ASG Investments and Market Update

ASG’s benefit funds performed well this financial year, particularly when compared to balanced funds, term deposits and cash investments.

The positive result was influenced by strong returns from domestic and global equities, global listed infrastructure and Australian unlisted property. This was achieved despite ongoing volatility in investment markets.

This table lists the bonus rate for each of ASG’s open benefit funds. The net investment returns of ASG funds are allocated to each member’s account by way of a bonus. Bonus rates are calculated by taking into account the gross investment returns, expenses of the fund and taxation.

Fund	Purpose	Country	Bonus Rate
The Education Fund (TEF)	A structured savings plan to help with secondary school costs	Australia	5.70%
		New Zealand	5.55%
Supplementary Education Program (SEP)	Assists parents to take greater control of future education expenses	Australia	5.40%
		New Zealand	5.35%
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	4.75%

If your fund is not listed above, please refer to your Annual Member Statement which was emailed to you this week.

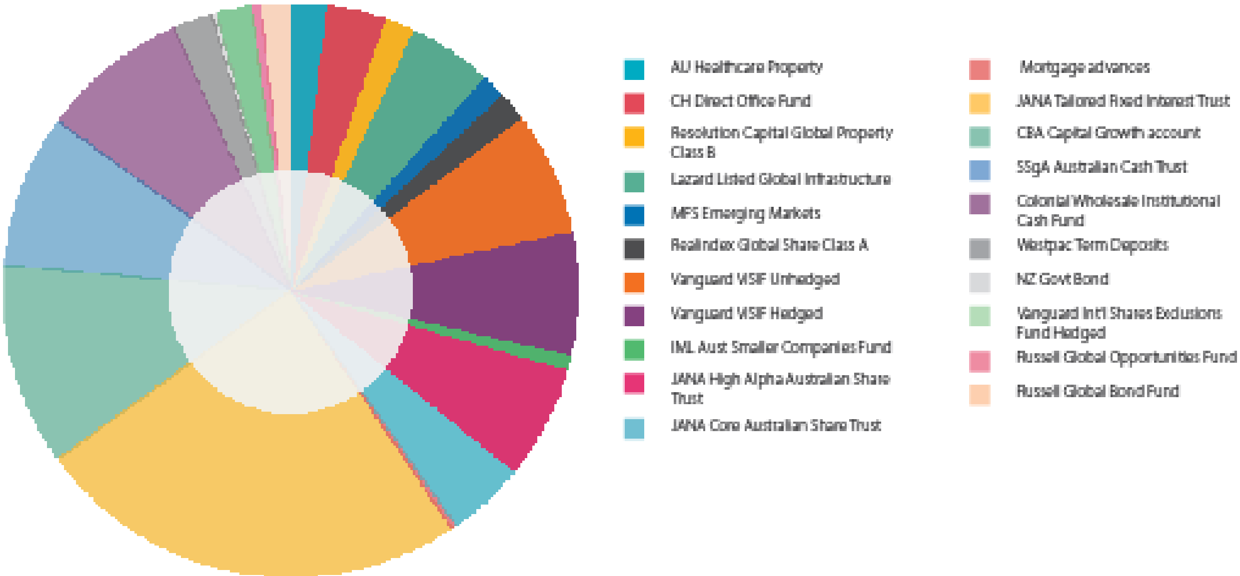
Bonus rates are declared quarterly for the PEF and LEF and annually for all other funds. While the bonus rates shown above are after tax, ASG can also claim a tax deduction for any benefit payments used for education purposes. We will pass that benefit onto members in the form of higher returns. The potential for higher returns is not reflected in the bonus rates above.

When comparing the bonus rates with other investment alternatives such as your superannuation fund or equities, please remember to take into account the varying tax treatments and different risks associated with those investments. ASG’s bonus rates are shown net of (after) tax and fees, whereas other returns may be shown as gross figures (before tax).

How we invest your money

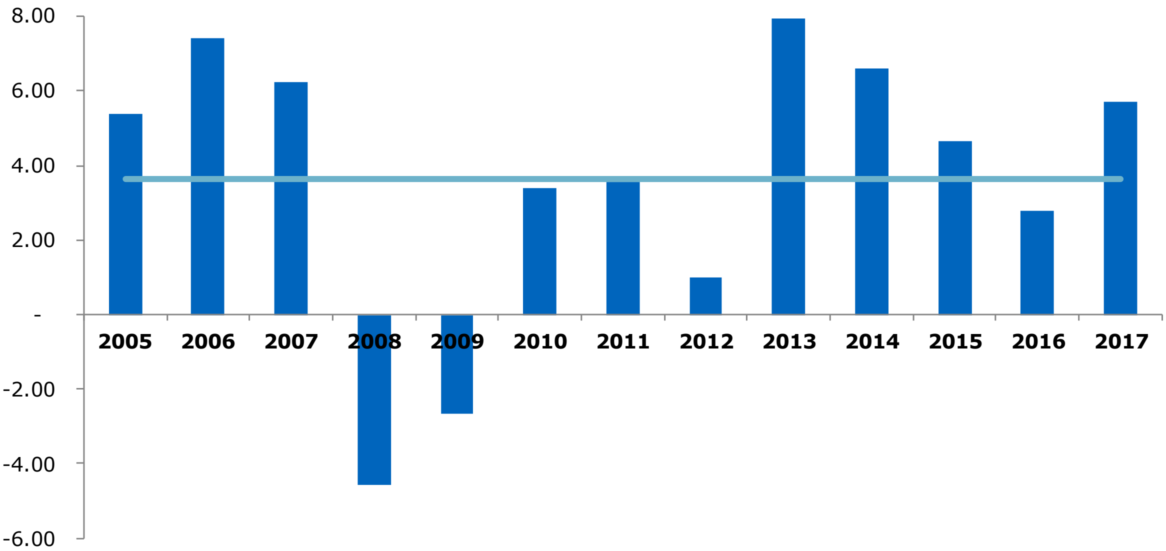
ASG’s investment strategy is to use a range of investment funds. These funds are managed by professional fund managers to achieve a conservative balanced risk profile. This strategy assists to create a portfolio that will meet prudent long-term investment objectives. This means that fluctuations may occur from 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, style 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 and property. 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 robust returns, markets have been volatile in the past. 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. Returns shown in the following chart are net of (after) fees and taxes and are for the Australian TEF.



A common alternative investment strategy for most members might be cash or cash-like investments.

However, with interest rates being historically low, and expected to stay that way over the foreseeable future, cash investments have not performed well, in a relative sense. The Reserve Bank of Australia cash rate has averaged only 2.30 per cent over the past five years and well below 2.00 per cent over the past three years.

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:

- Interest rates are forecast to remain 'lower for longer'.
- Australian and international equity markets are at relatively high valuation levels. Returns from these sectors have held up well, 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.
- Investor yield appetite has assisted global-listed infrastructure investments and other yield-driven investments. This is expected to continue.

So 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).