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Financial Year Returns

The Fund's returns (based on the change in unit price) for the period 1 July 2014 to 30 June 2015 were:

Managed option	8.56%
Pension Managed option	6.96%
Pension Cash option	1.80%

10 MONTH RETURNS

The Fund's returns (based on the change in unit price) for the period 1 November 2014 to 31 August 2015 are:

Managed option	2.27%
Pension Managed option	0.75%
Pension Cash option	1.29%

INVESTMENT UPDATE

Global share and bond markets have experienced a tough time over the past few months with negative returns from Australian shares in May, June and August (with the only exception being a positive return in July). The falls in May and June were mostly due to increased uncertainty around Greece defaulting on its debt and potential consequences for the European Union. The Australian share market (ASX200 Index) finished down 5.5% for the month of June, while Australian government bonds also posted a loss of approximately 1% during the month. The Australian share market then rebounded by 4.4% in July as investors bought stocks they believed were undervalued.

Unfortunately, share markets around the world have suffered strong falls during August, with negative returns taking the shine off July's positive return. The Australian share market fell 7.8% over the month caused by strong sell offs in the energy and bank sectors. Australian banks remain under price pressure due to potential regulatory changes that could negatively impact their profits. The continued decline in the price of oil also contributed to the poor performance of energy stocks. The fall in the oil price has been caused by a combination of production remaining at a high rate while economic growth has been slowing leading to reduced demand.

Global share market fell strongly in August on concerns regarding the status of the Chinese economy. Recent data has raised concerns the Chinese economy may not be growing at the rate the market expected (or hoped). The Chinese share market (Shanghai Composite

Index) fell another 12.5% during August as investors continued to leave the market. The US share market (S&P 500) fell 6.3% during August and while developments in China had some influence on the outcome, a bigger influence was the signalling by the US Federal Reserve of its intention to increase the official interest rate in the near future. In Europe, the broad share market index (Eurostoxx50) fell 9.2% during August. The European Central Bank has continued its asset buying program to help support the economy. In Australia, the Reserve Bank left interest rates on hold at its August meeting, but indicated there was the possibility of another rate cut in the future.

The Fund has a diversified approach to investments with exposures to a number of asset classes. Diversification in the balanced option has assisted the Fund in maintaining a modest positive return of 2.27% for the CBH Super financial year to date (i.e. 1 November 2014 to 31 August 2015). Going forward, the Fund is increasing the level diversification within the portfolio following a review of fixed interest and international shares asset classes. The increased diversification should assist the Fund's performance in the future if markets remain volatile.

STRATEGIC ASSET ALLOCATION – AUSTRALIAN AND INTERNATIONAL SHARES

At a meeting of the Trustee on 3 August 2015, it was agreed the strategic asset allocation benchmark and ranges for the Australian and International Share asset classes would be amended. The table below highlights the new strategic asset allocations and ranges for Australian and International Shares:

Asset Class	New % Benchmark	New SAA Range
Australian Shares	30.0	20% – 45%
Overseas Shares	25.0	15% – 35%

Asset Class	Previous % Benchmark	Previous SAA Range
Australian Shares	38.0	33% – 43%
Overseas Shares	18.0	13% – 23%

The reduced benchmark allocation to Australian shares reflects the expectation of lower growth prospects for the domestic economy given the decline in commodity prices and the slowing Chinese economy. The increased benchmark allocation to international shares reflects the improving conditions in overseas economies such as United States, Japan and United Kingdom. The new allocations and ranges take effect from 3 August 2015 and will provide the Fund with greater flexibility to take advantage of opportunities in overseas markets.

WHAT ARE FIXED INTEREST/BONDS/FIXED INCOME ASSETS?

A fixed interest security (also known as a bond or fixed income) is simply a loan between two parties. Large organisations issue fixed interest securities as a way of raising money from investors to finance operations or special projects. The investor buys the bond from the issuer, usually a government, semi-government or a large corporation. The borrower attracts investors by offering interest on the money borrowed. The interest is payable for a set period of time. The interest rate is known as the coupon.

There are many different types of issuers and fixed interest investments, but they typically have one thing in common: they provide a regular income stream in the form of coupon payments.

Fixed interest investments are considered to be lower risk than shares but that does not mean they are risk free. Many people think of fixed interest as term deposits. However, fixed interest securities are traded and do experience volatility in price and return like other asset classes. Fixed interest securities can be held to maturity (similar to a term deposit), but it is more common for investors such as superannuation funds to trade the securities before they mature to take advantage of changes in the bond's price.

While fixed interest investments are typically much less volatile than share investments, the returns from fixed interest investments do fluctuate and CAN be negative. For example, during periods of rising interest rates and higher inflation, fixed interest securities may

produce a negative return. This represents the inverse relationship between interest rates and the price of fixed interest securities:

When interest rates fall, the price of fixed interest securities rise and when interest rates rise, the price of fixed income securities fall.

The return from fixed interest securities in recent years has been high as the Reserve Bank of Australia reduced interest rates to historically low levels.

As interest rates have declined in recent years, the price of bonds has increased leading to the strong returns.

CBH SUPER'S FIXED INTEREST PORTFOLIO

Over the past two months, the Trustee has undertaken an extensive review of the Fund's fixed interest portfolio. The review has focused on the existing portfolio to ensure it has the following characteristics; capital stability, regular income, diversification, liquidity and minimising the probability of loss.

The review highlighted the benefits of amending the existing investment guidelines to include international fixed income securities. The inclusion of international fixed interest will allow the portfolio to achieve greater diversification across geography and sector, will increase flexibility and enhance liquidity within the portfolio compared to the current arrangements. The Investment Guidelines for the CBH Super Fund will be amended from **'Australian Fixed Interest' to 'Fixed Interest (may include Australian and International Fixed Income)'** in order to implement the changes.

Following the review, it was also agreed the Trustee would sell some of the securities in the portfolio that have low levels of liquidity and invest the proceeds in a managed fund. The Trustee has agreed to invest the proceeds from the sale of securities into the Kapstream Absolute Return Fund. The investment in Kapstream will allow CBH Super to efficiently achieve the strategic asset allocation for the fixed income asset class and to implement any future changes in timely manner. The objective of the Kapstream Absolute Return Fund is to achieve a positive return in all economic

environments and should assist in enhancing returns if interest rates rise in the future.

The current portfolio is currently outside of the strategic asset allocation however the fixed income portfolio is expected to be within the asset allocation ranges by the end of September 2015.

FURTHER INFORMATION

If you have any superannuation questions you can go to www.cbhsuper.com.au or contact Donna Adam on 9237 9707 or at donna.adam@cbh.com.au.



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