

Investments

1 December 2019

The information in this document forms part of the First State Super **Member Booklets** (Product Disclosure Statements) for:

- Employer Sponsored members dated 1 December 2019
- Police Blue Ribbon Super members dated 1 December 2019
- Ambulance Officers' Super members dated 1 December 2019
- Personal members dated 1 December 2019

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as trustee of the First State Superannuation Scheme
ABN 53 226 460 365

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MySuper Authorisation Number 53 226 460 365 073

Three stylized human figures in blue, consisting of a circle for the head and a rounded rectangle for the body, arranged in a row.

Feel future ready



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Disclaimer

This document has been prepared by FSS Trustee Corporation (referred to in this document as the 'trustee', 'we', 'us' or 'our'), the trustee of the First State Superannuation Scheme (referred to in this document as 'First State Super' or 'the fund'). This document contains general information only. It does not take into account your specific objectives, financial situation or needs. You should consider the information having regard to your personal circumstances. It is recommended that you consult a financial adviser if you require financial advice that takes into account your personal circumstances.

The information contained in this *Member Booklet Supplement* was accurate at the time of its preparation. However, some of the information can change from time to time and the trustee can change matters which are the subject of representations made in the *Member Booklet* and *Member Booklet Supplements*. If the change is not materially adverse, the updated information will be available on our website at firststatesuper.com.au/pdsupdates. A paper copy of this *Member Booklet Supplement* and any update will be available free of charge by contacting us on 1300 650 873.

We may change any matter about First State Super without member consent, but in the case of an increase in fees and charges, we will notify members at least 30 days before the change occurs. This offer is only made to persons receiving this *Member Booklet Supplement* and the applicable *Member Booklet* (electronically or otherwise) in Australia.

Choose from a range of investment options

Growing your savings for a comfortable retirement partly comes down to making good investment choices. We offer a range of pre-mixed and single asset class investment options.

You don't have to choose

If you don't make a choice when you join, we'll invest your super in the MySuper Life Cycle strategy, which is made up of the Growth and Balanced Growth options. The key feature of MySuper Life Cycle is that your investment will be switched automatically from Growth to Balanced Growth at age 60, provided we have your date of birth. Compared to the Growth option, the Balanced Growth option has a smaller weighting to riskier asset classes such as Australian and international equities and a higher weighting to cash and fixed income investments. Applying this switch can therefore help reduce the risk of large market swings affecting your account balance as you approach retirement. References to the pre-mixed investment options in this *Member Booklet Supplement* include the Growth and Balanced Growth options within the MySuper Life Cycle strategy.

Generally, you can choose to invest in one or more of the investment options in whatever proportions you choose. You can also make different choices for your current account balance, future contributions and amounts transferred to First State Super from another fund.

The pre-mixed investment options provide you with the benefit of diversification by being invested across different asset classes, investment styles and managers. The single asset class options give you a greater degree of control over your account by allowing you to choose the allocation to each particular asset class. However, some asset classes are not available as a single asset class option (e.g. infrastructure and private equity), so it may be difficult to obtain the same degree of diversification as the pre-mixed investment options.

We may add, close, or remove investment options, add or remove investment managers, or alter the objectives, ranges, benchmarks or available assets of an investment option or the MySuper Life Cycle strategy at any time. You will be notified about any material changes, although notice may be given after the change has occurred. If you have money in an investment option that the trustee decides to discontinue, you may have an opportunity to switch to any of our other investment options. Alternatively, we may switch your money to an investment option with a similar risk/return profile.



We are not responsible for your investment choice and we do not review your investment choice.

If you select one or more of the single asset class options without adequately diversifying your investment in the fund, you could be exposing your superannuation benefits to a greater risk of loss.

Please read the section on **The importance of diversification to manage investment risk** on page 16. You may wish to consult a financial adviser before making any investment decisions.

Our investment options

MySuper Life Cycle strategy

Growth¹ (up to and including age 59)

Balanced Growth¹ (age 60 and over)

Choice strategy

Pre-mixed options

High Growth

Growth

Diversified Socially Responsible Investment (SRI)

Balanced Growth

Conservative Growth

Single asset class options

Australian Equities

Australian Equities Socially Responsible Investment (SRI)

International Equities

Property

Australian Fixed Interest

International Fixed Interest

Cash

¹ Also available as options under the Choice strategy without an automatic switch at age 60.

How your super is invested

If you do not choose an investment option(s), your account balance, future contributions and rollovers will be invested in one of the two age-based MySuper Life Cycle options:

- the Growth option for members up to and including age 59
- the Balanced Growth option for members age 60 and over.

The MySuper Life Cycle options are pre-mixed options, which means they are invested across a range of asset classes. This is called diversification and it can reduce the risk of loss if one particular asset class performs poorly.

We select a mix of assets for each MySuper Life Cycle option so that the overall risk profile and target level of return are appropriate based on the age of members being placed in the MySuper Life Cycle option.

If you are invested in the MySuper Life Cycle strategy in the Growth option, your account balance, future contributions and rollovers will be automatically switched to the Balanced Growth option when you reach age 60.

If you choose your own investment option(s), you should review your choices from time to time because your account balance will not be automatically switched when you turn 60. You will remain in your chosen investment option(s) until you choose otherwise. You can revert to the MySuper Life Cycle strategy online (if you have registered for our online services), or by completing an *Investment choice (superannuation)* form.



Important information

The value of assets in the fund's investment options may rise and fall from time to time. Nothing in this *Member Booklet Supplement* is intended to forecast the future performance of the fund or any of its investment options. Past performance is not a reliable indicator nor is it a guarantee of future performance. We do not guarantee the capital invested or the investment performance of any of the investment options available to members in the fund.

Switching investments

You can switch the investment option for your current account balance or future contributions at any time free of charge. You can switch either online (if you have registered for our online services) or by completing an *Investment choice (superannuation)* form. This form is available on our website or by contacting us.

If we receive a valid online or paper request from you to switch the investment option(s) for your current account balance before 4 pm (AEST/AEDT) on a business day¹, we will normally process it using the unit prices that apply for that business day¹ when they become available. You can cancel a switch request online before 4 pm (AEST/AEDT) on the day the switch request is effective.

Nominations to change the investment options for your future contributions and transfers received before 4 pm (AEST/AEDT) on a business day¹ will take effect the following business day¹. Where the nomination to change is made on an *Investment choice (superannuation)* form and a contribution is included with your form, the contribution will also be invested in line with your chosen strategy.

If you ask us to contact your other funds to transfer all or part of your superannuation to First State Super, you can make an investment selection for the amount transferred by completing the *Request to transfer benefits to First State Super* form. This form is available on our website or by contacting us, and there is no charge for making an investment selection using this form.

¹ A business day is a NSW business day.

Make sure that you read all of the information in this *Member Booklet Supplement* before making an investment switch decision. You should choose investment options to suit your personal objectives, financial situation and needs. You should consider seeking advice from a financial adviser before you choose or change your investment option(s).

Rebalancing your investment options

If you are invested in more than one investment option, the percentage of your account balance in each option will change over time with market movements. This could also mean that the risk profile of your account balance changes. As a result, you may wish to rebalance your account periodically to bring the percentage invested in each investment option back in line with your original selection. This involves you switching a portion of your account balance from one option to another (see **Switching investments** on this page).

When you rebalance your account, you may be moving money from options that have performed well to options that have not performed as well. While this may seem counterintuitive, it's important to remember that it can be risky to rely too heavily on any one asset class. There is also the possibility that the asset class or investment option with the highest returns one year may not perform as well the following year.

If you invest in one of the pre-mixed options, we regularly monitor the allocation to the different asset classes and take care of rebalancing for you.

In addition to the MySuper Life Cycle strategy, we give you the choice of **12 investment options**.



How your First State Super account works

Your account is invested in one or more investment options¹. The investment options are unit-based and the value of your account is determined by the value of your investment in the investment options you have chosen (or your investment in MySuper, if you have not made a choice).

Money invested is used to buy additional units, and units are redeemed whenever money comes out of the investment option. The number of units bought or redeemed depends on the current unit price (see below – **How do we calculate the unit price?**).

Each business day² we calculate the unit price of each investment option. We multiply the number of units you have by the unit price to determine the value of your investment in the option. The value of your investment in the option goes up and down depending on whether the unit price has gone up or down on that day.

In certain circumstances, such as the closure of investment markets, a delay in an underlying manager issuing unit prices, or if an underlying manager delays or suspends transactions, we may suspend unit pricing because it may not be possible to calculate a fair unit price. The suspension of unit pricing could be for some time and we are not responsible for any losses caused by these delays.

¹ Police Blue Ribbon Super and Ambulance Officers' Super compulsory insurance accounts are maintained only to provide insurance cover and are not invested in any investment option.

² A business day is a NSW business day.

How the unit price is calculated

At the end of each business day², the value of the assets in each investment option is reported by the fund's custodian. We then deduct fees, expenses and tax to calculate the net value for each investment option. We divide the net value by the number of units issued for that investment option, which gives us the unit price.

Let's say the total asset value of the Balanced Growth investment option is \$10,000,000 and there are 5,000,000 units issued to members. This means the unit price is \$2.00 ($\$10,000,000 \div 5,000,000$).

If the investment return is 10% after fees and taxes, then the total value of the fund will increase by 10% to \$11,000,000.

The number of units hasn't changed so the new unit price is $\$11,000,000 \div 5,000,000 = \2.20 .

² A business day is a NSW business day.

Value of each investment option

The unit price of each investment option is based on the net value of the assets in that option. The net value is equal to the sum of the market value of the individual assets less taxes, investment expenses, fees charged by external investment managers, amounts payable to the custodian, transaction costs and internal investment management costs.

If the investment option earns positive returns, both the unit price and the value of your investment will rise. Conversely, if the investment option experiences negative returns, the unit price and the value of your investment will both fall.

Example

Kate holds 10,000 units in the Balanced Growth investment option – which equals \$22,000 at a unit price of \$2.20 ($10,000 \times \2.20). If Kate makes a non-concessional (after tax) contribution of \$1,001 to her super account at a unit price of \$2.20, she will receive an additional 455 units ($\$1,001 \div \2.20), which takes her total number of units to 10,455 and her total account balance to \$23,001.

No. of units	10,000
Unit price	\$2.20
Starting balance	\$22,000
Additional contribution	\$1,001
Additional units	455
Total units	10,455
Account balance	\$23,001

Note: The example is illustrative only and is based on the factors stated.

Valuation of the fund's assets

Investments are valued regularly so that transactions can be processed at values that are fair and reasonable. Some investments, such as shares, fixed income and cash investments, are valued daily, while others are valued less frequently.

Listed investments such as shares are valued based on the end of day price quoted for the relevant exchange, for example the Australian Securities Exchange (ASX). Fixed income securities, which are not traded on listed markets, such as government and corporate bonds, are valued using market average prices from independent sources.

Assets valued less frequently than daily include investments in real property and infrastructure, private equity, and some hedge funds. The timing of the valuations for these assets varies, but is typically quarterly or monthly, with all assets valued at least on an annual basis. Valuations of these assets are carried out by registered valuers or under pre-determined valuation methods.

Important information about the investment options

Investment objectives

Each investment option has a stated objective which is the desired investment outcome for the option. Investment objectives vary with the level of risk associated with the assets that make up the option. Keep in mind when reviewing the options' objectives that they are not a forecast of future returns, or prediction of the earnings on your investment.

For each pre-mixed option, the investment objective is to achieve investment growth above inflation (as measured by the Consumer Price Index) over rolling time periods.

By contrast, the investment objectives for the single asset class options are generally to track or outperform a relevant market benchmark or index, for example in the case of Australian Equities, the S&P/ASX 300.

We may change the investment objective of an investment option from time to time without notifying you.

For each pre-mixed option, the investment objective is to achieve investment growth above inflation (as measured by the Consumer Price Index) over rolling time periods.



Each pre-mixed option is invested in a range of assets

We have determined an appropriate split between growth and income assets for each pre-mixed option that is consistent with the option's risk level and is most likely to meet the option's investment objective.

- Growth assets have the potential to achieve capital growth over the medium to long term. They include Australian equities, international equities and alternative assets such as property, infrastructure, private equity, hedge funds and real return strategies. While in the long term these types of assets have the potential to produce higher returns, they can be more volatile (or risky) in the short term when compared with income assets and have a greater potential to produce negative returns in the short to medium term.
- Income assets (also known as defensive assets) generally provide an income stream and typically include bonds, cash and some alternative assets such as credit income investments. These investments are generally considered to be less risky than growth assets, but can at times produce a negative return.

For more information on what is included in each asset class, refer to the 'Asset class descriptions' section.

Strategic asset allocation

Each pre-mixed option is assigned a medium to longer term target asset allocation, known as the strategic asset allocation. We also establish asset allocation ranges which are the minimum and maximum amounts we can invest in each asset class. The strategic asset allocation and asset allocation ranges for each investment option, as at the date of this *Member Booklet Supplement*, are shown in the investment option tables on pages 7 to 13. Note that each of the asset classes may include small cash balances for portfolio management purposes.

The actual asset allocation in place at a particular time may vary from the strategic asset allocation because we use an active asset allocation approach. This allows us to take advantage of market conditions by temporarily increasing or decreasing our exposure to a particular asset class (or a specific sector or geography within an asset class, e.g. US equities). This can help shield members from the risks of being overexposed to expensive markets and add incremental returns by increasing exposures to asset classes when they are attractive.

These deviations from the strategic asset allocation are generally in place for a short to medium term period and must be consistent with the investment objective and strategy of the option. While generally the actual asset allocation will be within the strategic asset allocation ranges, during an episode of significant market stress the actual asset allocation may be moved outside the ranges shown in the investment option tables.



We may vary the strategic asset allocation and asset allocation ranges for an investment option from time to time without prior notice.

The latest asset allocations can be found at firststatesuper.com.au/investments.

Professional investment managers invest your money

We work with a panel of professional investment managers who specialise in different asset types to assist us in managing your super. A current list of managers by asset class is available on our website at firststatesuper.com.au/whomanagesyoursuper.

We also have a team of investment specialists who oversee our investment portfolios and manage a number of investments in-house. The investment team seeks to deliver value to members with an approach that focuses on:

- Active and strategic asset allocation to get the right mix of different investment types.
- High quality research to underpin and improve investment decisions.
- Managing select assets in-house, which brings market insights and greater access to unique opportunities.
- Integrating Environmental, Social and Governance (ESG) considerations into the investment process.
- Active ownership and engagement to drive positive change with the companies we invest in.

The team also performs a cash flow and portfolio re-balancing function for the pre-mixed investment options to help ensure each option is invested as closely as possible in line with the target asset allocations.

How the assets of the fund are held

We have appointed State Street Australia Limited as Custodian, whose role is to:

- hold the assets of the fund on our behalf,
- perform certain administrative, unit pricing, accounting, monitoring and reporting functions for the fund.

We may replace the Custodian at any time without notice to you.

Investment approaches

Investment managers use different approaches to select investments, with two of the main approaches, passive and active management, described below. No single approach is guaranteed to outperform all others in all market conditions.

Passive management

Also known as index managers, passive managers choose investments to form a portfolio that closely tracks a market benchmark (or index). Passive managers usually charge lower fees because they don't require extensive resources to select investments.

Active management

Active managers select investments which they believe will perform better than a market benchmark over the long term. They buy or sell investments when their market outlook alters or their investment insights change.

Each option has a certain level of risk

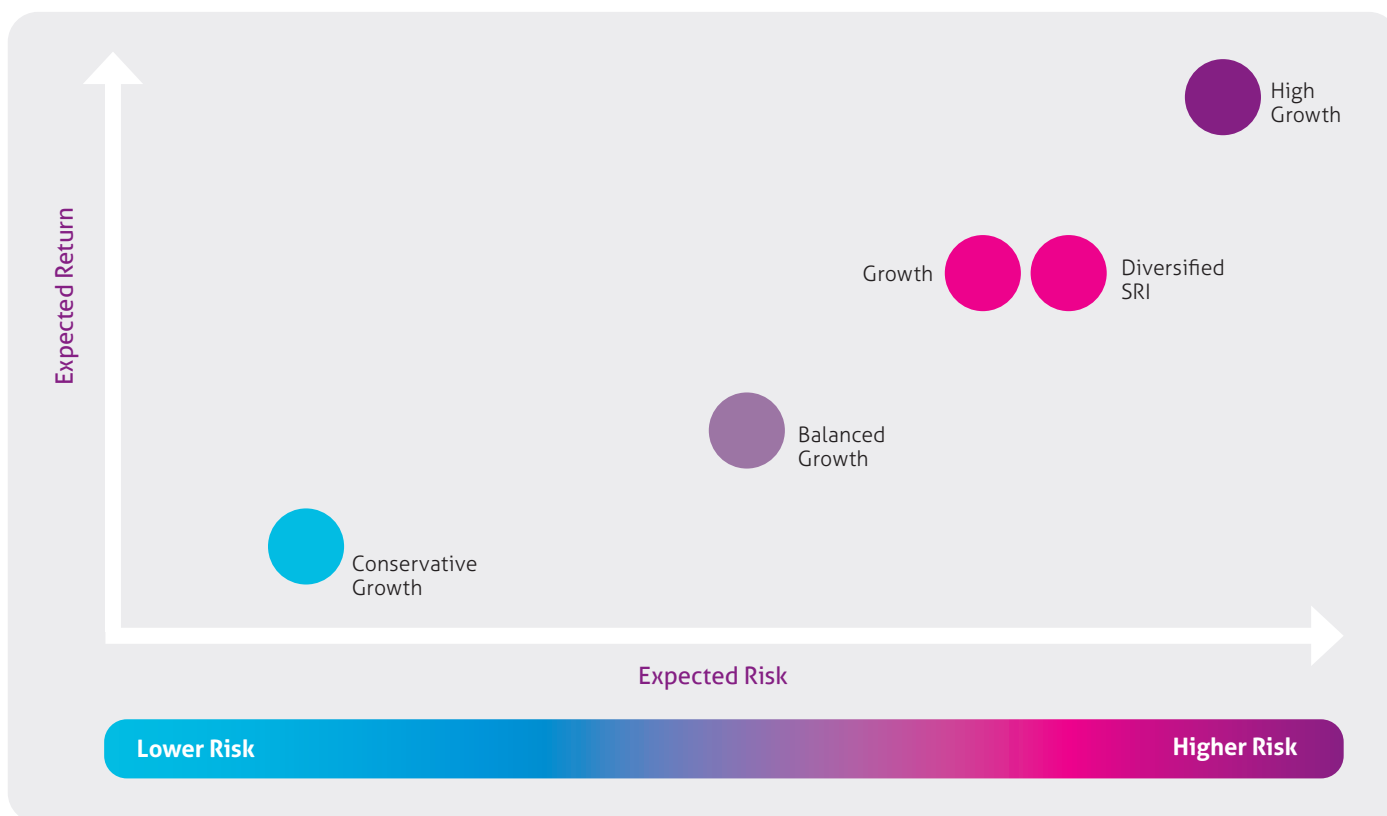
Each investment option has a risk profile, ranging from very low to very high. The risk profile of an investment option depends on the risk profile of the asset classes and investments that make up the option.

Foreign currency management

When investing in overseas assets such as international equities or fixed interest, returns reflect both changes in the value of the underlying investments, as well as currency movements. We may hedge some of the currency exposure back to Australian dollars in order to manage risk or enhance returns.

On each investment option profile we show the target foreign currency exposure and range. These amounts refer to the proportion of assets that are subject to foreign exchange rate movements. The remainder of the investment option is either currency hedged or denominated in Australian dollars.

We may change the currency exposure over time with the intention of improving the investment option's ability to meet its performance and risk objectives.



Note: The above graph provides a broad overview of the expected risk and return for the pre-mixed investment options for comparison.

It is illustrative only and is not a forecast or guarantee of the future returns of the investment options shown. Similarly, it should not be relied on as providing an accurate indication of the level of risk associated with any one option. Each option is subject to different types of risks and can be impacted by those particular risks to varying degrees depending on the nature of the option's investments.

For more information on each investment option refer to pages 7 to 13 of this booklet.

Standard Risk Measures

The investment option tables on the following pages show a **risk band**, **risk label** and **estimated number of negative annual returns over any 20-year period** for each investment option. This is known as the Standard Risk Measure, or SRM, and is based on a methodology developed by the industry so that consumers can compare investment options within and across funds. As shown in the table below, the risk measures range from 1 (being the lowest risk) to 7 (being the highest risk). The SRM of an investment option depends on the risk profile of the asset classes and investments that make up the option.

It's important to keep in mind that the SRM is not a complete assessment of all forms of investment risk. For instance, it does not take into account the potential size of a negative return, or the potential for a positive return to be less than a member may require to meet their objectives. In addition, it does not take into account administration costs.

Risk band	Risk label	Estimated number of years 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



Each investment option has a risk profile, ranging from very low to very high, depending on the asset mix of the option.



Pre-mixed options

Growth (MySuper Life Cycle option for members up to and including age 59)

Balanced Growth (MySuper Life Cycle option for members aged 60 and over)

Summary	Invests in a wide range of Australian and overseas investments with a bias toward capital growth via investments in growth assets such as Australian and international equities.			Invests in a diversified portfolio of income and growth assets with a slight bias towards growth assets such as Australian and international equities.		
Investment objective ¹	CPI + 3.75% p.a. over rolling 10-year periods net of tax and fees.			CPI + 2.75% p.a. over rolling 10-year periods net of tax and fees.		
Growth/income allocation ²	Growth assets	Target 75%	Range 55% – 95%	Growth assets	Target 55%	Range 35% – 75%
	Income assets	25%	5% – 45%	Income assets	45%	25% – 65%
Strategic asset allocation ²						
		Target	Range		Target	Range
	Australian equities	20%	10% – 30%	Australian equities	14%	4% – 24%
	International equities	30%	20% – 40%	International equities	21%	11% – 31%
	Alternatives ³	30%	10% – 50%	Alternatives ³	30%	10% – 50%
	Fixed income	10%	0% – 25%	Fixed income	20%	0% – 35%
	Cash	10%	1% – 45%	Cash	15%	1% – 60%
	Currency exposure ⁴	23%	0% – 40%	Currency exposure ⁴	16%	0% – 31%
Minimum suggested investment timeframe	Medium to long term (7 years)			Medium term (5 years)		
Standard Risk Measure ⁵	6 – High			5 – Medium to High		
Estimated frequency of annual negative returns every 20 years ⁵	4 to less than 6			3 to less than 4		
Who might invest in this option?	This option may suit investors who can accept fluctuations in returns, including years of negative returns, but are seeking strong long-term returns.			This option may suit investors who can accept some years when returns are negative but who expect that, over the long term, returns will be well above inflation.		

¹ The investment objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option. Refer to page 4 for information on investment objectives.

² We may vary the asset allocation for an investment option from time to time. Each of the asset classes may include small cash balances for portfolio management purposes. Refer to our website for the latest asset allocations.

³ Alternatives can include both income and growth assets. Refer to the 'Asset class descriptions' section on page 15 for more information.

⁴ These currency exposure targets and ranges refer to the proportion of assets that are subject to foreign exchange rate movements. The actual currency exposure in place at a point in time depends on market conditions and the liquidity needs of the investment option. In addition, the trustee may change the currency exposure targets or ranges from time to time. For further information, refer to the 'Foreign currency management' section on page 5.

⁵ For more information on the methodology used to determine risk measures and the estimated number of annual negative returns, refer to the 'Standard Risk Measures' section or our website at firststatesuper.com.au/investmentandrisk.

Pre-mixed options (continued)

	High Growth	Diversified Socially Responsible Investment (SRI)																																										
Summary	Invests in a wide range of Australian and overseas investments with a strong bias towards capital growth via significant allocations to growth assets such as Australian and international equities.	Invests in a wide range of Australian and overseas investments with a bias toward capital growth via investments in growth assets such as Australian and international equities. Note that this option excludes investments in companies operating in sectors recognised for having a high negative social impact. For more information, refer to the 'About the Socially Responsible Investment (SRI) options' section on page 14.																																										
Investment objective¹	CPI + 4% p.a. over rolling 10-year periods net of tax and fees.	CPI + 3.25% p.a. over rolling 10-year periods net of tax and fees.																																										
Growth/income allocation²	<table> <tr> <th></th><th>Target</th><th>Range</th></tr> <tr> <td>Growth assets</td><td>95%</td><td>75% – 100%</td></tr> <tr> <td>Income assets</td><td>5%</td><td>0% – 25%</td></tr> </table>		Target	Range	Growth assets	95%	75% – 100%	Income assets	5%	0% – 25%	<table> <tr> <th></th><th>Target</th><th>Range</th></tr> <tr> <td>Growth assets</td><td>75%</td><td>55% – 95%</td></tr> <tr> <td>Income assets</td><td>25%</td><td>5% – 45%</td></tr> </table>		Target	Range	Growth assets	75%	55% – 95%	Income assets	25%	5% – 45%																								
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Currency exposure ⁴	24%	0% – 42%																																										
Minimum suggested investment timeframe	Long term (10 years)	Medium to long term (7 years)																																										
Standard Risk Measure⁵	6 – High	6 – High																																										
Estimated frequency of annual negative returns every 20 years⁵	4 to less than 6	4 to less than 6																																										
Who might invest in this option?	This option may suit investors who can accept significant fluctuations in returns, including years of negative returns, in exchange for strong long-term returns.	This option may suit investors seeking strong long-term returns from socially responsible investments that can accept fluctuations in returns and the possibility of negative returns over the short term.																																										

¹ The investment objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option. Refer to page 4 for information on investment objectives.

² We may vary the asset allocation for an investment option from time to time. Each of the asset classes may include small cash balances for portfolio management purposes. Refer to our website for the latest asset allocations.


³ Alternatives can include both income and growth assets. Refer to the 'Asset class descriptions' section on page 15 for more information.

⁴ These currency exposure targets and ranges refer to the proportion of assets that are subject to foreign exchange rate movements. The actual currency exposure in place at a point in time depends on market conditions and the liquidity needs of the investment option. In addition, the trustee may change the currency exposure targets or ranges from time to time. For further information, refer to the 'Foreign currency management' section on page 5.

⁵ For more information on the methodology used to determine risk measures and the estimated number of annual negative returns, refer to the 'Standard Risk Measures' section or our website at firststatesuper.com.au/investmentandrisk.

Pre-mixed options (continued)

Conservative Growth

Summary	Invests in a range of income and growth assets with an emphasis on fixed interest and cash investments.		
Investment objective ¹	CPI + 1.0% over rolling ten-year periods net of tax and fees.		
Growth/income allocation ²		Target	Range
	Growth assets	30%	10% – 50%
	Income assets	70%	50% – 90%
Strategic asset allocation ²		Target	Range
	Australian equities	4%	0% – 14%
	International equities	7%	0% – 17%
	Alternatives ³	31%	10% – 50%
	Fixed income	20%	0% – 50%
	Cash	38%	1% – 85%
	Currency exposure ⁴	5%	0% – 17%
Minimum suggested investment timeframe	Short to medium term (3 years)		
Standard Risk Measure ⁵	3 – Low to medium		
Estimated frequency of annual negative returns every 20 years ⁵	1 to less than 2		
Who might invest in this option?	This option may suit investors who seek an investment with a low to medium risk of capital loss over the short to medium term, and modest capital growth over the longer term.		

¹ The investment objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option. Refer to page 4 for information on investment objectives.



² We may vary the asset allocation for an investment option from time to time. Each of the asset classes may include small cash balances for portfolio management purposes. Refer to our website for the latest asset allocations.

³ Alternatives can include both income and growth assets. Refer to the 'Asset class descriptions' section on page 15 for more information.

⁴ The currency exposure target and range refers to the proportion of assets that are subject to foreign exchange rate movements. The actual currency exposure in place at a point in time depends on market conditions and the liquidity needs of the investment option. In addition, the trustee may change the currency exposure target or range from time to time. For further information, refer to the 'Foreign currency management' section on page 5.

⁵ For more information on the methodology used to determine risk measures and the estimated number of annual negative returns, refer to the 'Standard Risk Measures' section or our website at firststatesuper.com.au/investmentandrisk.

Single asset class options

	Australian Equities	Australian Equities Socially Responsible Investment (SRI)
Summary	Invests in wide range of companies listed on the Australian Securities Exchange (ASX). Note that this option is passively managed by an index-replicating manager.	Invests in wide range of companies listed on the Australian Securities Exchange (ASX). Note that this option excludes investments in companies operating in sectors recognised for having a high negative social impact. For more information, refer to the 'About the Socially Responsible Investment (SRI) options' section on page 14.
Investment objective ²	To track the S&P/ASX 300 Accumulation Index, before taking into account fees, costs and tax.	To outperform the S&P/ASX 200 Accumulation Index over rolling 5-year periods, before tax and after taking into account fees and costs.
Strategic asset allocation	 <p>■ Australian equities³</p> <p>Target 100%</p>	 <p>■ Australian equities³</p> <p>Target 100%</p>
Minimum suggested investment timeframe	Long term (10 years)	Long term (10 years)
Standard Risk Measure ⁴	7 – Very high	7 – Very high
Estimated frequency of annual negative returns every 20 years ⁴	6 or greater	6 or greater
Who might invest in this option?	This option may suit investors wanting strong long-term returns but who are prepared to accept full exposure to the ups and downs of investing in the share market, including the possibility of negative returns over the short term.	This option may suit investors wanting strong long-term returns from a portfolio of socially responsible Australian shares, but who are prepared to accept full exposure to the ups and downs of investing in the share market, including the possibility of negative returns over the short term.



¹ The Certification Symbol signifies that a product or service offers an investment style that takes into account certain environmental, social, governance or ethical considerations. The Symbol also signifies that the First State Super Australian Equities SRI option adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Superfund Option. The Certification Symbol is a Registered Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and First State Super's methodology and performance can be found at www.responsibleinvestments.com.au, together with details about other responsible investment products certified by RIAA. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

² The investment objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option. Refer to page 4 for information on investment objectives.

³ The asset class may include small cash balances for portfolio management purposes.

⁴ For more information on the methodology used to determine risk measures and the estimated number of annual negative returns, refer to the 'Standard Risk Measures' section or our website at firststatesuper.com.au/investmentandrisk.

Single asset class options (continued)

	International Equities	Property
Summary	Invests in a passively managed portfolio of companies listed on global stock exchanges in developed markets. Note that this option is unhedged, and as such, will fluctuate both as a result of changes in the value of the underlying shares and currency movements.	Invests in a combination of global listed property securities and unlisted property investments. As at the issue date of this <i>Member Booklet Supplement</i> the trustee's target split was 65% listed property securities and 35% unlisted property investments. ² Note that the listed portion of the option may be implemented via investments in listed Real Estate Investment Trusts (REITs) or through the use of derivatives.
Investment objective¹	To track the return of the MSCI World ex-Australia ex-Tobacco securities Net Dividends Accumulation Index (unhedged) in Australian dollars, before taking into account fees, costs and tax.	To outperform a combined index, namely the FTSE EPRA/NAREIT Developed Rental Index Net Dividends Reinvested (100% hedged) in Australian dollars and CPI + 5% p.a. over rolling 5-year periods, before tax and after taking into account fees and costs.
Strategic asset allocation	 <p>■ International equities³ Target 100% Currency exposure⁴ 100% (i.e. unhedged)</p>	 <p>■ Property³ Target 100% Currency exposure⁴ 0% (i.e. fully hedged)</p>
Minimum suggested timeframe	Long term (10 years)	Medium to long term (7 years)
Standard Risk Measure⁵	7 – Very high	6 – High
Estimated frequency of annual negative returns every 20 years⁵	6 or greater	4 to less than 6
Who might invest in this option?	This option may suit investors wanting strong long-term returns but who are prepared to accept full exposure to the ups and downs of investing in the share market and the impact of currency movements, including the possibility of negative returns over the short term.	This option may suit investors seeking strong returns over the medium to long term from property investments, but that are willing to accept fluctuations in returns and the possibility of negative returns over the short term. ⁶

¹ The investment objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option. Refer to page 4 for information on investment objectives.

² We may vary the asset allocation for an investment option from time to time. Refer to our website for the latest asset allocations.



³ Each of the asset classes may include small cash balances for portfolio management purposes.

⁴ The currency exposure target refers to the target proportion of assets that are subject to foreign exchange rate movements. The actual currency exposure in place at a point in time may be different due to market conditions and the liquidity needs of the investment option. In addition, the trustee may change the currency exposure target from time to time. For further information, refer to the 'Foreign currency management' section on page 5.

⁵ For more information on the methodology used to determine risk measures and the estimated number of annual negative returns, refer to the 'Standard Risk Measures' section or our website at firststatesuper.com.au/investmentandrisk.

⁶ Refer to the explanation of 'Property' in our Asset class descriptions section and note that listed property exposures reflect security prices on listed markets.

Single asset class options (continued)

	Australian Fixed Interest	International Fixed Interest
Summary	Invests in a passively managed portfolio of Australian fixed interest investments such as government and corporate bonds.	Invests in a passively managed portfolio of international fixed interest investments such as government and corporate bonds. Note that the investments of this option are fully hedged, meaning they are protected against the impact of currency fluctuations on investment returns.
Investment objective¹	To track the return of the Bloomberg AusBond Composite 0 + Yr Index, before taking into account fees, costs and tax.	To track the return of the Bloomberg Barclays Global Aggregate Float-Adjusted Index (100% hedged) in Australian dollars, before taking into account fees, costs and tax.
Strategic asset allocation	 <p>■ Australian bonds² Target 100%</p>	 <p>■ International bonds² Target 100%</p> <p>Currency exposure³ 0% (i.e. fully hedged)</p>
Minimum suggested timeframe	Short to medium term (3 years)	Short to medium term (3 years)
Standard Risk Measure⁴	6 – High	6 – High
Estimated frequency of annual negative returns every 20 years⁴	4 to less than 6	4 to less than 6
Who might invest in this option?	<p>This option may suit investors who seek returns that keep pace with inflation in the long term from a portfolio of Australian bonds, and are willing to accept fluctuations in returns and the possibility of negative returns over the shorter term.</p> <p>To learn more about bonds refer to the 'Asset class descriptions' section on page 15.</p>	<p>This option may suit investors who seek returns that keep pace with inflation in the long term from a diversified portfolio of global bonds, and are willing to accept fluctuations in returns and the possibility of negative returns over the shorter term.</p> <p>To learn more about bonds refer to the 'Asset class descriptions' section on page 15.</p>

¹ The investment objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option. Refer to page 4 for more information on investment objectives.


² Each of the asset classes may include small cash balances for portfolio management purposes.

³ The currency exposure target refers to the target proportion of assets that are subject to foreign exchange rate movements. The actual currency exposure in place at a point in time may be different due to market conditions and the liquidity needs of the investment option. In addition, the trustee may change the currency exposure target or range from time to time. For further information, refer to the 'Foreign currency management' section on page 5.

⁴ The Standard Risk Measure is based on the estimated number of negative annual returns over a 20-year period and is not a complete assessment of all forms of risk. In particular, it does not take into account the size of a potential negative return. Despite the Australian Fixed Interest and International Fixed Interest investment options being assessed as having a Standard Risk Measure of '6 – High', when we assess the expected risk more holistically, the options are only expected to have a moderate level of risk. More information on the methodology used to determine risk measures and the estimated number of negative annual returns is available in the 'Standard Risk Measures' section or our website at firststatesuper.com.au/investmentandrisk.

Single asset class options (continued)

Cash

Summary	Primarily invests in term deposits and other short-term debt securities with a maturity of less than one year. Note that this option is not guaranteed by the Australian Government or the trustee.
Investment objective ¹	To outperform the returns of the Bloomberg AusBond Bank Bill Index, over rolling 12-month periods, before taking into account fees, costs and tax.
Strategic asset allocation	<div><div><div>Cash</div><div>Target 100%</div></div></div>
Minimum suggested timeframe	Short term (up to 2 years)
Standard Risk Measure ²	1 – Very low
Estimated frequency of annual negative returns every 20 years ²	Less than 1
Who might invest in this option?	This option may suit investors who seek a very low risk short-term investment with very stable but low expected returns. You should be aware that, depending on prevailing interest rates, the return you receive may not keep pace with inflation, which may mean there is little or no short-term real growth.

¹ The investment objectives do not constitute a forecast or guarantee of future performance or the future rates of return of the investment option. Refer to page 4 for information on investment objectives.

² For more information on the methodology used to determine risk measures and the estimated number of annual negative returns, refer to the 'Standard Risk Measures' section or our website at firststatesuper.com.au/investmentandrisk.

Investment performance



We keep our website up-to-date with the latest investment performance and unit prices for each investment option.

Go to firststatesuper.com.au/investments

About the socially responsible investment (SRI) options

We offer the below socially responsible investment (SRI) options for members who want greater certainty about the environmental and social impact of their investments:

- Australian Equities Socially Responsible Investment (SRI); and
- Diversified Socially Responsible Investment (SRI).

Negative screens

A key feature of these options is that they exclude companies operating within sectors recognised for having a high negative social impact. This includes companies with material exposure¹ to the production or manufacture of:

- tobacco²
- nuclear power (including uranium)
- armaments
- gambling
- alcohol
- inhumane animal testing
- logging (of old growth forests)
- pornography.

With the combustion of fossil fuels being the main source of global greenhouse gas emissions, the SRI options also seek to limit exposure to companies which have a material exposure to the most carbon-intensive fossil fuels by excluding companies with more than a 20% exposure³ to one, or a combination of, the following:

- mining thermal coal
- exploration and development of oil sands
- brown coal (or lignite) coal-fired power generation
- transportation of oil from oil sand
- conversion of coal to liquid fuels/feedstock.

To complement the above, our SRI options also exclude:

- Companies that source more than 20% of their operating revenues from:
 - the production and sale of fossil fuels, including thermal and coking coal, oil and natural gas.
 - the transmission/transport of fossil fuels for the purpose of exporting and/or non-household use (e.g. power generation).
 - the production and sale of fossil fuels and who own or have the intention/purpose of exploration and/or development of proved or probable fossil fuel reserves.
- Companies substantively involved in unconventional coal seam gas extraction (fracking).
- Companies found to have been complicit in excessive or unauthorised emissions of carbon dioxide (CO₂) and other greenhouse gases.

¹ Material exposure constitutes more than 10% of total revenue.

² Note that direct investments in tobacco is excluded from all First State Super investment options.

³ As measured by percentage of market capitalisation, or another appropriate financial metric.

Positive screens

In addition to applying the exclusion criteria outlined above, the SRI options seek to invest in companies that meet criteria in 'sustainable' products and services or that have strong environmental, social and governance performance. This includes companies that rate well in one or more of the following areas:

- **Environmental considerations** – including efficient energy/resource use and product stewardship (for example, where a company takes into account the lifecycle of the product, from manufacture to the extent to which the product can be recycled).
- **Social considerations** – including promoting indigenous relations and community involvement.
- **Governance considerations** – including meeting corporate governance guidelines on board structures and remuneration, and active participation in corporate engagement and governance initiatives.
- **Ethical considerations** – including upholding fundamental human rights, and articulating and implementing a code of conduct.
- **Labour standards** – including adhering to occupational health and safety, International Labour Organisation standards, working conditions and the exclusion of child labour.

Management of the SRI options

A list of the investment managers we use to manage our socially responsible investment options is available at firststatesuper.com.au/whomanagesyoursuper.

Note that each manager has its own socially responsible investment guidelines outlining what constitutes labour standards and environmental, social and ethical considerations, and a methodology for taking these standards and considerations into account when selecting, retaining and realising investments. Importantly, apart from the above screening criteria, we allow the managers some flexibility to determine the manner in which SRI considerations are implemented and have no pre-determined views about what they regard to be a labour standard or an environmental, social or ethical consideration.

We have absolute discretion to change the underlying investment managers and the SRI considerations that are taken into account in the investment process.



Note that investment risk may be higher for the SRI options since they are not as well diversified due to the exclusion of specific industries like alcohol, gambling and fossil fuels, and have fewer investment managers than our standard investment options.

Asset class descriptions

The information below describes the asset classes your super may be invested in through the pre-mixed (MySuper and Choice) and single asset class options.

Cash

Cash investments include a range of short and medium-term interest-bearing investments, such as term deposits, bank bills and treasury notes. Typically the least risky of all asset classes, cash is often chosen by investors who want to access their money in the short to medium term. However, while the risk of negative returns from cash investments is much lower than for other asset classes, expected returns are also lower. The buying power of your money may also be reduced as it may not keep up with inflation.

The value of a cash investment will fluctuate due to a number of factors, but primarily with the rise and fall in interest rates.

Fixed income (bonds)

A fixed income investment is a loan to a government, semi-government authority or large corporation in exchange for regular interest payments, plus repayment of the principal amount at maturity.

Interest is paid to investors over the life of the investment, usually at a fixed rate. However, for some bonds, the interest payments and/or principal are adjusted for the rate of inflation. These are known as 'inflation-linked bonds' and they are designed to help protect investors from inflation.

While fixed income investments such as bonds are usually less volatile than many other investments like shares, they may also have a lower expected return over the long term.

It is also important to note that fixed income investments are not without risk and do not provide a fixed rate of return like a term deposit. The fact that bonds are traded in a marketplace with buyers and sellers means they are exposed to price movements, and the possibility exists for low or negative returns from time to time.

Bond values are driven by prevailing interest rates and expected interest rate movements. In general, when interest rates rise, the market value of bonds tends to fall, and when interest rates fall, bond values tend to rise. This can have a significant impact on performance.

Our international fixed income investments will typically be 100% hedged, which means they are protected against the impact of currency fluctuations on investment returns.

Equities (shares)

Equities (shares) are a portion or share of a company that can be bought or sold on an exchange. Equities allow investors to access both large and small listed companies across a range of industries in Australia and overseas.

The return investors receive from investing in equities includes income in the form of dividend payments, as well as capital gains (and losses) from changes in the value of the underlying shares, and for international equities, currency movements.



Long term returns from equity investments tend to be higher than those achieved from property, fixed income and cash investments. But in the short term, their performance is more volatile and returns can be negative, making them a higher risk investment.

Various factors like consumer sentiment, commodity prices and company performance can all have an impact on a company's share price.

Note that our Australian and international equities asset classes can also include a small exposure to unlisted companies which are less liquid than listed companies.

Alternatives

Alternative assets include a wide range of investments such as credit income, property, infrastructure, private equity, hedge funds and real return strategies. Information on each of these investment types is provided below.

Credit income

Credit income covers a range of alternative debt investments. Like fixed income, credit income investments involve a loan to a borrower in exchange for regular interest payments, plus repayment of the principal amount at maturity. However, compared to traditional fixed income investments, the loans are typically to borrowers with a lower credit rating, and as a result, may command a higher rate of return to compensate the investor for the risk of default. Examples of credit investments include loans to unlisted infrastructure and real estate companies.

Property

Property investments include office buildings, shopping centres and industrial estates, as well as residential property such as apartment buildings and retirement villages. Investors can access property investments either directly or indirectly by purchasing units in a property trust (unlisted or listed).

Direct and unlisted property investment returns reflect a combination of rental income and capital growth, and are dependent on a range of economic factors such as interest rates and employment, as well as the location and quality of properties.

Listed property investments (often known as Real Estate Investment Trusts or REITs) are investments in their own right and their returns will also reflect changes in securities prices on listed markets, which will be different (and more volatile) than the returns earned from owning direct or unlisted property investments.

Property investments are subject to a moderate to high degree of risk and are typically most suitable for long-term investors seeking high growth over the medium to long term, who are willing to accept fluctuations in returns and the possibility of negative returns over the short term.

Infrastructure and real assets

Infrastructure assets are the utilities and facilities that provide essential services to communities. Examples include utilities (electricity, gas, water and communications), power (including renewables), transport (airports, seaports, toll roads and rail) and social infrastructure assets (hospitals, education facilities and community infrastructure such as a convention centre). New infrastructure sub-sectors which exhibit similar features to traditional infrastructure investments, for example land title registries, have also developed over time.

Due to their scale and importance, infrastructure investments typically have high barriers to entry, but generally offer investors a steady income stream, potential for capital growth over the long term, and lower volatility than other growth assets such as equities. However, there are risks. For example, changes to government regulations, usage rates, and interest rates may affect their value.

Similar to property, investors can access infrastructure investments directly by investing in individual assets, or indirectly via unlisted or listed pooled funds.

Private equity

Private equity includes investments in companies, both in Australia and overseas, that are not listed on a stock exchange. Such companies can include large established companies needing investment and expertise to support future growth plans, as well as smaller, rapidly growing businesses.

The private equity market is less efficient and less regulated than listed equity markets. This creates opportunities for skilled managers to add value. However, private equity investments are typically illiquid and high risk, and so are typically best suited to investors with a medium to long-term horizon.

Growth alternatives

The Growth alternatives asset class includes real return strategies and hedge funds. Unlike traditional fund managers which are often restricted to investing in a single asset class (e.g. Australian equities), these managers have a wider range of allowable investments and are able to utilise a combination of equities, bonds, currencies, commodities and other liquid asset classes. They can make investments in these asset classes via physical exposures or, more typically, via derivatives (see page 18 for additional details on the fund's use of derivatives). These managers aim to deliver returns above CPI or an official cash rate by dynamically moving around their exposure to the various asset classes. Many also aim to provide positive returns when traditional asset classes experience negative returns.

Risks of investing

The risk/return trade off

All investments involve some level of risk. Typically, to grow your account over the long term, you need to take some risk. The key short-term risk is market volatility and the impact this can have on your account balance. The two main risks over the long term are that your savings are not enough to last your whole retirement, or don't keep up with the rising cost of living over time.

In general, investments that are volatile over short periods of time, such as Australian and international shares, grow more over longer periods. By contrast, investments like cash and fixed interest tend to produce more stable returns, but may not generate the returns you need to reach your retirement goals. This is often called the risk/return trade off and is a key thing to keep in mind when choosing an investment option.

If you are unsure about the level of risk appropriate to your needs and circumstances, you should seek financial advice.

Investment risks

Some of the most significant investment risks which can have an impact on your account include:

Inflation risk – while your investment may produce a positive return, there is a risk that your savings do not keep up with the rising cost of living over time (inflation). One way you can help manage this risk is by investing in assets that are expected to generate returns in excess of inflation over the medium to long term. Each of our pre-mixed options have been designed to generate returns above inflation as measured by the Consumer Price Index (CPI).

Sequencing risk – the timing and order of returns can be nearly as important as the size of the returns, making the sequence of returns a significant determinant of outcomes. Sequencing risk refers to the risk of poor investment returns at the wrong time, for example just before or at the start of retirement when your account balance is at its greatest. With this risk in mind, we automatically switch members in the MySuper Life Cycle strategy from the Growth to Balanced Growth option at age 60. For more information, refer to the 'Choose from a range of investment options' section on page 1.

Market risk – market risk is the risk of loss due to the factors that affect an entire asset class or market such as the Australian share market. This includes economic conditions, government policy and investor sentiment. Maintaining a well-diversified portfolio across a range of asset classes can reduce, but not eliminate, the impact of market risk.

Security/asset risk – individual investments such as shares, bonds and property assets are affected by risks specific to the investment. For example, the value of a company's shares may be impacted by a change in strategy, operations, or business environment, as well as merger and acquisition activity.

Other investment risks to consider include:

Timing risk – there is a risk that, at the date of investment, your money is invested at higher market prices than those available shortly afterwards. Similarly, there is risk that, at the date you withdraw funds your investments are sold at lower prices than those that were recently available or would have been available shortly afterwards. Timing risk can also relate to trying to predict future prices in making investment decisions, for example when switching investment options.



Illiquidity risk – the risk that an investment cannot be easily sold (converted to cash) without a substantial loss in value due to difficult or abnormal market conditions. This risk is greatest for investments that are inherently illiquid such as real property and infrastructure assets, as well as unlisted equity interests. We mitigate this risk through limiting investment in illiquid investments and regular monitoring of liquidity.

Interest rate risk – changes in interest rates can have a negative effect on an investment's value or returns. For example, the cost of a company's borrowings can increase, reducing its profitability, or the income from a cash or fixed interest investment may be lower than expected.

Investment manager risk – although we carefully research and monitor the investment managers we partner with, there is a risk that a particular manager will underperform compared to similar managers or their return objective. This could be because their view on markets is inaccurate, they lose key investment personnel, or because the environment is not favourable for their investment style.

Currency risk – the value of our offshore investments may decrease because the currencies of the countries in which we invest decrease in value relative to the Australian dollar. We mitigate this risk by managing the currency exposure as described in the 'Foreign currency management' section on page 5.

Counterparty risk – there is a risk of loss where the counterparty to a contract cannot meet its payment obligations. For example, in the case of a fixed income security such as a bond, this includes the risk that the issuer doesn't pay back the money borrowed when it is due. This risk is mitigated by appointing investment managers with appropriate credit assessment skills and by imposing limits on individual counterparties.

Derivative risk – investing in derivatives can involve additional risks. These include the possibility that the derivative does not perform as expected or that parties do not perform their obligations under the contract. As using derivatives may involve leverage, losses can be significant. We mitigate this risk by having limitations and controls in place and monitoring the use of derivatives.

Short selling risk – short selling may be used when an investment manager believes an asset's price will fall. The manager borrows the asset from a lender, usually a broker, and sells it with the intention of buying it back at a lower price. If the price of the asset increases, the loss could be significant. This is different to investing directly in a security without borrowing where losses are generally limited to the value of the investment made. We mitigate this risk by restricting and monitoring the use of short selling by the managers we partner with.

Gearing risk – gearing can be achieved by using loans (borrowing to invest), or investing in certain derivatives such as futures. Gearing amplifies the potential gains and losses of an investment which means fluctuations in the value of a geared investment will be larger compared to the same investment which is not geared. We mitigate this risk by limiting and regularly monitoring the amount of gearing in the investment options.

The importance of diversification to manage investment risk

Generally speaking, you can reduce the risk of your investment by spreading your money across a range of asset classes. This is called diversification. Diversification can reduce investment risk because asset classes tend to perform differently at different times in the economic cycle. By spreading your money across a range of asset classes, you also spread the risk of loss should a particular asset class or investment perform poorly.

You can diversify your investment by either investing in the pre-mixed investment options, which have a mixed portfolio of assets, or by investing in a variety of single asset class investment options. However, you should keep in mind that by investing in the single asset class investment options, your super may not be as well diversified compared to our pre-mixed options. This is because not all asset classes are available as single asset class options (e.g. infrastructure or private equity).

Before choosing an investment option(s), you should assess your risk/return profile and the level of diversification you require. If you are unsure about the level of risk appropriate to your needs and circumstances, you can seek advice from a financial planner.

Use of derivatives

Derivatives, such as futures or options, are investment products whose value is derived from the underlying investment. For example, the value of a share option is linked to the value of the underlying share. Gains and losses from holding positions in derivatives can occur due to market movements.

Derivatives may be used:

- to manage risk (e.g. foreign currency hedging);
- for asset allocation purposes;
- as a way to implement investment positions efficiently; and
- to enhance returns.

Derivative contracts must not be held unless, at all times, there are sufficient assets to support the liability under each contract (i.e. derivatives cannot be used to leverage an investment option directly). We may also invest in unlisted trusts which employ leverage and derivatives with the objective of enhancing returns (e.g. hedge funds).

In order to minimise investment risk, it's important to diversify your investments.



You should seek financial advice if you are unsure about which investment option is best for you.

Responsible ownership

As a large investor, we must be mindful of the impact our investments make in markets, communities and on the environment, and are a signatory to the Principles for Responsible Investment (PRI) which promote sustainable investment. This reflects our belief that poor management of long-term environmental, social and governance (ESG) related risks by a company has the potential to impact our members' investment returns, any may also harm the broader community and environment.

Responsible ownership is an approach to investing that explicitly incorporates consideration of ESG issues into investment decisions to better manage risk and generate strong long-term returns.

Our approach to responsible ownership applies to the fund as a whole and consists of three main pillars:

Integration into the investment process – we actively incorporate ESG considerations into the investment due diligence, selection, and monitoring processes, and expect the investment managers we partner with to monitor ESG risks that relate to the funds' investments.

Share voting – we use our voting rights to support resolutions that seek to enhance value for our members across a range of areas such as board composition, executive remuneration plans, and climate-related disclosure and action. Information on our voting decisions are available on the website at firststatesuper.com.au/about/governance-and-policies/proxy-voting.

Engagement – we regularly talk with the companies we invest in to encourage them to improve their ESG policies and practices, and ensure they are focussed on generating

long-term sustainable returns for our members. Note that although our approach is predominantly one of engagement rather than divestment, if engagement fails to address issues of significant concern, we may decide to exclude a particular company or industry from the fund's investments.

We allow our investment managers some flexibility to determine the manner in which ESG considerations are implemented and have no pre-determined views regarding what they regard to be a labour standard or an environmental, social or ethical matter, or how these matters should be incorporated into investment decisions, except as outlined below.

We have decided to exclude direct investment in those companies involved in the manufacture of cigarettes and other tobacco products from all of our investment options. Our decision to prohibit these investments was based on an assessment of the challenges and outlook for the sector, as well as the known adverse health effects of tobacco products. Note that the fund may have an immaterial, indirect exposure to tobacco companies. However, the exposure is regularly monitored to ensure that it remains immaterial and does not exceed the limit agreed by us.

You can read our Responsible Investment policy on our website at firststatesuper.com.au/responsiblesuper or you can obtain a copy without additional charge from us.



Investment glossary

Term	Meaning
Asset class	A category of investment, such as shares, cash or property.
Asset allocation	The percentage weighting to a particular asset class. For diversified options, asset allocations show how the option is spread across the different asset classes.
Benchmark	The standard or index the performance of an investment option is measured against (e.g. S&P/ASX 300).
Consumer Price Index (CPI)	A measure of inflation that compares the cost of living (i.e. goods and services) over time. CPI is calculated and reported by the Australian Bureau of Statistics.
Custodian	A financial institution that holds the investments of the fund on behalf of the trustee. The custodian is also responsible for managing transaction settlements, collecting income on investments and calculating unit prices.
Derivative	An investment instrument such as a future or option, whose value is derived from the value of an underlying asset. Some derivatives are traded on an exchange (e.g. equities futures), while others are privately traded directly between two parties. These are known as over-the-counter, or OTC derivatives, and include currency forward contracts used for currency hedging and interest rate swaps used to hedge interest rate exposures.
Franking credits	A type of tax credit that allows Australian companies to pass tax paid by a company onto its shareholders. It reduces the double taxation of dividends that can occur.
Hedge	An investment to reduce the risk of adverse price movements in an asset, for example as a result of unfavourable currency movements.
Investment objective	The desired performance outcome for the relevant option.
Listed investments	Investments that are bought and sold on a stock exchange (e.g. shares, exchange traded funds, and equities futures).
Strategic asset allocation	The long-term asset allocation percentage targets for each investment option.
Unit price	The cost for a unit of the investment option which is calculated by dividing the value of the option by the number of units available.
Unlisted investments	Investments that are not traded on an exchange, such as direct property or infrastructure investments.



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