

The information in this document forms part of the Super Solutions Product Disclosure Statement dated 1<sup>st</sup> January 2012, Version 4.0.

## Risks of Investing

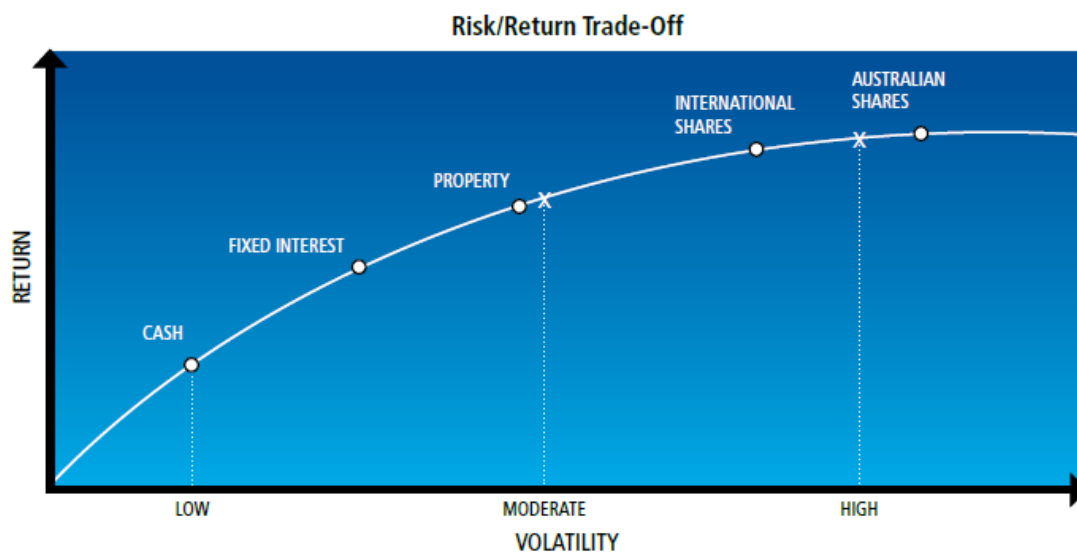
You'll get loads of investment choice when you join the Fund – 11 options in fact! We've given you a bit of choice, so you can really match your investment strategy with your risk profile (more about this below).

Before you jump in, please take some time to read this fact sheet. It gives you some info about investing and the things you should look out for. There's also some legal stuff we have to put in, but we've tried to keep it in plain English.

### Risk and Return

Whenever you invest, there's a trade-off between risk and return. Risk can generally be defined by the chance of losing money on your investment. But there are other types of risk you need to know about and we've highlighted these below. Return is the amount of money you get back from your investment. Generally, the higher the risk, the higher your return.

Each of the Fund's investment options has a different risk / return trade-off, depending on how much of a certain asset class they're invested in. This graph shows you what we mean:



So you can see that Australian and International Shares offer more chance of higher returns, but they're also the riskiest of the asset classes. While you might not stand to lose as much if you're invested in cash or fixed interest, you're also not likely to make as much money as if you were invested in shares or property.

But remember that, how an asset class performed in the past doesn't mean it's going to perform the same way in the future. Its returns might be higher or they might be lower. The above graph illustrates how these asset classes have tended to perform in the past.

### Your risk profile

How much risk you're prepared to take when you invest is known as your "risk profile". Everyone's risk profile is different and it's important you pick an investment option or options that match your profile.

If you're not sure, talk to one of our financial advisers. It'll cost you nothing more than maybe a few hours of your time. But, you'll have lots of peace of mind that you're on the right track with your super.

## Types of Risk

There are different types of risk that can affect your investment at any time. These include:

- » The risk that inflation may be higher than the return on your investment;
- » Market risk (e.g. Economic, technological, political and legal factors);
- » Currency exchange risk (i.e. if the investment invests overseas); and
- » The risk that an individual investment may fall in value;
- » Interest rate risk – changes in interest rates can have a positive or negative impact on investment returns, for example income returns on fixed interest security can become less or more favourable;
- » Liquidity risk – the risk of being unable to convert an investment into cash with little or no loss of capital and minimum delay;
- » Security specific risk – the risk that an individual company or asset falls, for example through bankruptcy, causes the value of the investment to fall sharply.
- » Volatility risk – is the risk of instability of a particular investment
- » Negative returns risk – the risk that options have negative returns and that you do not receive the repayment of capital or have a reduction in the amount invested.
- » Other risk include:
  - Changes to superannuation - the risk that your benefit is affected or access to your benefit is affected by changes to the law
  - Changes to taxation – the risk that taxation of superannuation occurs, which may affect the value of your investment
  - Insurance – the risk that insurance arrangements do not cover you to the extent you require, or that your insurance claim is not accepted.
- » Individual investments can fall in value for different reasons:
- » If the investment holds shares in Australian and/or overseas companies, these shares can be affected by the performance of the company, market conditions (e.g. Inflation and interest rates), political factors and fluctuating currency exchange rates;
- » Diversified fixed interest investments can be affected by interest rates and other risk such as the risk of default on the repayment of the loan or the depreciation of capital; and
- » Property investments can be impacted by general economic factors, such as inflation, levels of employment, tenant quality and the location and quality of the property;
- » Private equity (unlisted assets) are subject to risk by virtue of their limited operating history, any leveraging or hedging and any key person risks.

## Diversification

Investing across different asset classes at the same time is called diversification. Our professional fund managers diversify all the time, as a way of managing risk.

By investing in more than one asset class at one time, you can help to smooth out the overall return. For example, let's assume you invested 50% in Australian shares and 50% in fixed interest. If Australian shares performed really bad, but your fixed interest investments performed well, you wouldn't have lost as much money as if you'd only invested in Australian shares.

## Asset Classes

### Asset Classes

There are two main asset classes and each of them can go up or down. The Fund's investment options invest in these asset classes in different amounts. Here's a quick explanation of each of them:

**Growth Assets:** These assets are higher-risk investments with the potential for higher returns over time. They generally achieve capital growth through generating increased profits or asset value. The high level of risk can generally be reduced by a longer investment timeframe.

Investments that are typically regarded as growth assets are shares, property, infrastructure, private equity and alternatives.

**Defensive Assets:** These assets are lower-risk with the likelihood of lower returns over time. A high proportion of its returns come from income such as interest earned from the money invested.

Investments that are typically regarded as defensive assets are fixed interest, cash and bonds and yields.

### Wealth Warning

Remember that how an asset class performed in the past doesn't mean it's going to perform the same way in the future. Its returns might be higher or they might be lower. And, as with any investment, you could actually get back less than you originally started with because of fluctuations in investment returns and the deduction of applicable fees, taxed and insurance premiums.