receive free phone advice from a financial planner regarding your investment strategy
- meet with a financial planner for more detailed personal advice.

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seconds with

Andrew Arnold

Associate Planner



Andrew, you've been with Maritime Super for 10 years - what do you enjoy most about your work?

The best part of my job is providing advice to younger members about different investment and salary sacrifice strategies, which may help them achieve their retirement goals quicker.

I also enjoy meeting members at their workplace and answering questions they haven't yet got around to asking.

What does your typical day look like?

Every member has different needs, so no two days are the same, which I really love!

Most of my day is spent on the phone with members who need advice on investment options, salary sacrifice or insurance. I also prepare Statements of Advice and help our financial planners with the implementation of member's financial plans.

If you've called up for advice regarding your investment or contribution strategy, chances are you've spoken with Andrew Arnold, who provides financial advice to members over the phone.

Here, Andrew shares his financial planning tips and tells us what his own dream retirement looks like.

What's the most important piece of advice you would give members?

Focus on your longer-term investment goals and try not to get too concerned with short-term fluctuations. During times of market volatility, it's the investors who are too reactive to market fluctuations who often end up worse off than those who 'hold their nerve'.

As you get older, it's also important to review your investment strategy from time to time and call us if you need advice.

What's a common misconception you find members have regarding financial planning?

Financial planning is generally a long-term approach to managing your finances so that you can reach your lifestyle goals. It won't change your situation overnight. Remember that factors beyond your control, such as the stockmarket, inflation or interest rates, may affect your planning, but that's where we're here to help guide you.

Every member's retirement dream is different - what does your dream retirement look like?

Retirement is quite a long way off for me, but I know it'll be there before I know it!

My dream retirement would involve travelling the world with my wife before hopefully moving back to my original home town of Warrnambool and living by the beach.

When you're not at work helping members, what would we find you doing in your spare time?

I studied piano at university and I like to get together with mates for a jam.

I also love watching AFL as a one-eyed Collingwood supporter (but please don't hold that against me)!

Andrew is part of our Financial Planning team, and is based in Melbourne. If you have a question about your super or pension, call 1800 757 607 during business hours to speak with Andrew.

This newsletter has been issued by Maritime Financial Services Pty Limited (MFS). This newsletter contains general information and doesn't take into account your individual objectives or financial situation or needs. Consequently, you should consider the appropriateness of any general information in relation to your situation before making an investment decision. MFS recommends you seek individual advice before making any decisions concerning your superannuation.

