Suncorp Everyday Super®

Understanding Investment Risk

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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 the future.

— Laws affecting super (such as superannuation, taxation and social security laws) change.

— Different strategies may carry different levels of risk, depending on the investments (such as cash, shares etc) that make up the strategy.

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

— On our website you'll find our interactive Online Super Risk Profiler tool to 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'. Everyday Super can help you diversify your investments:

  — The Suncorp Lifestage Funds are diversified multi-manager funds. They bring together the skill and expertise of a variety of quality investment managers from Australia and around the world, investing in a broad range of investment types.

  — Or you could combine any of Everyday Super's five single sector options and create your own diversified investment mix.

— Take a look at the Product Guide which goes into more detail on risk.

— Check out the latest 'Standard Risk Measures' below 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 label and band (1 being the lowest risk and 7 being the highest).

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 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	4	Medium	2 to less than 3
Suncorp Lifestage Fund 1955-1959	4	Medium	2 to less than 3
Suncorp Lifestage Fund 1960-1964	5	Medium to high	3 to less than 4
Suncorp Lifestage Fund 1965-1969	5	Medium to high	3 to less than 4
Suncorp Lifestage Fund 1970-1974	5	Medium to high	3 to less than 4
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
Suncorp Cash Fund	1	Very low	Less than 0.5
Suncorp Australian Fixed Interest Fund	5	Medium to high	3 to less than 4
Suncorp Global Property Index Fund	7	Very high	6 or greater
Suncorp Australian Shares Index Fund	7	Very high	6 or greater
Suncorp International Shares Index Fund	6	High	4 to less than 6

We're always happy to help

At anytime you can log into your online account and check out our Online Super Risk Profiler tool. Your online account also has lots of other useful information and interactive tools to help you make the most of your super.

If there's anything else you'd like to know, please call us on 1800 191 517 between 8am and 6pm (Eastern Standard Time) Monday to Friday or email us on **super@suncorp.com.au**.

How to contact us

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