

Learn more about market trends and how our investment plans for your GESB Super, West State Super or Retirement Income account performed over the 2021/22 financial year.

Key highlights:

- Economic recovery across the globe eventually led to inflation pressures that were intensified by the Russian invasion of Ukraine
- In response, central banks started raising interest rates to combat inflation. This had a negative impact on returns for most asset classes over the past 12 months
- Australian Shares fell 6.5% while International Shares dropped 12.5% (after removing the impact of currency movements or 6.5% including the impact of currency movements). Australian and global Bond markets fell around 10% for the financial year
- Many of our investment plans were unable to avoid the negative returns delivered by the investment market. For the 12 months ended 30 June 2022, My GESB Super plan delivered an after fees and taxes return of -3.78% and My West State Super plan delivered an after fees return of -5.33%
- My GESB Super plan returned -6.87% for the quarter
- My West State Super plan returned -6.76% for the quarter
- RI Allocated Pension Conservative plan returned -4.50% for the quarter

Year in review – with Paul Taylor



‘Although market volatility can challenge investment returns in the short to medium term, our investment strategies remain diversified, risk managed and structured to achieve their long-term objectives.’

Paul Taylor, Chief Investment Officer

It was a tough year for investment markets’, said Paul Taylor, Chief Investment Officer at GESB. ‘Higher inflation and rising interest rates have negatively impacted most major financial markets, while the Russian invasion of Ukraine worsened these impacts.’

‘Australian and International Shares as well as Bond markets declined over the past financial year, and this flowed through to our plans invested in these assets.’

‘Our Readymade plans – including My GESB Super and My West State Super – are invested in Shares and Bonds, so they were negatively impacted by the falling markets. These falls were partly offset by our other investments, including Cash, Property and Infrastructure. That’s why over the past 12 months, our Readymade plans have delivered better returns than investing in Shares or Bonds alone.’

‘The significant downturn in Bond markets also led to negative investment returns - particularly for our Conservative plans, which have a higher allocation to Bonds, and our Mix Your plan Fixed Interest plans, which mainly invests in Bonds with a small allocation to Cash for liquidity purposes.’

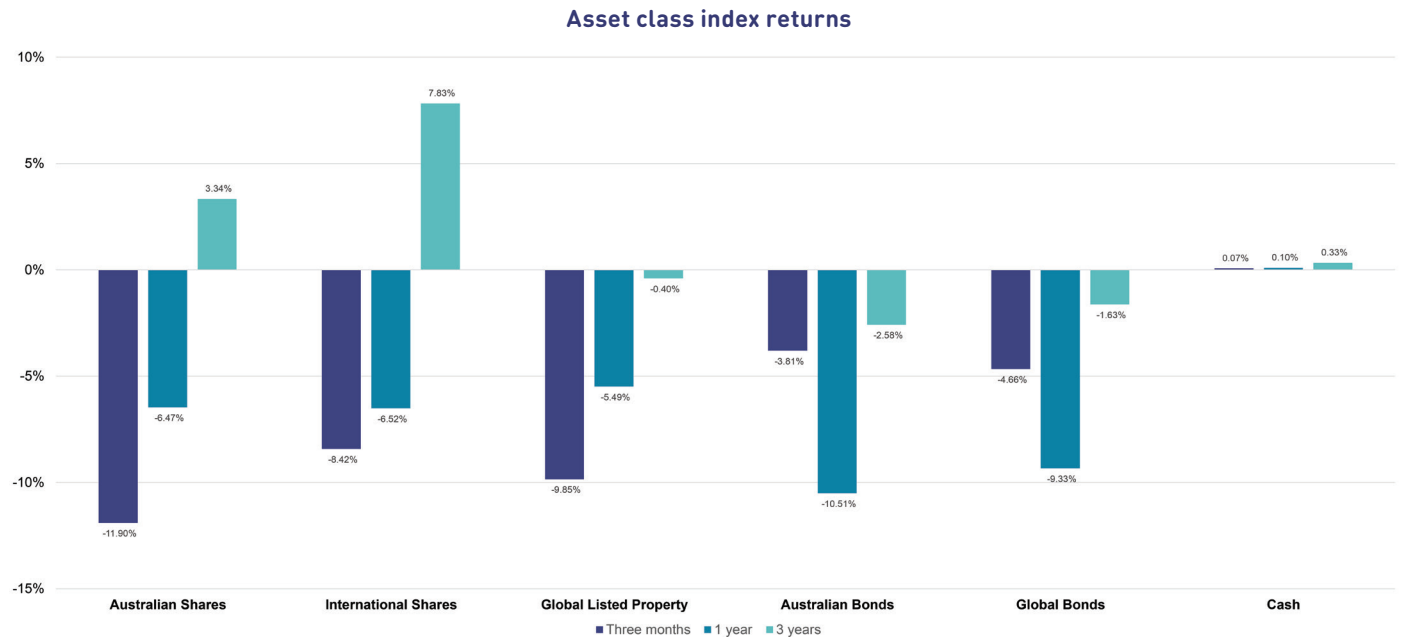
‘It’s important to remember that while negative returns can be concerning, they are a normal part of investing for the long term. In the past 10 years, this is the first negative annual return for our Conservative plans. For our higher risk plans, such as our Growth plans, it’s the second negative annual return. This frequency of negative returns is in line with expectations.’

‘Although market volatility can challenge investment returns in the short to medium term, our investment strategies remain diversified, risk managed and structured to achieve their long-term objectives.’

‘We regularly review our investment portfolio with the aim of delivering long-term returns that meet investment objectives, while ensuring enough flexibility to respond to evolving market conditions.’

Investment market returns: short and medium term

Shares, Property and Bonds delivered negative returns for the quarter and over the year, with both defensive and growth assets unable to avoid the challenges of higher inflation and rising interest rates. Over the past three years, Share markets have delivered modest returns of around 3% to 8% per annum. Cash has generated low but positive returns over the time periods shown.



Note: the indices used to track the performance of the asset classes shown above are listed at the end of this update.

What were the main reasons for recent investment market returns?

- **Higher inflation**

Large government spending programs and low interest rates provided an environment for stronger consumer demand for goods and services. This demand could not be satisfied given the shortage of workers and supply disruptions during the COVID-19 outbreaks, which contributed to higher inflation.

- **Russian invasion of Ukraine**

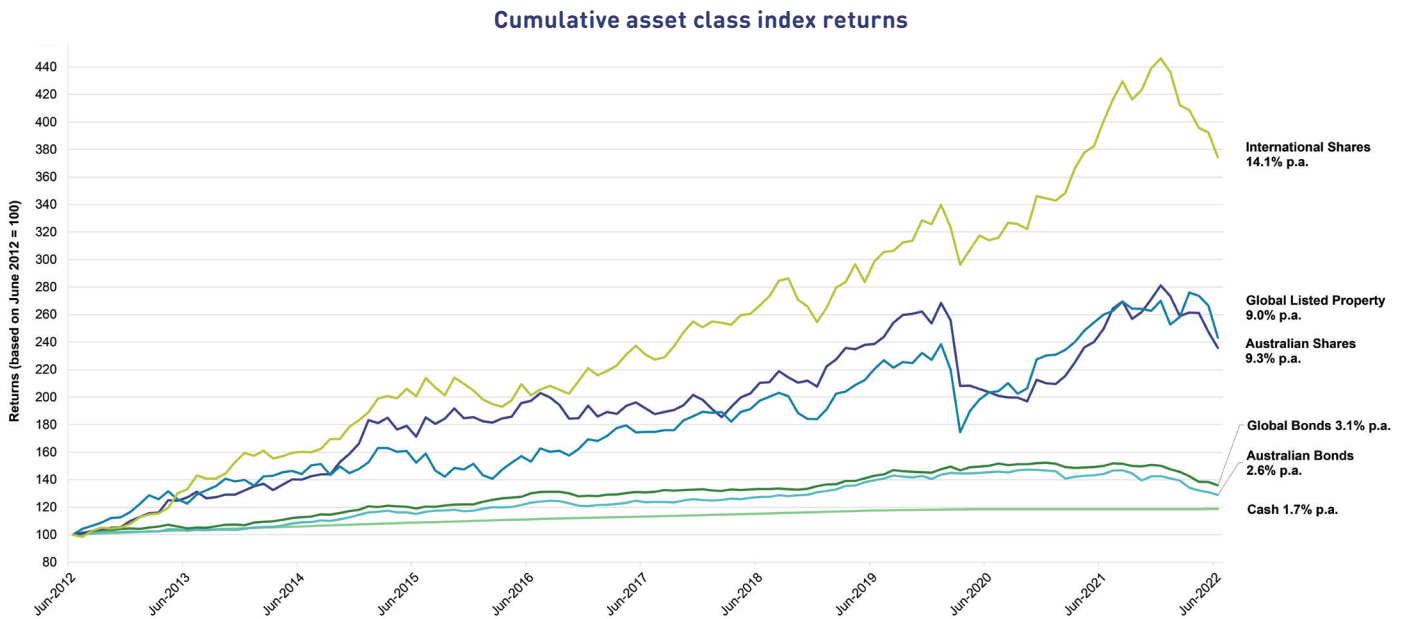
Inflationary pressures grew following the Russian invasion of Ukraine. The subsequent economic sanctions placed on Russia contributed to surging energy and food prices.

- **Higher interest rates**

Central banks started raising interest rates to combat inflation. The Reserve Bank of Australia increased the official cash rate in May and June of this year - the first increases in more than a decade - while the US Federal Reserve started increasing its cash rate in March this year. Higher interest rates negatively impacted returns for most asset classes.

Investment market returns: long term

Over the longer term (10 years), investments such as Shares and Property have produced the highest returns (but with greater variability), while Cash and Bonds have delivered the lowest (but most stable) returns. This is illustrated in the chart below.

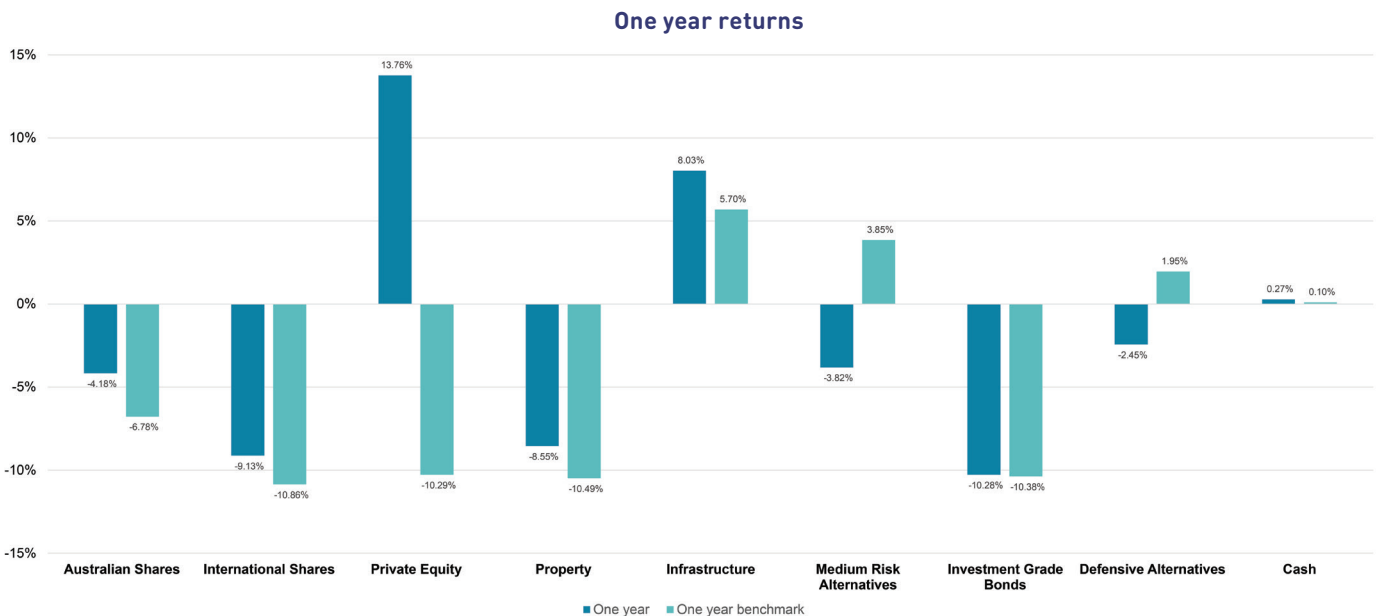


Note: the indices used to track the performance of the asset classes shown above are listed at the end of this update.

What does this mean for your investment?

Performance of asset classes

The graph below shows the returns we achieved in each asset class, compared to the benchmark return over the year to 30 June 2022.



Note: the indices used to track the performance of the asset classes shown above are listed at the end of this update.

As illustrated above, our returns have been higher than the benchmark in most asset classes over the past financial year.

Performance of investment options

Investment returns over both the short and long term for some of our diversified plans are shown in the table below. You can also see the investment return history for all of our available plans at gesb.wa.gov.au/investment_returns.

INVESTMENT PLAN RETURNS	June quarter 2022	1 year	3 years	5 years	10 years
RI Allocated Pension Conservative plan ¹	-4.50%	-4.72%	1.19%	2.92%	4.65%
Transition to Retirement Pension Balanced plan ²	-5.92%	-3.59%	3.13%	4.79%	-
RI Allocated Pension Balanced plan ¹	-6.79%	-4.77%	3.26%	5.20%	7.45%
RI Term Allocated Pension Balanced plan ¹	-6.79%	-4.78%	3.27%	5.22%	7.36%
My West State Super ³	-6.76%	-5.33%	3.19%	5.07%	7.39%
My GESB Super ¹	-6.87%	-3.78%	3.56%	5.20%	7.38%
West State Super Growth plan ³	-8.56%	-5.45%	3.88%	5.74%	8.35%
Other investment plans	See the investment returns for all of our available plans at gesb.wa.gov.au/investment_returns .				

Returns greater than one year are annualised.

Returns for many of our investment plans were negative over the quarter and past financial year. However, most importantly, our plans have delivered strong performance over the last five and 10 years.

Related articles

- Learn more about investing during market volatility at gesb.wa.gov.au/uncertaintimes
- Read our tips on managing your pension payments while protecting your investment in a market downturn at gesb.wa.gov.au/incomedrawdown
- Find out what happened in Bond markets in the past financial year and how this impacted our plans at gesb.wa.gov.au/bondsupdate

More information

- Try our Selecting your investment plan tool at gesb.wa.gov.au/investmenttool
- Find out more about investing with us at gesb.wa.gov.au/investingwithus
- See our super investment options at gesb.wa.gov.au/superinvest or retirement investment options at gesb.wa.gov.au/retireinvest
- Access previous investment updates at gesb.wa.gov.au/investmentupdate

Need help?

- Investment FAQs at gesb.wa.gov.au/investmentFAQs
- Find a personal financial adviser at gesb.wa.gov.au/advice
- Call us on **13 43 72**

¹ Returns are reported net of fees and taxes.

² Transition to Retirement Pension was incepted on 15 June 2017, so longer-term returns are not available. Returns are reported net of fees and taxes.

³ Returns are reported net of fees.

Indices: Australian Shares - S&P/ASX Total Return 300 Index; International Shares - MSCI World ex-Australia Net Total Return AUD Index; Global Listed Property - FTSE Custom EPRA/NAREIT Developed Index Net TRI AUD; Unlisted Property - Blended Benchmark; Australian Bonds - Bloomberg AusBond Composite 0+ Yr Index; Global Bonds - Bloomberg Barclays Global-Aggregate Total Return Index Value Hedged AUD; Investment Grade Bonds - 50/50 combination of Australian and International Bonds; Cash - Bloomberg AusBond Bank Bill Index; Infrastructure - FT Dev Core Infr 50/50 Hdg; Unlisted Infrastructure - MSCI Australia Quarterly Private Infrastructure Fund Index (Unfrozen); Medium Risk Alternatives - Bloomberg AusBond BB + 3.75%pa; Defensive Alternatives - Bloomberg Aus Bond + 1.75%pa; Private Equity - Blended Benchmark.

Performance information should be used as a guide only, is of a general nature, and does not constitute legal, taxation, or personal financial advice. The performance of your investment plan is not guaranteed, and returns may move up or down depending on factors such as investment market conditions. Past performance should not be relied on as an indication of future performance. In providing this information, we have not considered your personal circumstances including your objectives, financial situation or needs. We are not licensed to provide financial product advice. Before acting or relying on any of the information in this document, you should review your personal circumstances and assess whether the information is appropriate for you. You should read this information in conjunction with other relevant disclosure documents we have prepared at gesb.wa.gov.au/brochures and where necessary seek advice specific to your personal circumstances from a qualified financial adviser.

How to contact us

T Member Services Centre 13 43 72

F 1800 300 067

W gesb.wa.gov.au

PO Box J 755, Perth WA 6842

Government Employees Superannuation Board ABN 43 418 292 917