

Invest your account



REFERENCE GUIDE: This Reference Guide was issued on 1 November 2011 and forms part of the Product Disclosure Statement (PDS) for Division F dated 1 November 2011. The Reference Guide should be read in conjunction with the PDS and is not intended to be read as a document in its own right. The Reference Guide may be updated at any time. You can download the current PDS or Reference Guide from our website osfsuper.com.au or by calling us on 1800 023 928.

Earning even a small amount more in investment returns on your super over 30 years can add up, so it's important for you to understand the investment choices you have for your account and choose those that best suit your needs.

Important! Like most investments, there are some risks associated with super. You should carefully consider each investment option and make sure any choices you make are suited to your personal circumstances. You may also wish to seek professional financial advice¹ before finalising any investment decision.

Choosing investment options for your account

A range of 8 investment options is available

You can choose from a range of investment options for your account, each with a different level of investment risk and expected return, giving you the flexibility to tailor an investment selection to best suit your own circumstances and objectives.

You can choose any one or more of the following options:

- Four diversified investment options—**Mix 30, Mix 50, Mix 70 and Mix 90**—each with a pre-mixed combination of asset classes to help spread your investment risk but still offer the flexibility to choose the overall proportion of growth and income assets that suits your needs.
- Four single asset class investment options—**Cash, Fixed Interest, Australian Shares and International Shares**—which invest in one asset class only, therefore take care to consider the overall risk exposure of your account if you invest in one or more of these options.

Refer to pages 2–4 for more information on each investment option.

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We choose an investment option for you if you don't make a choice

When your account is opened, we will generally invest your first contribution or transfer in the OSF's default investment option, which is **Mix 70**. This default option invests 70% in growth assets and has a medium to high level of investment risk.

Your account balance and any future contributions and transfers will remain invested in the default option unless you notify us otherwise.

We do not make any representations about whether the Mix 70 default option is the most appropriate option for you. You should consider your own circumstances and/or seek professional financial advice to decide which options are best for you.

¹– The OSF Trustee is not licensed to provide personal advice, but you can visit the Financial Planning Association's website at www.fpa.asn.au for a list of financial advisers

Investment option menu



MIX 30

INVESTMENT OBJECTIVE

To achieve an average return (after taxes and management fees and costs) of at least 2% above the growth in the CPI over a 3-year period.

DESCRIPTION

This is a diversified option invested across most major asset classes. It invests 30% in growth assets (predominantly Australian and overseas shares) and 70% in income assets (predominantly fixed interest). This option may suit members who have an investment timeframe of 3 years or more. A negative investment return may be expected for 2 years in every 20 years.

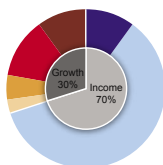
INVESTMENT RISK



INVESTMENT TIMEFRAME

Short to medium term – you may need to be invested in this option for 3 years or more before it meets its objective.

ASSET MIX²



	Benchmark (%)	Range (%)
Income assets	70	
● Cash	10	10
● Fixed Interest	60	55–65
Growth assets	30	
● Alternatives	3	0–6
● Property	5	3–7
● Australian Shares	12	10–14
● International Shares	10	8–12

INVESTMENT PERFORMANCE

2006–07	8.6%
2007–08	2.3%
2008–09	-1.3%
2009–10	10.3%
2010–11	8.0%
5-year average ³	5.5% pa
Average since inception ⁴	5.8% pa



MIX 50

INVESTMENT OBJECTIVE

To achieve an average return (after taxes and management fees and costs) of at least 2.5% above the growth in the CPI over a 5-year period.

DESCRIPTION

This is a diversified option invested across most major asset classes. It invests 50% in growth assets (predominantly Australian and overseas shares) and 50% in income assets (fixed interest). This option may suit members who have an investment timeframe of 5 years or more. A negative investment return may be expected for 3 years in every 20 years.

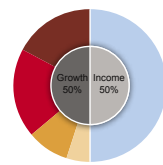
INVESTMENT RISK



INVESTMENT TIMEFRAME

Medium to long term – you may need to be invested in this option for 5 years or more before it meets its objective.

ASSET MIX²



	Benchmark (%)	Range (%)
Income assets	50	
● Cash	0	0–5
● Fixed Interest	50	45–55
Growth assets	50	
● Alternatives	5	0–10
● Property	9	7–12
● Australian Shares	19	15–24
● International Shares	17	15–20

INVESTMENT PERFORMANCE

2006–07	12.0%
2007–08	-0.1%
2008–09	-5.0%
2009–10	11.5%
2010–11	9.4%
5-year average ³	5.3% pa
Average since inception ⁴	5.8% pa



MIX 70

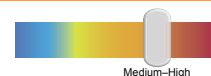
INVESTMENT OBJECTIVE

To achieve an average return (after taxes and management fees and costs) of at least 3% above the growth in the CPI over a 5-year period.

DESCRIPTION

This is a diversified option invested across most major asset classes. It invests 70% in growth assets (predominantly Australian and overseas shares) and 30% in income assets (fixed interest). This option may suit members who have an investment timeframe of 5 years or more. A negative investment return may be expected for 4 years in every 20 years.

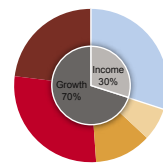
INVESTMENT RISK



INVESTMENT TIMEFRAME

Medium to long term – you may need to be invested in this option for 5 years or more before it meets its objective.

ASSET MIX²



	Benchmark (%)	Range (%)
Income assets	30	
● Cash	0	0–5
● Fixed Interest	30	25–35
Growth assets	70	
● Alternatives	7	2–12
● Property	12	10–14
● Australian Shares	28	22–32
● International Shares	23	20–26

INVESTMENT PERFORMANCE

2006–07	15.9%
2007–08	-2.7%
2008–09	-8.6%
2009–10	11.8%
2010–11	10.4%
5-year average ³	4.9% pa
Average since inception ⁴	5.6% pa

2– The strategic asset allocation and asset mix show the longer-term targets. From time to time the trustee may vary the benchmark allocation within the range shown. The actual proportion of growth and income assets, or individual asset classes, may vary slightly due to investment fluctuations.

3– Average annual return (after fees and taxes) for the period 1 July 2006 to 30 June 2011.

4– Average annual return (after fees and taxes) for the period from the option's inception date of 22 February 2001 to 30 June 2011.

Investment option menu (continued...)



MIX 90

INVESTMENT OBJECTIVE

To achieve an average return (after taxes and management fees and costs) of at least 3.5% above the growth in the CPI over a 7-year period.

DESCRIPTION

This is a diversified option invested across most major asset classes. It invests 90% in growth assets (predominantly Australian and overseas shares) and 10% in income assets (fixed interest).

This option may suit members who have an investment timeframe of 7 years or more.

A negative investment return may be expected for 5 years in every 20 years.

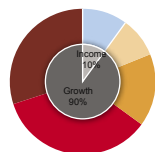
INVESTMENT RISK



INVESTMENT TIMEFRAME

Long term – you may need to be invested in this option for 7 years or more before it meets its objective.

ASSET MIX²



	Benchmark (%)	Range (%)
Income assets	10	
● Cash	0	0–5
● Fixed Interest	10	5–15
Growth assets	90	
● Alternatives	9	4–14
● Property	16	11–21
● Australian Shares	35	30–40
● International Shares	30	25–35

INVESTMENT PERFORMANCE

2006–07	19.7%
2007–08	-5.1%
2008–09	-12.2%
2009–10	12.1%
2010–11	11.5%
5-year average ³	4.5% pa
Average since inception ⁴	5.3% pa



CASH

INVESTMENT OBJECTIVE

To achieve an average return (before taxes and management fees and costs) that exceeds that of the UBS Australian Bank Bill Index over a 1-year period.

DESCRIPTION

This is a single asset class option that invests 100% in the cash asset class. This option may suit members who have an investment timeframe of 1 year or more.

A negative investment return is not expected for this option.

INVESTMENT RISK



INVESTMENT TIMEFRAME

Short term – you may need to be invested in this option for 1 year or more before it meets its objective.

ASSET MIX²



	Benchmark (%)	Range (%)
Income assets	100	
● Cash	100	100

INVESTMENT PERFORMANCE

2006–07	5.4%
2007–08	6.0%
2008–09	5.0%
2009–10	3.5%
2010–11	4.3%
5-year average ³	4.9% pa
Average since inception ⁴	4.8% pa



FIXED INTEREST

INVESTMENT OBJECTIVE

To achieve an average return (before taxes and management fees and costs) that exceeds the benchmark⁵ as determined by the trustee from time to time over a 3-year period.

DESCRIPTION

This is a single asset class option that invests 100% across a broadly diversified portfolio of fixed interest investments. This option may suit members who have an investment timeframe of 3 years or more.

A negative investment return may be expected for 1 year in every 20 years.

INVESTMENT RISK



INVESTMENT TIMEFRAME

Short to medium term – you may need to be invested in this option for 3 years or more before it meets its objective.

ASSET MIX²



	Benchmark (%)	Range (%)
Income assets	100	
● Cash	0	0–5
● Fixed Interest	100	95–100

INVESTMENT PERFORMANCE

2006–07	3.0%
2007–08	5.8%
2008–09	3.9%
2009–10	10.3%
2010–11	6.7%
5-year average ³	5.9% pa
Average since inception ⁶	6.1% pa

5– The current benchmark is a composite of the UBS Australian Composite Bond Index, UBS Australian Inflation Index, Barclays World Government Inflation-Linked Bond Index All Maturities AUD Hedged and Barclays Capital Global Aggregate Bond Index AUD Hedged.

6– Average annual return (after fees and taxes) for the period from the option's inception date of 31 March 2006 to 30 June 2011.

Investment option menu (continued...)



AUSTRALIAN SHARES

INVESTMENT OBJECTIVE

To achieve an average return (before taxes and management fees and costs) that exceeds that of the S&P ASX200 index with dividends reinvested over a 5-year period.

DESCRIPTION

This is a single asset class option that invests 100% across a broadly diversified portfolio of Australian shares.

This option may suit members who have an investment timeframe of 5 years or more.

A negative investment return may be expected for 6 years in every 20 years.

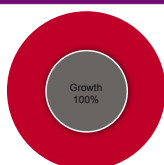
INVESTMENT RISK



INVESTMENT TIMEFRAME

Medium to long term – you may need to be invested in this option for 5 years or more before it meets its objective.

ASSET MIX²



Benchmark Range
(%) (%)

Income assets		
● Cash	0	0-5
Growth assets		
● Australian Shares	100	95-100

INVESTMENT PERFORMANCE

2006-07	29.2%
2007-08	-12.9%
2008-09	-12.9%
2009-10	14.0%
2010-11	11.8%
5-year average ³	4.6% pa
Average since inception ⁶	2.1% pa



INTERNATIONAL SHARES

INVESTMENT OBJECTIVE

To achieve an average return (before taxes and management fees and costs) that exceeds that of the MSCI World (ex Australia) 50% hedged index with dividends reinvested over a 5-year period.

DESCRIPTION

This is a single asset class option that invests 100% across a broadly diversified portfolio of international shares.

This option may suit members who have an investment timeframe of 5 years or more.

A negative investment return may be expected for 6 years in every 20 years.

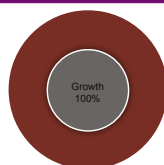
INVESTMENT RISK



INVESTMENT TIMEFRAME

Medium to long term – you may need to be invested in this option for 5 years or more before it meets its objective.

ASSET MIX²



Benchmark Range
(%) (%)

Income assets		
● Cash	0	0-5
Growth assets		
● International Shares	100	95-100

INVESTMENT PERFORMANCE



2006-07	15.0%
2007-08	-16.1%
2008-09	-19.8%
2009-10	13.3%
2010-11	12.3%
5-year average ³	-0.3% pa
Average since inception ⁶	-3.2% pa

Changing your investment selection

You can generally change your investment selection at any time, effective for any NSW bank business day (subject to our transaction cut-off times outlined below). This is called **switching**.

When you nominate a new investment selection, you can choose to apply it to your existing account balance and/or to any future contributions or transfers.

We do not charge an investment switching fee and there is no limit to the number of switches you can make.

To switch your investment options	 Log in to your account at our website and go 'Switch/Change Funds' under the Transacting menu option
	 Complete an <i>Investment Selection Form</i> (available from the back of this Reference Guide or our website)

Note: If you have any transactions pending on your account (eg. we have received a contribution but no unit price has been determined for the transaction), you will not be able to switch using the '100% of balance' online option. In this case, you can either specify a dollar amount of your allocated balance to switch or contact us for assistance.

Transaction cut-off times

The following cut-off times apply to all transaction requests, whether made online via FirstNet (where available) or by form.

Request received before 3pm Sydney time on a NSW bank business day	Request received after 3pm Sydney time on a NSW bank business day
Transaction is processed using the unit price determined for that day	Transaction is processed using the unit price determined for the following day

When we process a transaction on your account (ie. a contribution, transfer, switch or withdrawal), we use the unit price that is determined for your investment option(s). Unit prices are calculated at the close of trading of all markets for that day, therefore it is generally not known until the *following* NSW bank business day. It is important to consider this when making any transaction requests.

For example:

- Request received **before cut-off**: We receive your request at 11am on Tuesday. The unit price for Tuesday cannot be calculated until all markets

have closed for that day, therefore it is released on Wednesday. On Wednesday we will complete your request using the unit price calculated for Tuesday.

- Request received **after cut-off**: We receive your request at 4.30pm on Tuesday, which is after our 3pm cut-off time for using Tuesday's unit prices. Your request will therefore be processed using Wednesday's unit price, which will not be released until Thursday.

If a request is incomplete, it will be processed on the date that we receive the completed information. The unit price that applies will depend on the time we receive and can reasonably process the completed information.

Refer to page 6 for more information on unit pricing.

Automatically retaining the same allocation of investment options

If you choose more than one investment option for your account, over time the proportion of your account in each option may vary from your original selection due to different investment performance for each option and other factors such as the deduction of administration fees and insurance premiums.

Example: At the beginning of the year you nominate an investment selection of 70% in Mix 70 and 30% in Cash. The investment performance for Mix 70 and Cash is different during the year and you have nominated for your fees and insurance premiums to be deducted from Mix 70 during the year. At the end of the year, your new account balance is invested 73% in Mix 70 and 27% in Cash.



To adjust your account balance on a regular basis in order to keep your original investment selection, you can use the auto-rebalancing feature. This will switch money between your selected investment options to realign your account balance.

We will rebalance your account at the time of receiving your initial request and thereafter at your choice of:

- Quarterly (effective the first business day after 14 February, 14 May, 14 August and 14 November each year), or
- Annually (effective the first business day after 14 May each year).

If you have activated the auto-rebalancing feature, as a general guide you should try to transact on your account in line with your investment selection, otherwise we will assume that you no longer wish to keep the auto-rebalancing facility active. If you transact outside your investment selection and do not advise us at the time that you want your auto-rebalancing facility to remain in effect, we will process the transaction and cancel the auto-rebalancing facility from your account. We recommend that you consult your financial adviser

before choosing to use this facility.

To establish or change auto-rebalancing on your account	 Log in to your account at our website
	 Complete the <i>Investment Selection Form</i> (available from the back of this Reference Guide or our website)

Keeping track of your account balance and unit pricing

You can check daily unit prices (including past unit prices) and investment performance on our website.

The actual return that applies to your account depends on the investment options you choose (or the default option of Mix 70 if you have not made a choice) and the timing of any transactions (eg. contributions, investment switches, withdrawals, or fee or insurance premium deductions) into and out of these options.

You can also check your account balance at any time by logging in to your account at our website and selecting 'Account Balance' under the View menu option.

Units are the basis for your account

When you choose an investment option, you are allocated a number of units in that option based on the relevant value of your account and the unit price for the investment option for the transaction date.

If you invest or switch into a new investment option, or when contributions or transfers are added to your account, you are allocated additional units based on the value of the switch or investment divided by the relevant investment option's unit price.

In a similar way, your units in an investment option will decrease each time you switch out of an option or money is withdrawn from your account (including fees, charges or insurance premiums that may be payable).


Example: You have nominated two investment options for your account: Mix 90 and Cash. You decide to switch \$2,500 from the Mix 90 option to Cash. The unit price for Mix 90 on the transaction date is \$1.7394, which means your Mix 90 balance will decrease by 1437.2772 units (\$2,500 divided by the Mix 90 unit price). The Cash unit price on the transaction date is \$1.6325, which means your Cash balance will increase by 1531.3936 units (\$2,500 divided by the Cash unit price).

Your account balance is determined by the number of units you hold

The value of your account depends on the number of units you hold in an investment option and the unit

price for that investment option at any given time. To work out how much your account is worth, multiply the number of units you hold in an investment option by the unit price for that option for the day.

Example: If you have 10,300 units in Mix 70 and the unit price determined for Mix 70 for a particular day is \$1.5061, your investment is worth \$15,512.83 as at that day.

To check daily unit prices (including past unit prices)	 Visit our website and click on 'Unit Prices'
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How we calculate unit prices

When you invest in an investment option, you are allocated a number of units. Each unit represents an equal part of the market value of the portfolio of investments that the investment option holds. As a result, each unit has a dollar value, or unit price.

The unit price is calculated by taking the total market value of the investment option's assets on a particular day, adjusting for any liabilities (such as taxes and fees), then dividing the net investment option value by the total number of units held by all investors in that investment option on that day.

Although your unit balance in an investment option will stay constant (unless there is a transaction on your account, eg. contribution, withdrawal, investment switch, or administration fee or insurance premium deduction), the unit price (and therefore your account balance) will change according to changes in the market value of the assets or the total number of units issued for the investment option. We determine the market value of each investment option based on the most recently available information.

Unit prices are determined for each NSW bank business day and are calculated at the close of trading of all markets for that day, meaning they are not generally known until the following NSW bank business day. The unit price for a particular NSW bank business day is used to process all transactions that are to take effect on that day for the relevant investment option.

The trustee has the discretion to amend the way unit prices are calculated at any time. We also have the discretion to vary the method used to determine unit prices for short-term periods in respect of particular circumstances, eg. if there is a delay in performing the standard unit price calculations.

Note: We currently have one unit price for each investment option, which means that the buy price (when choosing an investment option) is equal to the sell price (when withdrawing from that investment option). In the future, we may introduce different unit

prices for buying and selling, meaning there will be a different unit price when investing in and withdrawing from an investment option. The difference between the two unit prices generally reflects different costs associated with buying or selling of assets and is commonly known as a buy/sell spread.

Unit pricing adjustments

There are a number of factors used to calculate unit prices, including asset valuations, liabilities, debtors, the number of units on issue and, where relevant, transaction costs. When the factors used to calculate the unit prices are incorrect, an adjustment to the unit price may be required. We generally use a variance of 0.30% in the unit price (or 0.05% variance for a cash investment option) before correcting the unit price.

If a unit pricing error is greater than or equal to these variances, we will:

- compensate your account balance if you have had a transaction using the incorrect unit price or make other adjustments as we may consider appropriate, or
- where your account is closed, we will send you a payment if the amount of the adjustment is more than \$20.

The tolerance levels are consistent with regulatory practice guidelines and industry standards. In some cases, we may compensate where the unit pricing error is less than the tolerance levels.

How your investments are managed

The trustee appoints professional investment managers to manage the fund's assets, which includes the super in your account. Each investment manager is appointed under an investment management agreement (known as a mandate) and is allocated a portion of the fund's assets to manage based on its specialist skills.

Asset class	Appointed investment managers
Cash	Colonial First State Investments Limited
Fixed Interest	Colonial First State Investments Limited Goldman Sachs Asset Management International and Goldman Sachs Asset Management LP Pacific Investment Management Company LLC
Direct Property	Colonial First State Property Limited
Australian Shares	Acorn Capital Limited AMP Capital Investors Limited Macquarie Investment Management Limited Colonial First State Investments Limited Hyperion Asset Management Limited Merlon Capital Partners Pty Limited

International Shares	Altrinsic Global Advisors, LLC Capital International, Inc Ironbridge Capital Management, LP Lazard Asset Management LLC Marathon Asset Management LLP QIC Limited
Alternatives	Access Capital Advisers Pty Limited Pacific Investment Management Company LLC

The trustee regularly monitors each investment manager's activities and investment performance. You will find information about the investment arrangements each year in the fund's Annual Report, available from our website or by calling us.

Your investment in the OSF does not mean that you have direct investments with our investment managers, nor does it mean that the investment managers enter into any direct relationships with you or provide financial services to you. The investment managers listed in this Reference Guide are the trustee's service providers and may be altered at any time without prior notice to you.

Do investment managers take labour standards or environmental, social or ethical considerations into account?

Apart from the exceptions listed below, the trustee and its investment managers have no predetermined approach for considering labour standards or environmental, social or ethical considerations when making investment decisions. These considerations may sometimes be taken into account if they financially affect the investment but no specific methodology is applied.

Exceptions

Colonial First State Property Limited (CFSP) manages the fund's Property assets. CFSP has a Sustainability Policy and Guidelines that provide its portfolio and facilities managers with a framework to consider the environmental, social and economic impacts of the assets in the portfolio. CFSP aims to incorporate these sustainability principles into risk analysis and decision making processes, while continuing to act responsibly on behalf of investors to implement strategies that are cost-effective and positive or neutral on returns.

Consents

The investment managers listed in the previous sections have agreed to be named in this Reference Guide. Other than the statements made in the 'Exceptions' section under Do investment managers take labour standards or environmental, social or ethical considerations into account?, no third party is

responsible for the statements in this Reference Guide, nor has it been involved in preparing or issuing this Reference Guide. The investment managers do not provide any warranty or recommendation about the completeness or appropriateness of the information in this Reference Guide and are not responsible for ensuring that the information is accurate or up-to-date.

Managing investment risks

As with any investment product, your super account is subject to certain risks. Each of our investment options has a different investment objective, asset mix and management fee. All investments are subject to varying risks. Some of the significant risks are outlined below:

Asset class risk	Asset classes perform differently over time. You can reduce this risk by diversifying your account. If one asset or asset class is not performing well at a particular time, others may be performing better. The diversified 'Mix' investment options do this for you automatically by investing in a pre-mixed range of asset classes and assets.
Investment manager risk	Some investment managers have an investment style and philosophy that suits certain market and economic conditions better than others. To minimise this risk, the trustee selects a range of investment managers for a complement of styles and philosophies.
Inflation	In some cases, inflation (measured by the CPI) may exceed investment returns. We aim to reduce this risk for each of the diversified investment options by allocating a portion of the fund's assets to growth assets with the aim of providing some capital growth over the longer term.
Market risk	Economic, technological, political or legal conditions, and even market sentiment, can affect investment markets and therefore the performance of different investment options. In some cases, the trustee has appointed a number of investment managers for their specialist research and investment skills to reduce this risk.
Interest rate risk	Interest rate changes can have a positive or negative impact (either directly or indirectly) on investment value or returns of interest bearing asset classes, eg. when interest rates change, the capital value of fixed interest assets may change and the income return on the assets can become more or less favourable. Generally, the value of fixed interest assets fluctuates more than cash assets.
Credit and security-specific risk	Individual assets such as shares or corporate bonds are exposed to risks (as well as benefits) associated with the company that issues them, eg. a change in management, business environment or profitability. These influences can cause the value of the assets and their returns to increase or decrease.
Currency risk	If an overseas currency changes in value relative to the Australian dollar, the value of international investments can change, in turn influencing the performance of investment options that use international investments. Some asset classes may incorporate currency hedging, which is a management strategy that involves reducing or removing the impact of currency movements on the value of the investment.
Derivatives risk	<p>A derivative is an investment-related agreement whose value is derived from other securities or assets. Derivatives can be used to manage certain investment risks but they may also increase other risks in the investment or expose the investment to additional risks. Risks associated with the use of derivatives include:</p> <ul style="list-style-type: none"> • failure of the value of the derivative to move in line with the underlying asset or the derivative is illiquid, meaning the derivative position may be difficult or costly to reverse; • currency and interest rate risks; and • counter-party risk, where the counter-party to the derivative contract cannot meet its obligations under the contract, resulting in loss to the fund. <p>The use of derivatives, such as futures and options, is authorised under the trust deed and may be used as part of the trustee's investment strategy. As part of our risk management plan, we must pre-approve the use of derivatives for each investment manager. Derivatives are used primarily to achieve transactional efficiency, reduce volatility and reduce transaction costs.</p> <p>Each investment manager has been given a mandate on the use of derivatives; we do not permit the use of derivatives for speculative purposes.</p>
Tax and super laws	Changes to tax and super laws can affect the value of your account and the level of investment returns.

Income assets versus growth assets

Growth assets: The value of asset classes with higher investment risk might rise and fall in the short term but they generally have the potential for higher investment returns over the longer term. These are known as growth or return-seeking assets and they aim to provide capital growth, eg. Shares, Property and Alternatives.

Income assets: Asset classes that have lower investment risk might produce more stable investment returns in the short term but they generally have the potential for lower returns over the longer term. These are known as income or risk-controlling assets and they aim to provide income rather than capital growth, eg. Cash and Fixed Interest.

Returns on income assets are mainly determined by an income return and returns on growth assets are mainly determined by capital movement in the underlying asset (ie. movement of asset values).

However, capital movements can sometimes occur with income assets and similarly, growth assets can have an income component of return.

Generally, capital returns are the component that is most likely to rise and fall, particularly over shorter periods. There is a greater potential for overall negative returns with growth assets. However, this is also the possibility that income assets can produce overall negative returns.

The risk profile of your account

Each of our investment options has a different level of investment risk and potential investment return.

For example, the investment objective for Mix 70 is to achieve an average return (after taxes and investment costs) of at least 3.0% per annum above the growth in the CPI over a five-year period. Although Mix 70 has a medium to high level of investment risk, it also has the potential to produce higher average returns.

The investment objective for Cash, however, is to achieve an average return (after taxes and investment costs) that exceeds the UBS Australian Bank Bill index over a one-year period. It has a low level of investment risk and also the potential for lower average returns.

Each investment option also has a 'negative return' objective, ie. how often a negative investment return may be expected over a given period of time. Investment options with higher levels of investment risk may produce negative returns more frequently than options with lower risk levels.

Investment timeframe

The length of time you expect to have your investment is an important factor in choosing investment options for your account.

Over the shorter term, investment returns for higher-risk growth assets can fluctuate but there is a greater

chance of these ups and downs smoothing out over the longer term and potentially producing higher average returns. On the other hand, lower-risk income assets may produce a more stable range of investment returns over the shorter term but lower average returns over the longer term.

The investment option or combination of options that are best suited to you depend on your personal circumstances. When deciding which investment options to choose, you should consider the level of investment risk you are comfortable with and the level of investment return you would like from your account.

Diversifying to reduce your investment risk

Spreading your investment across assets classes and/or assets may reduce your investment risk—this is known as **diversification**. If you are invested in a range of assets or asset classes and one type is not performing well at a particular time, others may be performing better, meaning your overall risk exposure may be lower.

Our diversified 'Mix' investment options do this for you automatically by investing in a pre-mixed range of asset classes and assets. If, however, you invest in one or more of our single asset class options, you should take care to consider the overall risk exposure of your account.

Understanding some basic investment concepts

Assets and asset classes

An **asset** is something that can be invested in with the objective of financial gain. Groups of similar assets are known as **asset classes**, eg. 'Shares' is an asset class. An overview of the main asset classes is shown in the table on page 10.

Growth and risk

Growth refers to the potential for an asset to increase in value over time. **Risk** is the likelihood that the value of an asset will fluctuate in a positive or negative direction over time. These terms are often used to describe assets and asset classes.

Growth and risk both have an impact on investment returns. You should consider the growth and risk characteristics of each asset class when choosing how and where to invest to best suit your needs.

Risk and return generally go hand in hand

There is generally a close relationship between investment risk and investment returns over the long term. Generally, the higher the potential for an asset to increase in value, the higher the level of investment risk. Diversifying your investment may reduce your overall risk exposure.

Asset Class	Description	Investment return is derived from	Expected level of growth and risk	Might suit investors who want
Cash	Bank bills, short-term deposits with financial institutions and corporate promissory notes	Interest payments or capital growth or loss if traded before maturity	Low growth Low risk	Security and stability
Fixed Interest	Usually represents loans to government or corporate organisations	Interest payments or capital growth or loss if traded before the loan matures	Low growth Low to medium risk	A more consistent rate of return over a shorter timeframe
Property	Ownership of property, either directly or indirectly (such as through a property trust). Property may include commercial, retail or industrial land or buildings	Change in the value of the property over time (and therefore potential sale price) and net rental income	Medium growth Medium risk	Higher investment returns over the medium to longer term
Australian Shares	Investment in companies generally listed in Australia	Capital growth or loss (ie. difference between the buy and sell price of the shares) and any dividends that may be paid	High growth High risk	Higher investment returns over the longer term
International Shares	Investment in companies generally listed in international markets	Capital growth or loss (ie. difference between the buy and sell price of the shares) and any dividends that may be paid	High growth High risk	Higher investment returns over the longer term
Alternatives	Investments not included in the traditional asset classes listed above; currently includes investments in infrastructure (such as airports, electricity generation and toll-roads), high-yield and emerging market debt, and certain property assets	A range of sources, eg. income returns and capital growth or loss	High growth High risk	Higher investment returns over the longer term

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