INVESTMENTS & MARKET UPDATE

It was a satisfying year for ASG's investments, and the returns to our members have been strong despite the volatility in investment markets, often as a result of geopolitical events.

Our primary investment purpose is to provide stable and reliable investment returns without taking excessive risk, to assist members in meeting the costs of their lifelong learning aspirations and nominated children's education.

ASSET ALLOCATION STRATEGY POSITIVELY CONTRIBUTES TO RETURNS

Across the various portfolios, we retained our keen focus on strategic asset allocation to best ensure we meet the long-term investment objectives of members.

We proactively constructed and positioned our investment portfolios, transitioned selected assets into new investment managers and continued investing in the unlisted Australian property asset class. We also entered the unlisted infrastructure asset class, were cautious on global fixed income and sought to extract additional returns from Australian cash investments. The combination of these strategic asset allocations positively contributed to the investment returns.

Global and Australian equity market returns were strong and higher than expected and unlisted Australian property and unlisted infrastructure have delivered strong returns with less volatility. Fixed interest markets have seen yields rise off historic low levels thereby subduing returns. Going forward, this 'lower-for-longer' interest rate environment may impact upon medium-term outcomes.

Put into context, ASG's investment of member funds performed well, particularly when compared to other balanced funds, term deposits and cash investments.

The table below lists the 2018 declared rate of return for each of ASG's open benefit funds and the gross investment return. The declared rate of return is what is allocated to each ASG member's account. Declared rates are calculated by taking into account the gross investment returns, expenses of the fund and taxation.

Fund	Purpose	Country	Gross Investment return	Declared rate of return
The Education Fund (TEF)	**A structured savings plan to help with secondary school costs**	Australia New Zealand	7.87% 6.86%	4.70% 3.70%
Supplementary Education Program (SEP)	**Assists parents to take greater control of future education expenses**	Australia New Zealand	7.87% 6.84%	4.45% 3.35%
Pathway Education Fund (PEF) & Lifelong Education Fund (LEF)	**A versatile plan for any stage of education. PEF & LEF were launched in New Zealand in August 2017**	Australia New Zealand	7.81% 7.26%	3.97%* 4.64%*

** Declared rates of return are annualised given quarterly rates are declared. The gross investment returns are constructed using monthly fund performance as a geometric mean over the respective period, as outlined in the table above.*

ASG

Rates of return are declared quarterly for the PEF and LEF and annually for all other benefit funds.
If your fund is not listed above, please refer to your Annual Member Statement.
While the declared rates of return shown above are after taxation, ASG can also claim a tax deduction for any benefit payments used for education purposes. The majority of ASG's benefit funds are taxed at the corporate rate of 30% which accounts for the big difference between the gross investment return and the declared rate of return. We will pass that benefit through as higher education benefits to eligible beneficiaries. The potential for such higher returns is not reflected in the declared rates above. For all funds, except Pathway and Lifelong, the earnings are pooled and shared amongst eligible beneficiaries rather than returned directly to the member.
When comparing the declared rates with other investment alternatives please remember to consider the varying tax treatments and different risks associated with those investments.
The diagram below displays the relationship between the declared rate of return for TEF and the gross investment return for 2018.
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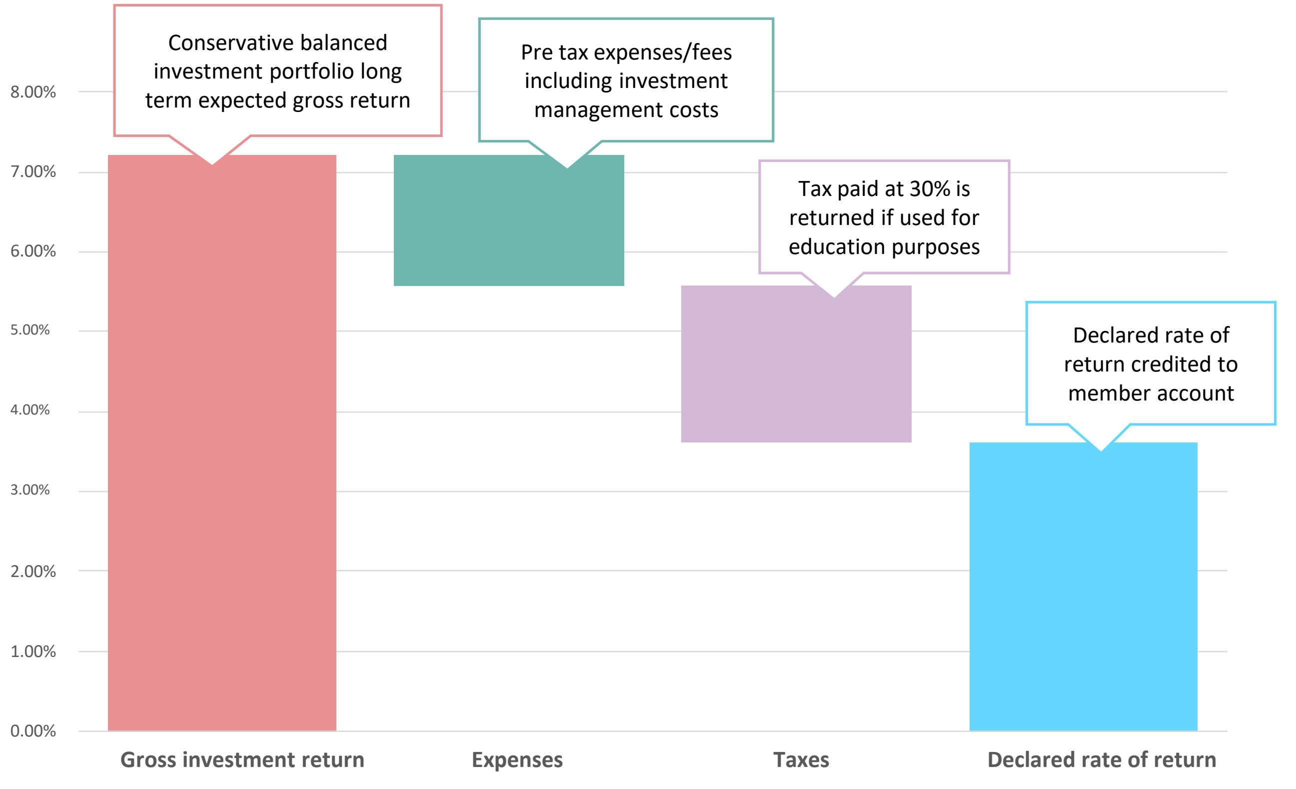
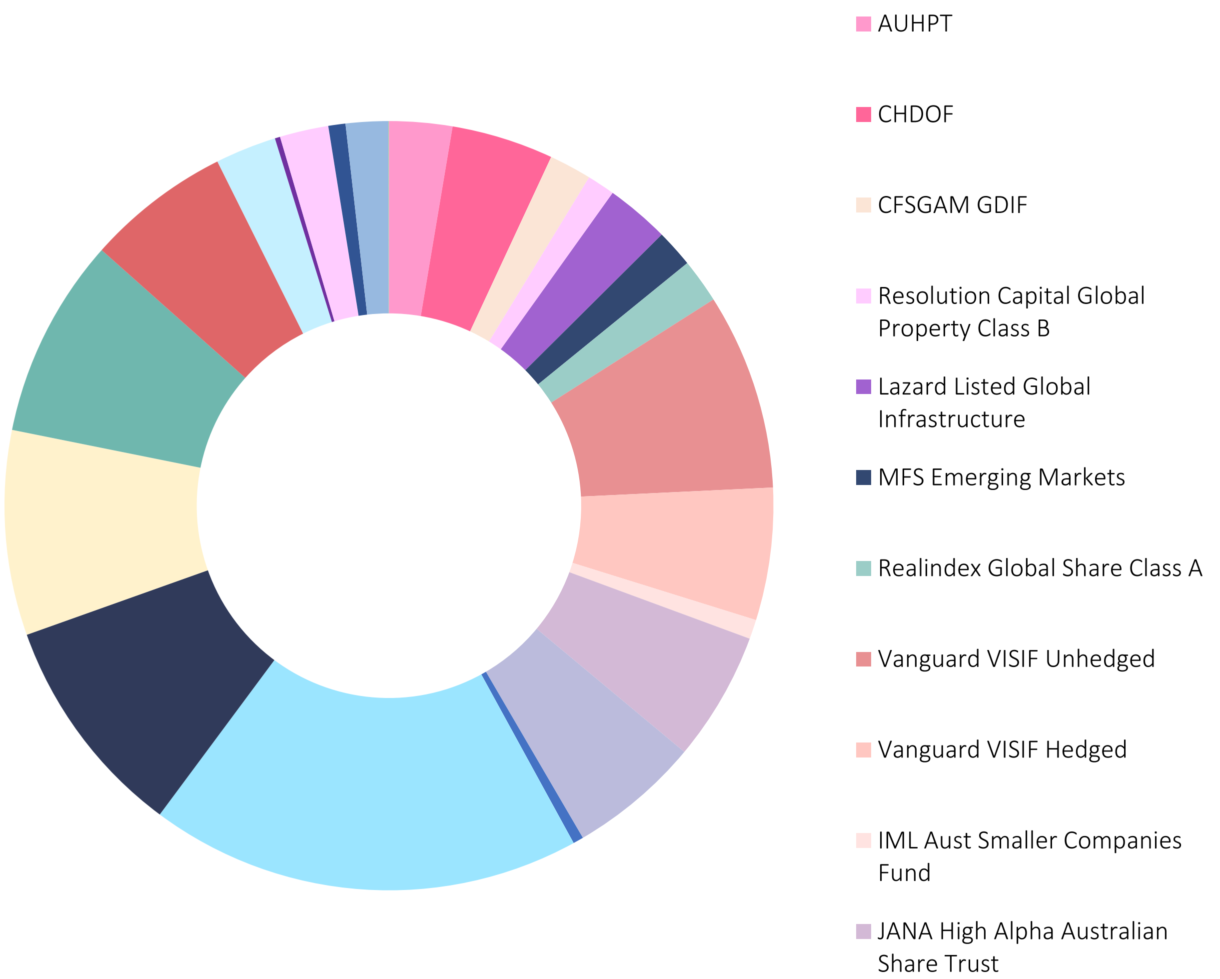


How we invest your money

ASG's investment strategy is to use a range of investment funds. These funds are managed by professional investment managers and combine to achieve a conservative balanced risk profile. This strategy assists to create an investment portfolio that will meet prudent long-term investment objectives. This means that fluctuations may occur from quarter to quarter or year to year (both positive and negative). However, it is the long-term performance that is important, because saving for children's education is a long-term investment.

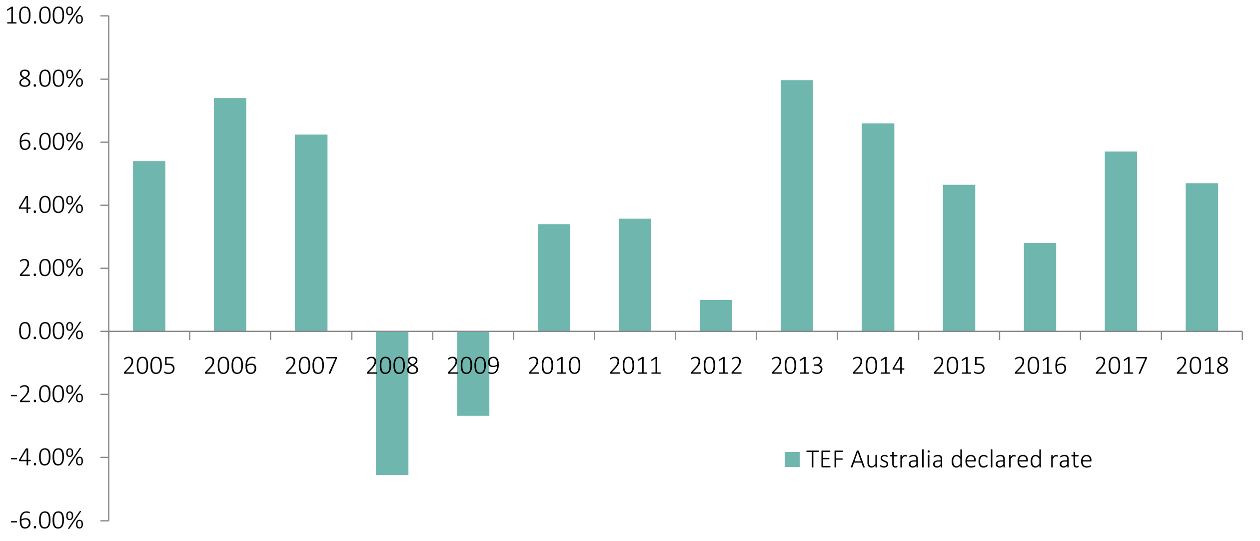
The following chart illustrates the diversity of asset classes, styles and investment managers we use across all Australian ASG balanced funds. The investment managers used by ASG ensure a diversity of investment types, such as fixed interest and cash, as well as growth assets such as equities, property and infrastructure. This method of constructing a quality portfolio is a good base for withstanding periods of market volatility and achieving longer term prosperity.



Managing investment market volatility

While the recent year has experienced solid returns, markets have been volatile. The following graphic illustrates how a typical ASG balanced fund has been affected by past volatile markets and why it is so important for us to take a diversified approach and a long-term focus with our investments.

The declared rates of return shown in the following chart are net of (after) fees and taxes and are for the Australian TEF.



While we've designed our investment strategy for the long term, we closely monitor investment markets every day to stay abreast of market trends.

As we look forward to the coming 12 months, we will factor common market expectations into our investment decisions such as:

- Australian and international equity markets are at relatively high valuation levels supported by economic growth. Returns from these sectors have been solid, but we expect ongoing volatility in this sector.
- Australian property markets, particularly the office and healthcare sector, have also performed well given economic growth and the demand for yield by investors in a low interest rate environment.
- Interest rates are forecast to remain 'lower for longer', however, Central Banks globally are beginning to raise interest rates and reduce quantitative easing initiatives.
- Geo political risks remain as evidenced by economies engaging in 'trade wars'

What does this mean for you?

We believe that the volatile investment market combined with ASG's preferred risk appetite may see short-term investment returns over the coming period dip below historic levels.

We will, however, continue to manage the funds in a prudent and professional manner to deliver on our long-term objectives.

Meeting your aspirations

While investment returns obviously impact your savings objectives, we encourage you to review the level of your contributions that you are making to your fund to ensure your investment with ASG continues to meet your long-term objectives and ultimate education goals.

If you'd like more information, please review your Annual Member Statement, consider downloading our Summary Annual Report from our website or contact us on 131 ASG (131 274).