Understanding Investment Risk

Suncorp WealthSmart

SUNCORP Superannuation

Investing in super carries various levels of risk. The level of investment risk varies for each person depending on things like their age, how long they plan to keep their investment for, what other investments they may have, and their own tolerance for risk.

As a general rule, investment options with a higher level of risk will provide a higher potential return. By the same token, the smaller the risk the investment option poses, the smaller the potential return it will provide.

What's important is to understand that:

- The value of your investments (and thus your super account balance) may go up or down.
- Investment performance is not guaranteed, which means you could lose some or all of your money.
- Investment returns will vary. Just because an investment has done well in the past doesn't necessarily mean it will do well in future.
- Laws affecting super (such as superannuation, taxation and social security laws) change.
- Different strategies may carry different levels of risk, depending on the assets (such as cash, shares, term deposits etc) that make up the strategy.

There are several ways you can learn about and manage investment risk:

- Our **online super risk profiler** tool can help you see where you stand on your attitude to risk. Or if you prefer, you can give us a call and we'll help you.
- **Reduce risk via diversification.** The most common way to reduce your risk is by diversification, or 'not putting all your eggs in one basket'.
- Take a look at the **Product Guide** which goes into more detail on risk.
- Check out the latest **'Standard Risk Measures'** in this flyer which help you compare the riskiness of each of our investment options.

What is the Standard Risk Measure?

The Standard Risk Measure (SRM) is a calculation we do to help make it easier for you to compare the riskiness of investment options. Technically it tells you how many negative annual returns an investment option can be expected to deliver over any 20-year period. But to keep things simple, we then give each investment option a risk band (1 being the lowest risk and 7 being the highest) and label.

The SRM is just one way of measuring risk and is not a complete assessment of all types of risk. For example, it doesn't measure what the size of a negative return could be, or the impact of fees or tax. Nor does it take into account the impact of the administration fee or any part of the management fee that is not paid to an investment manager. You should still ensure you're comfortable with the risks and potential losses associated with your chosen investment option(s) before you make a decision.

This next table shows the different SRMs:

Risk band	Risk label	Estimated number of negative annual returns over any 20 year period
1	Very Low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very high	6 or greater

Standard Risk Measure calculation methodology

We calculate our SRMs by forecasting long-term investment class return, risk (volatility) and correlations (correlation just means how different things relate to each other). This is technically termed a 'mean-variance model'.

Using these returns, risk and correlation measures for each individual investment class, as well as the strategic asset allocation (that's its long-term target investment mix) of each investment option, we can forecast the investment option's total risk and return characteristics. We can then model the risk of each investment option having a negative return over a 20-year period.

This next table shows the SRM for each investment option.

Investment option	Risk band	Risk label	Estimated number of negative annual returns over any 20 year period
Suncorp Lifestage Funds			
Suncorp Lifestage Fund 1934 or earlier	3	Low to medium	1 to less than 2
Suncorp Lifestage Fund 1935-1939	3	Low to medium	1 to less than 2
Suncorp Lifestage Fund 1940-1944	3	Low to medium	1 to less than 2
Suncorp Lifestage Fund 1945-1949	3	Low to medium	1 to less than 2
Suncorp Lifestage Fund 1950-1954	3	Low to medium	1 to less than 2
Suncorp Lifestage Fund 1955-1959	4	Medium	2 to less than 3
Suncorp Lifestage Fund 1960-1964	4	Medium	2 to less than 3
Suncorp Lifestage Fund 1965-1969	5	Medium to high	3 to less than 4
Suncorp Lifestage Fund 1970-1974	6	High	4 to less than 6
Suncorp Lifestage Fund 1975-1979	6	High	4 to less than 6
Suncorp Lifestage Fund 1980-1984	6	High	4 to less than 6
Suncorp Lifestage Fund 1985-1989	6	High	4 to less than 6
Suncorp Lifestage Fund 1990-1994	6	High	4 to less than 6
Suncorp Lifestage Fund 1995-1999	6	High	4 to less than 6
Suncorp Lifestage Fund 2000-2004	6	High	4 to less than 6
Diversified investment options			
Secure			
Suncorp Secure Portfolio	1	Very low	Less than 0.5
Conservative			
Suncorp Conservative Portfolio	3	Low to medium	1 to less than 2
Suncorp Universal Capital Stable Fund	3	Low to medium	1 to less than 2
Balanced			
Suncorp Balanced Portfolio	4	Medium	2 to less than 3
Suncorp Universal Balanced Fund	5	Medium to high	3 to less than 4
Growth			
Suncorp Growth Portfolio	5	Medium to high	3 to less than 4
Suncorp Universal Growth Fund	6	High	4 to less than 6
High Growth			
Suncorp High Growth Portfolio	6	High	4 to less than 6
Cash			
Suncorp Cash Fund	1	Very low	Less than 0.5
Suncorp Guaranteed Cash Fund	1	Very low	Less than 0.5

Suncorp WealthSmart Term Deposits	1	Very low	Less than 0.5
Australian fixed interest			
Nikko AM Australian Bond Fund*	3	Low to medium	1 to less than 2
Vanguard® Australian Fixed Interest Index Fund*	2	Low	0.5 to less than 1
International fixed interest			
Vanguard® International Fixed Interest Index Fund (Hedged)*	1	Very low	Less than 0.5
Diversified fixed interest			
Macquarie Diversified Fixed Interest Fund*	1	Very low	Less than 0.5
Diversified income			
Colonial First State Global Credit Income Fund*	3	Low to medium	1 to less than 2
Australian Property			
Ironbark Paladin Property Securities Fund	6	High	4 to less than 6
Vanguard® Australian Property Securities Index Fund*	7	Very high	6 or greater
International Property			
Vanguard® International Property Securities Index Fund (Hedged)*	7	Very high	6 or greater
Australian shares			
Ausbil Australian Active Equity Fund*	6	High	4 to less than 6
BT Wholesale Imputation Fund	6	High	4 to less than 6
Fidelity Australian Equities Fund*	6	High	4 to less than 6
Hyperion Australian Growth Companies Fund*	6	High	4 to less than 6
Ibbotson Australian Shares Active Trust*	6	High	4 to less than 6
Investors Mutual Industrial Share Fund*	6	High	4 to less than 6
Ironbark Karara Australian Share Fund*	6	High	4 to less than 6
Perennial Growth Shares Wholesale Trust	6	High	4 to less than 6
Perpetual Wholesale Industrial Fund*	7	Very high	6 or greater
Suncorp Australian Shares Fund	6	High	4 to less than 6
Nikko AM-Tyndall Australian Share Wholesale Fund*	6	High	4 to less than 6
Vanguard® Australian Shares Index Fund*	7	Very high	6 or greater
Australian shares - specialist			
Ausbil Australian Emerging Leaders Fund*	5	Medium to high	3 to less than 4
Perpetual Wholesale Geared Australian Share Fund*	7	Very high	6 or greater
Nikko AM-Tyndall Australian Share Income Fund*	5	Medium to high	3 to less than 4
Zurich Investments Equity Income Fund*	6	High	4 to less than 6
International shares			
Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Fund*	5	Medium to high	3 to less than 4
Platinum International Fund*	5	Medium to high	3 to less than 4
Suncorp Global Shares Fund	6	High	4 to less than 6
Vanguard® International Shares Index Fund*	7	Very high	6 or greater
Walter Scott Global Equity Fund*	6	High	4 to less than 6
International shares - specialist			
BlackRock Global Allocation Fund	6	High	4 to less than 6
Colonial First State Global Resources Fund*	7	Very high	6 or greater
Lazard Global Small Cap Fund*	6	High	4 to less than 6

Infrastructure			
Lazard Global Infrastructure Securities Fund*	6	High	4 to less than 6
Closed			
Suncorp Traditional Capital Guaranteed Fund	1	Very low	Less than 0.5
Suncorp Traditional Capital Stable Fund	4	Medium	2 to less than 3
Suncorp Traditional Balanced Fund	5	Medium to high	3 to less than 4
Suncorp Traditional Growth Fund	5	Medium to high	3 to less than 4
Suncorp Traditional High Growth Fund	6	High	4 to less than 6

* the SRM for this investment option was provided by the investment manager

We're always happy to help

At anytime you can check out our **online super risk profiler** tool.

How to contact us

If there's anything else you'd like to know please call us between 8am and 6pm (Eastern Standard Time) Monday to Friday on 13 11 55 and ask for 'Super' or email us on **suncorpwealthsmart@suncorp.com.au**

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This flyer, prepared on 1 July 2014 provides a summary of the key Standard Risk Measure information you need to make a decision. It includes references to additional information that is part of the relevant Product Disclosure Statement (PDS) which is material incorporated by reference.

The information in this flyer is general information only and doesn't take into account your personal objectives, financial situation or needs. Before making a decision, you should consider the information in the PDS and should obtain financial advice tailored to your personal circumstances.