

Investment choices

1 October 2019

The information in this document forms part of the following product disclosure statements:

- HESTA product disclosure statement issued 1 October 2019
- HESTA personal super product disclosure statement issued 1 October 2019

wealth
| of |
choice

| HESTA |

what's inside?

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This document does not relate to the HESTA Income Stream. Refer to the HESTA Income Stream PDS for information about that product.

The information provided in this document is general information only and does not take account of your personal financial situation or needs. You should look at your own financial position and requirements before making a decision. You may wish to consult an adviser when doing this.

You should be aware that the value of your investment may rise or fall. Past performance is not a reliable indicator of future performance.

If you leave HESTA you may get back less than the amount of contributions paid because of the level of investment returns, charges and the impact of tax.

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11 investment options designed to better suit your needs

24/7 account access

MySuper authorised default option

strength in numbers

a truly national fund

a history of strong, long term returns

contact us

hesta@hesta.com.au | 1800 813 327 | Locked Bag 5136, Parramatta NSW 2124 | hesta.com.au

Product ratings are only one factor to be considered when making a decision. See hesta.com.au/ratings for more information.



how to use this guide

This guide gives you detailed information about investing with HESTA. If you're choosing a new investment strategy or revising your current choices, this guide can assist you to make the right investment choice for your future.

choosing an investment strategy

Step 1	Understand some investment fundamentals	
	✓ risk and return	4
	✓ work out how much you might need	5
Step 2	Look at the asset classes we invest in, and consider your risk profile	
	✓ growth and defensive assets	6
	✓ diversification and different types of assets	6
Step 3	Compare different investment options and associated fees and costs	
	✓ Ready-Made Investment Pools and Your Choice Asset Classes	14-19
Step 4	Decide if you need advice before making an investment decision	
	✓ Read more about the advice we provide members	30-31
Step 5	Choose an investment option or mix of options	
	✓ Submit your choice online at hesta.com.au/login	

What if I change my mind about my investment choice?

You can always change your investment strategy if your personal circumstances change. There is no extra cost to change your investment choice.

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Something you don't understand?

Some of the terminology may be new to you – see our glossary pages

28-29

understanding risk and return

risk

the chance the amount earned (the returns) on your investments is different (higher or lower) than what you expect.

An investment's value reflects the value of its underlying assets. This can change as the market value of those assets rises or falls or, for some investments, as you receive income from that investment.

Investing always involves some degree of risk. The level of risk will depend on the nature of the underlying investments and the approach taken to achieve a return.

Your attitude to risk

Before choosing an investment strategy, consider how prepared you are for fluctuations in your investment returns and account balance.

Your attitude to risk is likely to change over time. You should regularly review your investment strategy to make sure it still meets your needs.

The risk you won't have enough savings

While investment risk is one type of risk, another key risk of super is that your savings may not be enough to support your retirement expectations. If you're anticipating your savings lasting your lifetime, you should consider the risk that you might outlive your savings. This is also known as longevity risk.

When considering investment risk it's important to also think about making sure your investments earn enough returns i.e. you take enough investment risk to achieve adequate growth of your savings.

All our diversified investment options have Consumer Price Index (CPI) + investment targets. CPI is a measure of the cost of living (see page 29). Achieving a long term return above CPI ensures that the purchasing power of your savings is not eroded by inflation.

It's important to note that the amount of your super benefit at retirement may not meet your expectations due to the impact of risk factors. You should read the important information about risks of super before making an investment decision. Go to hesta.com.au/pds and read *Risks of super*.

return

how much you earn on your investment.

Some investments have a higher return, does this mean they might involve more risk?

Generally, the higher the expected return for an investment, the higher the investment risk.

How much will I need?

The lifestyle you want, and can afford, in retirement is a personal question. Everyone has a different idea of what constitutes an acceptable lifestyle.

The Association of Australian Superannuation Funds (ASFA) provides a quarterly measure of how much the average person or couple may need for a modest* and a comfortable^ lifestyle in retirement. You may be eligible for the Age Pension, which can also help fund your retirement income. For the latest information on the Age Pension visit humanservices.gov.au/agepension

ASFA Retirement Standard		
	Single (p.a.)	Couple (p.a.)
Modest* lifestyle	\$27,646	\$39,848
Comfortable^ lifestyle	\$43,255	\$61,061

These figures are for the March quarter 2019. They assume you are aged around 65, own your own home and show household spending. To see the full table visit the ASFA website at www.superannuation.asn.au/resources/retirement-standard

*A modest lifestyle: better than the Age Pension alone, but still only able to afford fairly basic activities.

^Comfortable lifestyle: this income enables a good standard of living. A retiree could afford a broad range of leisure and recreational activities, including purchasing household goods, private health insurance and the occasional international holiday.

asset classes

Mixing assets is key to managing risk

To manage the risk investing always carries, you can spread your investments across a range of different types or assets.

Why diversify?

When it comes to investing, your grandmother was right about not having all your eggs in one basket. Spreading investments across a range of assets and asset classes (diversification), aims to reduce the impact if any one of these asset classes underperforms.

A diversified investment strategy recognises that each asset class behaves in a different way. As one asset class rises another may fall. By carefully managing the relationship between various asset classes, it is possible to produce a group or portfolio of investments with a lower risk for the targeted return. This is a common strategy used for many diversified portfolios, including Ready-Made Investment Pools (pages 14-15).

Growth and defensive assets

Asset classes fall into two groups:

Growth asset	Defensive asset
<ul style="list-style-type: none">• generally higher risk than defensive assets• returns generally from change in capital value rather than income• returns likely to be more volatile but are expected to be higher over the long term• have a higher probability of a negative return in any one year (see probable number of negative returns for each investment option pages 14-19)• examples: Australian and international shares, private equity.	<ul style="list-style-type: none">• lower risk but generally lower returns over the long term• returns primarily from income not an increase in the value of investment/s (capital value)• likely to produce lower volatility (fluctuations) in return• lower chance of negative return in any one year• still have some risk – for example, bonds drop in value when interest rates rise• examples: cash and global debt.

Some assets, such as infrastructure and property, can have both defensive and growth characteristics because they earn their return from both ongoing income and capital growth.



What about market conditions?

The risk and return of an investment will also depend on market conditions (rising, steady, falling) when you invest. Investing in an asset after markets have risen may expose your savings to a higher risk of a drop in value. This is a reason why investing in last year's best performing asset class can lead to disappointing investment performance.

Asset classes we invest in

Each investment option contains one or more of the asset classes described below:

Asset class	Description*	Risk and return characteristics
Cash	Money invested in: <ul style="list-style-type: none"> • short-dated term deposits • bank bills and Negotiable Certificates of Deposits • cash-like instruments with high liquidity. 	<ul style="list-style-type: none"> • all returns expected from income • very stable lower-risk investment • fairly consistent returns • lowest long term rate of return • defensive asset.
Global Debt	Government bonds <ul style="list-style-type: none"> • government and government related bonds paying a fixed income annually – can be bought or sold, earning capital gains or losses as well. Credit <ul style="list-style-type: none"> • corporate fixed and floating rate securities, asset backed and securitised structures with returns generated by yield and/or capital gains or losses associated with sales. 	<ul style="list-style-type: none"> • expected low level of risk and returns • returns earned primarily from income • generally considered defensive assets • credit securities are predominantly investment grade in quality.
Property	<ul style="list-style-type: none"> • includes investments in office buildings, industrial warehouses and shopping centres • returns generated from rental income and capital growth, giving assets both defensive and growth characteristics. 	<ul style="list-style-type: none"> • can earn better returns than cash or global debt • may be more volatile • defensive property is expected to earn most of its returns from rental income and has a moderate level of risk • growth property expected to earn most of its returns from capital gains • considered moderate to higher-risk investment.
Infrastructure	<ul style="list-style-type: none"> • includes roads, airports, power generation and other key community assets • can take many forms, including direct ownership (equity) in a development, operating business or asset • can also include loans to a participant in a development project • has growth and defensive characteristics i.e. returns from both ongoing income and capital growth. 	<ul style="list-style-type: none"> • returns vary depending on type of asset • can generate better returns than cash, global debt and property • can also be more volatile • defensive infrastructure is expected to earn most of its returns from income and has a moderate level of risk • growth infrastructure is expected to earn most of its returns from capital gains • considered moderate to higher-risk investment • HESTA reduces risk by investing in existing operating businesses and a diverse range of assets.

*Actual investments in an asset class may include some or all of the types of investments described for that asset class at any given time.

Asset classes we invest in

Each investment option contains one or more of the asset classes described below:

Asset class	Description*	Risk and return characteristics
Australian and international shares	<ul style="list-style-type: none"> • listed shares (equities) provide ownership interest in a company • can be diversified across industries and countries • returns come primarily from capital gains (increase in share price) • a smaller proportion of return is derived from income (dividends) • typically considered as growth investments. 	<ul style="list-style-type: none"> • Australian shares account for a small percentage of the world share market but represent an important source of returns for the HESTA portfolio • international shares represent developed and emerging markets, and provide exposure to foreign currency and the related diversification benefits • emerging markets can offer a chance of higher returns but tend to have a higher risk profile than developed economies • as listed shares are typically more volatile than other asset classes, they are the main contributor to a diversified portfolio's total risk • may produce more volatile (potentially negative) returns over the short term • over the long term shares are expected to earn higher returns than cash, global debt, property or infrastructure.
Private equity	<ul style="list-style-type: none"> • predominantly investments in unlisted companies (i.e. not on stock exchange). 	<ul style="list-style-type: none"> • returns primarily from capital gains • strategies may target higher returns over medium term or longer in term • less liquid (not easily traded) and investment style longer term • considered higher-risk investment.
Alternatives	<ul style="list-style-type: none"> • alternatives includes a range of strategies designed to provide diversification to the portfolio over the economic cycle. 	<ul style="list-style-type: none"> • return and risk expectations are moderate and expected to have a low correlation over a cycle to traditional markets • returns rely on the performance of certain identifiable characteristics/factors.

*Actual investments in an asset class may include some or all of the types of investments described for that asset class at any given time.

risk profiles

Everyone has a different level of comfort with investment risk. What risk profile you have can also depend on the return you're seeking and how long you want to stay invested for.

Your 'risk profile' may vary over time as your life circumstances and financial situation change. Below are five typical types of investors. They are general descriptions only and your individual needs may be different. You should consider discussing your personal circumstances with an adviser before making an investment choice.

Cautious

- typically may be unwilling to accept a short term capital loss
- usually is investing over a short time period (less than 1 year)
- may choose to invest in 100% defensive assets.

Defensive

- generally the priority is the preservation of capital in the short term, with limited tolerance for capital loss
- typically will have a minimum investment timeframe of 1-3 years
- while typically invests in defensive assets, could allocate 15-39% to growth assets.

Moderate

- may be willing to have some exposure to growth assets to increase the likelihood of a greater investment return over short to medium term
- likely to have some tolerance for year-to-year variation in returns, including occasional negative return
- typically will have a minimum investment timeframe of 3-5 years
- generally chooses to invest in 40-59% growth assets.

Assertive

- may be willing to have a substantial exposure to growth assets to increase the likelihood of a greater investment return over medium to long term
- generally accepts short term fluctuations in the value of investments, including negative returns, with an aim for higher returns over the long term
- typically has a minimum investment timeframe of 5-7 years
- likely to invest 60-79% of capital in growth assets.

Aggressive

- may be willing to have a high exposure to growth assets to increase the likelihood of a greater investment return over the long term
- strong tolerance for short term fluctuations in the value of investments, including negative returns, with an aim of maximising returns over the long term
- typically has a minimum investment timeframe of 7-10 years
- likely to invest over 80% of capital in growth assets.

Matching your risk profile to the HESTA investment options

You can use our online Risk Profiler at hesta.com.au/calculator to help you get an indication of your risk profile. Keep your profile in mind as you read about each investment option (pages 14-19). It may help you decide which option(s) best suit you.

choosing how your super is invested

Unless you've previously chosen a different investment option, your super is currently invested in our *MySuper*-authorised default option, Core Pool (see page 14).

Core Pool is where the majority of HESTA members have their super. Because it's our default investment option, if you haven't made an investment choice, all your super is automatically invested in Core Pool.

Let Core Pool do the work

Core Pool is designed to provide a diversified portfolio of assets with a balanced-growth orientated approach. This reflects the long term nature of super, where your savings need to grow enough so they are not eroded by inflation (see pages 4-5 for more information on investment risk and how long you may need to be invested).

We've designed Core Pool with the needs of our members, who are predominantly in health and community services, in mind. We looked at our typical members and it showed us that we need to set the bar higher than many other default options.

Core Pool aims to provide high enough returns over the long term to help move our members – most of who earn moderate to low incomes – from a modest to a more comfortable retirement lifestyle (as outlined on page 5).

Since inception in 1987, Core Pool has outperformed its historical long term investment objective of CPI + 3.5% with a return of 8.78% p.a., above its target of 6.88% p.a.* Core Pool's CPI + 3.5% long-term investment objective is higher than a lot of other default investment options.

*The CPI movements and returns shown are as at 30 June 2019. Returns are net of indirect costs and taxes.

Asset allocation is key

Core Pool is invested in a diverse but balanced mix of assets. By investing this way, we aim to provide a less volatile return than might typically be expected in an investment with Core Pool's investment objective.

The key to this approach is how we blend the different mix of assets that Core Pool is invested in. How much we allocate to each asset class in Core Pool aims – over the long term – to give some protection in adverse investment conditions through some investment in defensive assets, while maintaining overall exposure to growth assets.

Growth and protection – a balanced approach

In return for this downside protection (i.e. way to limit or reduce potential losses), we anticipate the possibility of a slightly lower return compared with other default options when markets are strongly positive.

It's a patient investment approach that focuses on achieving steadier long term returns, which will make the biggest impact on your savings.

If an investment option has done well in the past does this mean it will continue to perform strongly?

The past performance of an investment option isn't a reliable indicator of future performance. Over time your investments can be affected by factors including changing economic conditions and currency fluctuations. For example, there are irregular cycles of 'bull' (rising) and 'bear' (falling) share markets.

Choose from one of our investment pools

Ready-Made Investment Pools provide a range of diversified options, spreading your super across different asset classes. They are suited to an investor who wants to diversify their investments, but who doesn't want to tailor their own portfolio.

Ready-Made Investment Pools

Investment pool category	Page
Conservative Pool	14
Core Pool	14
Shares Plus	15
Eco Pool	15

Investment objectives

Each pool has medium and long term (10-year) objectives. Medium term objectives give members better insight into performance targets over the next five years. Investment objectives are not a guarantee of performance, but reflect what our investment experts think is an achievable return for a particular option, given its level of investment risk.

How is each pool invested?

Each pool uses a different mix of asset classes – known as the strategic asset allocation – to pursue its objectives.

The pools each have both their long term strategic asset allocation to particular assets and an agreed allocation range, as discussed on page 14 and 15. The ranges allow us to adjust investments according to changing market conditions. For example, if we expect a sudden downturn in the share market, we could reduce exposure to shares in favour of cash to better protect returns over that period.

Impact investing

If you invest in our Core Pool or Shares Plus option, you will have exposure to investments made under our Social Impact Investment Program. This program was established in 2013 to enable us to make investments which produce a financial return in line with what we expect from traditional investments and also provide a genuine social impact which, in some instances, will be in the health and community services sectors.



Age 43 years

Job Disability Support Officer

Gross Salary \$45,000 p.a.

HESTA super account balance
\$20,000

Emma decided to check where her super was invested because she didn't choose an investment option when she joined HESTA.

Emma found her super was invested in Core Pool, our MySuper-authorised default option.

Emma wants to enjoy a comfortable lifestyle in retirement with enough money to go on occasional overseas trips and to eat out from time to time.

Core Pool's balanced growth approach could help achieve Emma's goals.

Core Pool's long term investment objective of CPI + 3.5% is designed to be high enough to assist a typical HESTA member to move from a modest to a more comfortable retirement lifestyle.

Core Pool has 72.5% of its investments in growth assets. Given her retirement goals, Emma wants substantial exposure to growth assets as they're expected to provide higher returns over the long term than defensive assets (see page 6).

But Emma still wants some protection in adverse investment conditions. Core Pool invests in a diversified but balanced mix of assets, which includes a 27.5% investment in defensive assets. This aims to provide a less volatile return than would otherwise be expected in an investment with Core Pool's long term investment objective.

Design your own portfolio

Your Choice Asset Classes give you the ability to tailor your own diversified portfolio. You can also invest in a single asset class, such as Cash.

Investors using these options rather than the Ready-Made Investment Pools should have a good understanding of the risks associated with different types of investments and the fundamental principles of investing.

You can choose your own asset allocation (where you want to invest) and the level of risk you want to take. Create your own asset mix from the seven Your Choice Asset Classes below:

Asset Classes	Page
Cash	16
Global Bonds	16
Property	17
Infrastructure	17
International Shares	18
Australian Shares	18
Private Equity	19

Investment objectives for Your Choice Asset Classes

Your Choice Asset Classes have investment objectives based on market indices for each asset class (with the exception of Your Choice – Infrastructure and Your Choice – Property – see below). Asset class indices are widely used in the super industry. This makes it easier for HESTA members to compare our Your Choice Asset Classes with similar asset class-specific investment options.

These indices also give members better insight into the long term performance of Your Choice Asset Classes compared with the markets for these asset classes. You can read more about the indices that make up relevant benchmarks on page 29.

Indices for unlisted asset classes

For unlisted asset classes, (Your Choice – Private Equity, Your Choice – Infrastructure and Your Choice – Property) there is no readily available index.

Your Choice – Private Equity uses listed equities indices as part of its investment objective.

Private Equity investments are expected to provide diversification, with asset values typically fluctuating less than listed equities. When listed equities markets are very strong, private equity is expected to still produce positive returns but underperform listed equities. However, when listed equities markets fall, private equity is expected to fall less, or possibly still rise, outperforming listed equities.

Because there is no readily available, suitable index for infrastructure, we use a CPI-based investment objective for Your Choice – Infrastructure to reflect that the primary purpose of investing in infrastructure is to provide relatively stable returns that exceed the rate of inflation. For similar reasons, we also use a CPI-based investment objective for Your Choice – Property.

How is each Your Choice Asset Class invested?

Each Your Choice Asset Class is primarily invested in one specific asset class, but may have a strategic asset allocation to cash to help reduce risk and manage liquidity. The strategic asset allocation ranges allow us to adjust investments according to changing market conditions.

Create your own mix

You can create your own combination of Ready-Made Investment Pools and Your Choice Asset Classes to suit your specific investment needs.





Split your strategy

You can create one strategy for your current super balance, and a different strategy for future contributions and transactions (such as rollovers or lump-sum contributions).

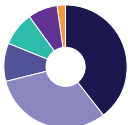



- ✓ You can create your own mix or split your strategy by submitting your changes online at hesta.com.au/login



ready-made investment pools





Investment options	Conservative Pool	Core Pool (our MySuper default option)																																																			
Investment objective	To earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than: <ul style="list-style-type: none">• medium term (5 years) CPI + 1.5%• long term (10 years) CPI + 2.0%	To earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than: <ul style="list-style-type: none">• medium term (5 years) CPI + 3.0%• long term (10 years) CPI + 3.5%																																																			
Strategy	Asset allocation includes: <ul style="list-style-type: none">• more exposure to cash and debt markets than other Ready-Made Pools• approximately 25% of investments in shares. <p>Shares tend to have a low correlation, or relationship, with cash and debt and as one rises in value, the other may be expected to fall. Investing a proportion in shares helps reduce risk while enhancing the potential return over the longer term.</p>	Invests in a diversified but balanced mix of assets. Aims to provide a less volatile return than would otherwise be expected in an investment with its investment objective.																																																			
Probable number of negative annual returns over 20 years	1 to less than 2	3 to less than 4																																																			
Risk level	Low to medium	Medium to high																																																			
Suggested minimum investment timeframe	1 to 3 years	5 to 7 years																																																			
Type of investor this option may suit	Defensive	Assertive																																																			
Strategic asset allocation	<div><table><thead><tr><th>Asset class</th><th>Strategic allocation</th><th>Allocation range</th></tr></thead><tbody><tr><td>Australian shares</td><td>12.0%</td><td>5-20%</td></tr><tr><td>International shares</td><td>11.0%</td><td>5-15%</td></tr><tr><td>Alternatives</td><td>6.0%</td><td>0-15%</td></tr><tr><td>Infrastructure</td><td>10.5%</td><td>2-15%</td></tr><tr><td>Property</td><td>8.5%</td><td>2-15%</td></tr><tr><td>Global debt</td><td>30.0%</td><td>20-40%</td></tr><tr><td>Cash</td><td>22.0%</td><td>10-30%</td></tr></tbody></table></div>	Asset class	Strategic allocation	Allocation range	Australian shares	12.0%	5-20%	International shares	11.0%	5-15%	Alternatives	6.0%	0-15%	Infrastructure	10.5%	2-15%	Property	8.5%	2-15%	Global debt	30.0%	20-40%	Cash	22.0%	10-30%	<div><table><thead><tr><th>Asset class</th><th>Strategic allocation</th><th>Allocation range</th></tr></thead><tbody><tr><td>Australian shares</td><td>25.0%</td><td>17-37%</td></tr><tr><td>International shares</td><td>24.0%</td><td>16-36%</td></tr><tr><td>Private equity</td><td>6.0%</td><td>0-12%</td></tr><tr><td>Alternatives</td><td>8.5%</td><td>0-15%</td></tr><tr><td>Infrastructure</td><td>12.0%</td><td>5-25%</td></tr><tr><td>Property</td><td>9.5%</td><td>3-20%</td></tr><tr><td>Global debt</td><td>10.0%</td><td>5-25%</td></tr><tr><td>Cash</td><td>5.0%</td><td>0-30%</td></tr></tbody></table></div>	Asset class	Strategic allocation	Allocation range	Australian shares	25.0%	17-37%	International shares	24.0%	16-36%	Private equity	6.0%	0-12%	Alternatives	8.5%	0-15%	Infrastructure	12.0%	5-25%	Property	9.5%	3-20%	Global debt	10.0%	5-25%	Cash	5.0%	0-30%
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Overall growth/defensive split**	<div><table><tbody><tr><td>Growth</td><td>35.5%</td></tr><tr><td>Defensive</td><td>64.5%</td></tr></tbody></table></div>	Growth	35.5%	Defensive	64.5%	<div><table><tbody><tr><td>Growth</td><td>72.5%</td></tr><tr><td>Defensive</td><td>27.5%</td></tr></tbody></table></div>	Growth	72.5%	Defensive	27.5%																																											
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Shares Plus					Eco Pool																																																										
To earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than:					To earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than:																																																										
<ul style="list-style-type: none">• medium term (5 years) CPI + 3.5%• long term (10 years) CPI + 4.0%					<ul style="list-style-type: none">• medium term (5 years) CPI + 3.0%• long term (10 years) CPI + 3.5%																																																										
Has a mixed asset allocation, with more exposure to the share market than Core Pool. However, its diversification means that it has a lower risk profile than an investment in shares alone.					Invests in companies with superior environmental, social and governance performance as assessed by our managers. Eco Pool has investment exclusions concerning uranium, fossil fuels, tobacco and controversial weapons. See investment policies for details (page 22). Property investments are screened to ensure they meet appropriate environmental requirements. Currently, the Private Equity investments are in Cleantech (see page 28).																																																										
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your choice asset classes





Investment options	Cash	Global Bonds																																		
Investment objective	Over the long term, to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than the return (net of tax ^{***}) of the Bloomberg Ausbond Bank Bill Index.	Over the long term, to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than the return (net of tax ^{***}) of the combination of: <ul style="list-style-type: none">• 50% Bloomberg AusBond Composite 0+ Year Index• 50% Barclays Capital Global Aggregate ex Australia Index Hedged to \$A																																		
Strategy	Cash is primarily invested in at-call bank deposits, along with an allocation to short-dated term deposits. It may include a small allocation to other cash investments.	Is 100% invested in bonds and other debt products. The underlying investments are similar for this asset class in Core Pool, being a range of global and alternative debt products (see page 7), but excluding some unlisted debt that is considered higher risk. All currency exposures in international debt are fully hedged.																																		
Probable number of negative annual returns over 20 years	Less than 0.5	1 to less than 2																																		
Risk level	Very low	Low to medium																																		
Suggested minimum investment timeframe	Less than 1 year	1 to 3 years																																		
Type of investor this option may suit	Cautious Or, an investor seeking to create their own diversified portfolio, who would like to include cash and cash products.	An investor seeking to create their own diversified portfolio, who would like to include debt and other fixed interest investments.																																		
Strategic asset allocation	 <table><tr><th>Asset class</th><th>Strategic allocation</th><th>Allocation range</th></tr><tr><td>Cash</td><td>100.0%</td><td>100%</td></tr></table>	Asset class	Strategic allocation	Allocation range	Cash	100.0%	100%	 <table><tr><th>Asset class</th><th>Strategic allocation</th><th>Allocation range</th></tr><tr><td>Global debt</td><td>100.0%</td><td>50-100%</td></tr><tr><td>Cash</td><td>0.0%</td><td>0-25%</td></tr><tr><td>Alternatives</td><td>0.0%</td><td>0-30%</td></tr></table>	Asset class	Strategic allocation	Allocation range	Global debt	100.0%	50-100%	Cash	0.0%	0-25%	Alternatives	0.0%	0-30%																
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Property						Infrastructure					
Over the long term, to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than CPI + 3.0%.						Over the long term, to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than CPI + 3.0%.					
Is invested primarily in unlisted property products, and has a 10% holding in cash investments. Your Choice – Property investments are managed in a similar style to that used by Core Pool for this asset class.						Is invested primarily in unlisted infrastructure products with a 10% holding in cash products. It will have investments in both Australian and international infrastructure. The underlying investments are similar to those for this asset class in Core Pool.					
2 to less than 3						3 to less than 4					
Medium						Medium to high					
5 to 7 years						5 to 7 years					
An investor seeking to create their own diversified portfolio, who would like to include Australian and international property.						An investor seeking to create their own diversified portfolio, who would like to include exposure to infrastructure assets.					
 <div> Asset class <div> <div>Cash</div> <div>Property</div> </div> </div>						 <div> Asset class <div> <div>Cash</div> <div>Infrastructure</div> </div> </div>					
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	10 yrs*	7 yrs*	5 yrs*	3 yrs*	1 yr		10 yrs*	7 yrs*	5 yrs*	3 yrs*	1 yr
6.82%	7.61%	8.74%	9.30%	7.95%	5.64%	8.61%	9.96%	10.32%	10.84%	11.21%	11.29%
[^] Annualised return covering the period 1/7/2001 to 30/6/2019.						[^] Annualised return covering the period 1/7/2001 to 30/6/2019.					
Investment fee			1.16% p.a.			Investment fee			0.81% p.a.		
Indirect Cost Ratio			0.22% p.a.			Indirect Cost Ratio			0.23% p.a.		

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your choice asset classes (continued)

Investment options	International Shares	Australian Shares																																		
Investment objective	<p>Over the long term, to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than the return (net of tax**) of the combination of:</p> <ul style="list-style-type: none">77.5% MSCI World ex Australia Index in \$A Net Dividends Reinvested22.5% MSCI Emerging Markets Index in \$A Net Dividends Reinvested50/50 \$A Hedged/Unhedged	<p>Over the long term, to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than the return (net of tax**) of the S&P/ASX 300 Accumulation Index.</p>																																		
Strategy	<p>The underlying investments in Your Choice – International Shares are similar for this asset class in Core Pool. The currency exposures in international shares are managed under our currency overlay program policy. It may include managers who also short sell shares.</p>	<p>The underlying investments in Your Choice – Australian Shares are similar for this asset class in Core Pool. It can hold a small percentage of its assets in shares of companies not listed on the Australian Stock Exchange. It may include managers who also short sell shares.</p>																																		
Probable number of negative annual returns over 20 years	4 to less than 6	6 or greater																																		
Risk level	High	Very high																																		
Suggested minimum investment timeframe	7 to 10 years	7 to 10 years																																		
Type of investor this option may suit	<p>An investor seeking to create their own diversified portfolio, who would like to include exposure to listed international shares.</p>	<p>An investor seeking to create their own diversified portfolio, who would like to include exposure to listed Australian shares.</p>																																		
Strategic asset allocation	<div><table><thead><tr><th>Asset class</th><th>Strategic allocation</th><th>Allocation range</th></tr></thead><tbody><tr><td>Cash</td><td>0.0%</td><td>0-25%</td></tr><tr><td>International shares</td><td>100.0%</td><td>75-100%</td></tr></tbody></table></div>	Asset class	Strategic allocation	Allocation range	Cash	0.0%	0-25%	International shares	100.0%	75-100%	<div><table><thead><tr><th>Asset class</th><th>Strategic allocation</th><th>Allocation range</th></tr></thead><tbody><tr><td>Cash</td><td>0.0%</td><td>0-25%</td></tr><tr><td>Australian Shares</td><td>100.0%</td><td>75-100%</td></tr></tbody></table></div>	Asset class	Strategic allocation	Allocation range	Cash	0.0%	0-25%	Australian Shares	100.0%	75-100%																
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Private Equity

Over the long term, to earn an after-tax return after investment fees and indirect costs, at least 3% higher than the return (net of tax^{**}) of the combination of:

- 13.5% S&P/ASX 300 Accumulation Index
- 76.5% MSCI ACWI ex Australia in \$A Net Dividends Reinvested Hedged
- 10.0% Bloomberg Ausbond Bank Bill Index.

Invests primarily in Australian and international private equity and also has a 10% holding in cash products. The underlying investments are similar to those for this asset class in Core Pool.

4 to less than 6

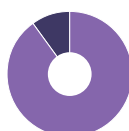
High

7 to 10 years

An investor seeking to create their own diversified portfolio, who would like to include exposure to Australian and international private equity products.



Asset class	Strategic allocation	Allocation range
Cash	10.0%	5-15%
Private equity	90.0%	85-95%



Growth	90.0%
Defensive	10.0%

Since inception (% p.a.) [^]	to 30 June				
	10 yrs*	7 yrs*	5 yrs*	3 yrs*	1 yr
8.26%	12.03%	12.13%	11.61%	9.92%	9.30%

[^]Annualised return covering the period 1/7/2001 to 30/6/2019.

Investment fee	2.15% p.a.
Indirect Cost Ratio	1.20% p.a.



other things to note about HESTA investment options

All options

- long term probabilities of negative returns are based on capital market assumptions and actual outcomes may vary. Source: Frontier Advisors Pty Ltd (Frontier)
- long term means, on average, 10 years.
- managers may hold a small percentage of their mandate in cash for portfolio management purposes
- investment performance is declared after the deduction of taxation and indirect costs as at 30 June 2019
- past performance is not a reliable indicator of future performance
- some investments within the property and infrastructure asset classes have a mix of higher and lower-risk exposures
- no reserves are kept and no smoothing of investment returns occurs.

Ready-Made Investment Pools

- investment options other than Core Pool may be excluded from having exposure to certain investments, while the investment value is built up to a targeted level
- from time-to-time, Core Pool will invest in assets that do not fit into the asset classes described and do not have a strategic asset allocation. Generally, these other assets will be substitutes for unlisted assets (such as property, infrastructure or private equity) where Core Pool is, at the time, unable to fully invest to the strategic asset allocation.

Your Choice Asset Classes

- Your Choice Asset Classes may be excluded from having exposure to certain investments while the investment value is built up to a targeted level
- risk/return profiles are based on capital market assumptions including past performance. Actual outcomes and relative risk and return may vary.

Probable number of negative returns

The probable number of negative returns over 20 years is calculated in accordance with a Standard Risk Measure all super funds are required to use. This measure aims to make it easier for members to compare investment options.

The Standard Risk Measure describes risk based on how many negative annual returns you can expect over 20 years.

This Risk Measure shows an estimate of the probable number of times a negative return may be experienced over a 20-year period. But it does not estimate the frequency. For instance, two negative annual returns could be experienced successively over 20 years.

The Standard Risk Measure is forward-looking and uses a range of capital market assumptions (return, correlations and volatility) for each asset class. These assumptions are informed by historical investment information. Real investment performance may differ from this theoretical modelling and past performance is no guarantee of future investment returns.

While designed to help you better understand the potential risk of an investment option, the Standard Risk Measure does not assess all forms of investment risk.

For example, the Risk Measure doesn't show you:

- how big a negative return might be
- if returns will meet your investment objectives
- the impact of fees and taxes on your return
- other investment risks, such as market risks, liquidity risk and credit risk.

You should ensure you're comfortable with the risks and potential losses associated with your chosen option.

Risk level

The risk level relates to the Standard Risk Measure. This allows you to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period.

Investment managers

We engage a range of professional fund managers to invest members' money according to specific objectives and strategies (including strategies to guard against excessive risk). These are set out by the HESTA Trustee Board with advice from our investment consultant, Frontier Advisors Pty Ltd. By using investment managers, we can apply their expertise to investing your retirement savings, while using our size to achieve economies of scale to keep costs low.

- ✓ A full list of our current investment managers is available at hesta.com.au/investmentmanagers

fees, costs and policies

Indirect Cost Ratio

The Indirect Cost Ratio (ICR) is all indirect costs of a particular investment option as a proportion of the average total net assets through the year of that investment option. The ICR is not deducted from your account but from the earnings of investments, before unit prices are declared.

Investment fees

Investment costs that form part of the investment fee for each investment option include the fees investment advisers and managers charge to invest in the assets in those options.

These investment costs vary from year-to-year, reflecting the blend of investment managers used.

Some investment managers can also charge additional performance fees if their investment returns are above an agreed hurdle (minimum) return. The hurdle return is usually based on the benchmark return for that asset class and investment manager.

Performance fees form part of the overall investment costs that contribute to the investment fee for a particular investment option. Performance fees will only be charged where the investment manager's return for the year (or an agreed longer period) is above the hurdle return.

- ✓ As with the ICR, the Investment fee is not deducted from your account but from the earnings of investments, before unit prices are declared. For more details about fees and costs, go to hesta.com.au/pds and read *Fees and costs*.

The investment fees and Indirect Cost Ratio will vary from year to year. The amounts provided in this document are derived from actual and estimated costs incurred in 2018/19.

How does HESTA compare?

When looking at fees and costs, keep in mind performance. HESTA may invest in some higher-fee assets to seek higher returns for members. The aim is to achieve higher returns net of any fees and costs. Some funds may provide a low fee – or even no fee – investment option. While cheaper, these options may have lower investment objectives, and may not achieve sufficient long term returns to grow your savings.

When comparing our fees and costs against other funds, it's important to consider how fees and costs are charged and whether they are deducted from your account or deducted before investment earnings are applied. Some funds may have a lower investment fee but could be deducting more fees directly from their members' accounts.

- ✓ For updated investment returns visit hesta.com.au/investmentperformance

Changing your investment strategy

Weekly switching is available to HESTA members. There is no extra cost to change your investment choice.

How does weekly switching work?

Completed switching requests received by 11.59pm Tuesday (AET) will be processed that week (effective that Friday). Switching requests received after 11.59pm Tuesday will be processed the following week.

For more information on how HESTA values your savings when switching investment choices, see page 26.

Incorrect or incomplete switching requests may delay the processing of switches. The Trustee has the discretion to refuse an application.

investment policies

Our approach to responsible investment

Responsible investment is an approach to investing that explicitly incorporates consideration of environmental, social and governance (ESG) issues into investment decisions, to better manage risk, generate sustainable, long term returns and create positive impact.

Our Responsible Investment Policy outlines our principles and commitments to incorporating ESG considerations into our investment processes and decision-making. This includes the selection and monitoring of our external investment managers, and our ownership policies and practices such as share voting, company engagement and advocacy activities.

We seek to ensure all our external investment managers incorporate ESG issues into their investment analysis and decision-making processes. They may still choose to invest in a company where there are ESG risks if they believe the risks are reflected in the price. Our managers consider a broad range of ESG factors.

Examples of environmental factors include:

- climate change
- use of water and other natural resources
- pollution and waste.

Social factors include:

- workplace health and safety
- supply chain
- labour standards
- human rights.

Governance factors include:

- board independence and diversity
- executive remuneration
- bribery and corruption.

Our external investment managers are expected to assess ESG risks against the highest international laws, standards and guidelines in accordance with the United Nations Global Compact. The relevant international laws, standards and guidelines may differ depending on the particular ESG issue.

For example, when considering labour issues, our managers will be informed by the:

- United Nations (UN) Universal Declaration of Human Rights
- International Labour Organization's International Labour Standards
- UN Convention on the Rights of the Child
- OECD Guidelines for Multinational Enterprises
- Global Compact's Labour Principles.

Where we identify that a company's policies, procedures or operations do not comply, directly or indirectly, with international laws, standards or guidelines and we believe all possible steps have been taken to try to change the company's approach, we will consider instructing our managers to divest.

Our investment restrictions and exclusions

In addition to incorporating ESG factors into our investment processes and decision making, we have implemented some portfolio-wide restrictions and exclusions related to ESG issues. Note however implementation of the exclusions and restrictions may be affected by the accessibility and accuracy of data or an error by an external service provider. This may result in inadvertent holdings, typically over the short term, in companies we are seeking to avoid.

Tobacco

Across our entire portfolio we exclude investment in any company that produces and/or manufactures tobacco or tobacco products.

Thermal coal

Also across our entire portfolio we apply the following restrictions on new investment in:

- any unlisted company that derives more than 15% of revenue or net asset value from exploration, new or expanded production, or transportation of thermal coal
- any newly listed company, from listing onwards, that derives more than 15% of revenue or net asset value from exploration, or new or expanded production of thermal coal
- the provision of direct funding to any listed company, via rights issues or share placements, for any of these activities.

Controversial weapons

Across our entire listed equities portfolio we exclude investment in any company that produces controversial weapons. Controversial weapons are defined as those in breach of a United Nations Convention. Our exclusion covers whole weapon systems or components developed for exclusive use in those weapons.

Our approach to responsible investment specific to Eco Pool

Eco Pool investments are selected and managed according to more specific ESG requirements. The requirements are not solely based on risk management, but take into consideration the preferences of members that have selected this investment option.

Eco Pool Australian shares

Eco Pool's Australian shares component aims to deliver solid returns by investing in companies with both high ESG ratings and attractive financial and valuation characteristics. Our managers undertake detailed ESG research and may also utilise specialist ESG research from independent providers. This research determines the exposure of a company to a particular ESG issue and the policies and systems in place to manage that issue. Our managers then combine their ESG assessment with a detailed analysis of each company's valuation and financial potential to identify companies for inclusion in Eco Pool.

Eco Pool international shares

Eco Pool's international share component is based on the belief that ESG factors directly affect the long term business profitability of companies. The investment process is driven by research focused on integrating ESG issues with fundamental financial analysis in order to identify high quality management teams and businesses. Our managers gain a comprehensive understanding of each company and the ESG factors affecting it. Our managers regularly review a company's quality assessment, and will withdraw investment when the review causes them to doubt the quality of the business.

Eco Pool global debt

Eco Pool's global debt component evaluates ESG factors from both a top-down (longer term macro-economic) view and bottom-up (sector and company selection) perspective. Our managers identify the major long term themes that will impact the global economy and financial markets. They then blend this macroeconomic analysis with detailed analysis of individual issuers. Our managers consider all potential risks and opportunities that could affect particular sectors or issuers, including those that are ESG-related, as part of their credit analysis and capital allocation decision-making processes.

Eco Pool property

Property investments in Eco Pool are required to achieve high environmental ratings. These ratings include above average NABERS Energy and NABERS Water ratings and 4 star and above for Green Star As Built (Green Building Council of Australia), when applicable. The higher the environmental ratings, the greater the savings across key areas including energy use, greenhouse gas emissions, water consumption, and construction and demolition waste. The property fund also needs to be highly rated by the Global Real Estate Sustainability Benchmark (GRESB).

Investment restrictions and exclusions specific to Eco Pool

In addition to the portfolio-wide restrictions and exclusions, we have implemented more extensive restrictions and exclusions in Eco Pool. Note however implementation of the exclusions and restrictions may be affected by the accessibility and accuracy of data or an error by an external service provider. This may result in inadvertent holdings, typically over the short term, in companies we are seeking to avoid.

Fossil fuel

Eco Pool has a more extensive exclusion on companies involved in fossil fuel than the thermal coal restrictions in the broader portfolio. Eco Pool excludes investment in any company that derives any revenue from the mining of thermal coal, or the extraction, production or refining of conventional and unconventional oil and gas; or derives more than 15% of revenue from the generation of electricity from fossil fuels or the transportation, distribution or retail of conventional and unconventional oil and gas; or more than 15% of revenue from the supply of equipment or services for the exploration and production of conventional and unconventional oil and gas activities.

Tobacco

In addition to the portfolio-wide exclusion on companies that produce and/or manufacture tobacco or tobacco products, Eco Pool excludes any investment in companies that derive more than 15% of revenue from the manufacture and supply of key products necessary for the production or manufacture of tobacco or tobacco products or the wholesale or retail of tobacco or tobacco products.

Uranium

Eco Pool excludes investments in companies involved in the mining or processing of uranium.

Further information

We provide more information on our approach to responsible investment, including our engagement and active ownership activities in the HESTA Annual Report and on our website. Go to hesta.com.au/annualreport or hesta.com.au/responsible for more information.

How is currency exposure managed?

The Australian dollar value of an investment in an international asset may be affected in two ways:

- by changes in the value of the actual asset, and
- by changes in the relative value of the Australian dollar and the foreign currency.

Because we have to convert all investments back to Australian dollars, if the value of the Australian dollar rises relative to a specific overseas currency, the value of the foreign assets will fall. Similarly, if the value of the Australian dollar falls, the value of foreign assets rises.

Currency hedging is a risk management strategy designed to reduce the impact of changes in the value of currencies on the value of foreign investment. Hedging can reduce a potential loss from unfavourable currency movements, but it can also reduce a potential profit.

Strategic foreign currency exposure

All Ready-Made Investment Pools have a specific level of long term foreign currency exposure that is set by the HESTA Board, on advice from our investment experts and our asset consultant, Frontier. This is called the strategic foreign currency exposure. The remaining percentage of this currency exposure is hedged.

Foreign currency exposure for Your Choice Asset Classes

All Your Choice Asset Classes – apart from International Shares – typically aim to have 100% of their foreign currency exposure hedged. This is to ensure that members who invest in these options receive the return of the respective underlying asset classes, unaffected by the impact of currency movements. There is capacity to reduce the hedge of the foreign currency exposure for these Your Choice Asset Classes where we decide that there will be a significant impact on performance.

International Shares also has a strategic foreign currency exposure that is set by the Board.

You can find the percentage of the strategic foreign currency exposure for each investment option in the table on the next page. We also have the discretion to change the strategic foreign currency exposure at any time, within the ranges listed on the following page.

Active foreign currency hedge

The strategic foreign currency exposure is implemented by specialist currency managers. For those investment options with exposure to international shares, the specialist currency managers can implement an active currency hedge. This is where the manager will change the percentage of foreign currency exposure to target additional returns for members.

Foreign currency exposure by investment option

Investment option	Strategic foreign currency exposure (%)	Strategic foreign currency exposure range (%)	Active hedge
Core Pool	15.0%	0% – 30%	Yes
Shares Plus	25.0%	0% – 60%	Yes
Conservative Pool	7.5%	0% – 30%	Yes
Eco Pool	15.0%	0% – 30%	Yes
Your Choice – Property	0.0%	0% – 20%	No
Your Choice – Infrastructure	0.0%	0% – 50%	No
Your Choice – Private Equity	0.0%	0% – 70%	No
Your Choice – Australian Shares	0.0%	—	No
Your Choice – International Shares	50.0%	0% – 100%	Yes
Your Choice – Global Bonds	0.0%	—	No

Derivatives

These are often purchased as a form of investment insurance, and include:

- futures and options: agreements to buy or sell an asset like shares or bank bills in the future at a price set now
- forward rate agreements: agreements to borrow or lend money in the future at an interest rate set now
- swaps: an interest rate, currency or equity exchange between two parties
- warrants: certificates that enable a purchaser to buy stocks at a certain price within a set timeframe.

Some HESTA investment options invest in derivatives. Derivatives can be used to reduce portfolio risk, or increase it. We use tight controls to reduce unintended risk.

Investment consultant

Frontier Advisors Pty Ltd (Frontier) advises us on investment objectives, strategies and investment managers.

Frontier is licensed by ASIC (AFSL No. 241266). The Trustee, H.E.S.T. Australia Limited, has shares in Frontier.

Returns: the basics

How are investment returns determined?

The rate of return for each investment option relies on applying the net returns (positive or negative) for each asset class in proportion to their weighting over the investment period.

When the options are unitised (see page 26) they will be divided into units and each member (who has chosen to invest in that option) is allocated a number of units.

The movement in the unit price will reflect the net return for each option and will be applied to the balance of each participating member.

The unit price goes up when there is a positive net return and the unit price goes down when there is a negative net return.

Unit pricing

HESTA applies unit pricing to report on members' account balances. Members' account balances are shown in the number of units allocated to each investment option they have selected.

You can see how much your current account balance is by looking up the unit price for your investment option applicable at the relevant week and multiplying it by the number of units held as at the relevant date in that investment option.

Payments, fees and or any other withdrawals from your account will reduce the number of units held, determined by dividing the amount by the relevant unit price.

We calculate the unit price for each investment option weekly (at close of financial markets each Tuesday) so you continue to have an up-to-date account balance that reflects any market movements.

However, HESTA has the discretion to modify, suspend or initiate additional pricing in certain situations to ensure prices are calculated equitably, reasonably and fairly. Such changes to pricing may impact the timing of your transactions, so we will endeavour to notify you in the event that this occurs.

Members switching investment choices will have the unit price as calculated on Tuesday applied the immediate Friday where a completed request is received by 11.59pm Tuesday (AET). Where a national public holiday falls on a Tuesday, the unit price will be calculated using the last available business day's valuation.

The change in unit prices reflects changes in the value of the assets held by each investment option and is used to determine the percentage investment return over time of each option. In times of poor investment performance, the unit price may go down.

You are still able to check the value of your account at any time, by logging in to your online account at hesta.com.au/login You will be able to see the number of units you hold, the current unit price and the total value you hold in each investment option, with the total of these making up your HESTA account balance.

Your next annual statement shows the value of your account based on the unit price of your selected investment options as at 30 June each year.

If you exit the fund before 30 June, the last available weekly unit price will be used to calculate your withdrawal benefit.



your guide to investment terms

Some investment terminology may be new to you. Read on to get a better understanding of commonly used terms.

Alpha

Alpha is a measure of an investment or investment portfolio's performance against a benchmark. An active manager (see Passive versus active management definition) will aim for positive alpha returns, meaning they aim to outperform a particular benchmark. For example, an active manager investing in Australian equities will aim to outperform an index such as the Standard and Poor's (S&P)/Australian Securities Exchange (ASX) Australian All Ordinaries index. In other words, alpha is the additional returns achieved above the Beta (see Beta definition) return of the market.

When an active manager achieves alpha, they often expect to charge a higher fee for this outperformance (see Passive versus active investment management definition).

Asset

Something that can be held or sold for the purpose of earning a return.

Asset classes

A group of similar assets. The main asset classes include shares, debt, property and cash. Each asset class has a different level of expected risk and return.

Asset allocation ranges

These allow us to make adjustments to how we invest. For example, if a downturn in the share market seems likely, we may reduce exposure to shares in favour of cash to protect returns over that period.

Beta

A common use of the term 'beta' refers to the return of a particular market or index. For example, if you want to invest in the Australian equities market, then this use of the term 'beta' would describe the return from the S&P/ASX All Ordinaries Accumulation index.

An investment's beta return is that part of the investment's performance that is deemed to be attributable to the overall market returns. An investment manager who aims for returns very close to a market index is targeting the beta return. This type of strategy is known as passive investing (see Passive versus active investment management definition). Our investment options, where appropriate, include investments in passive portfolios, as the investment costs on passive portfolios are generally very low.

Cleantech

Currently, Eco Pool's private equity investments are in Cleantech. Cleantech includes products or services that generate environmental benefits through significant reduced reliance on fossil fuels, reduced use of energy and resources, reduced or eliminated emissions and wastes or other environmental protections principally in the energy, water, waste, transportation, agriculture and manufacturing sectors.

Compound interest

The snowballing effect of earning interest on your accumulated interest. Interest is calculated on both the principal (your account balance and contributions) and the interest that has already built up. Interest may be positive or negative. Over time, the size of your interest earnings on past contributions may grow to be larger than the contributions themselves.

Currency hedging

International investments are vulnerable to changes in the value of the Australian dollar. Currency hedging means locking in the price for a future purchase or sale of currency to help reduce the effect of these changes. While a currency hedge can decrease potential loss, it can also reduce potential profits. See investment policies (page 24) for more information.

Diversification/balanced asset mix

A strategy that spreads investments across a variety of asset classes to help reduce the impact of underperformance by any one class. Each asset class behaves in a different way. As one rises in value, another may fall. By carefully balancing the relationships between asset classes, managers can produce a portfolio with a lower risk for the targeted level of return. This strategy is used to manage many diversified portfolios including the Ready-Made Investment Pools (page 14-15).

Responsible investing

Responsible investment is an approach to investing that explicitly incorporates consideration of environmental, social and governance (ESG) issues into investment decisions, to better manage risk, generate sustainable, long term returns and create positive impact. This investment approach involves managers explicitly considering these issues when making investment decisions. See investment policies (page 22) for more information.

Indices

The indices we use are:

Barclays Capital Global Aggregate Index

Includes global investment grade debt of all maturities and covers both developed and emerging markets issuers.

Bloomberg AusBond Bank Bill Index

Bank bills are short term money market investments issued by a bank with maturities usually between 30 and 180 days. The Bloomberg AusBond Bank Bill Index is constructed as a benchmark to represent the performance of a passively managed short term money market portfolio. It is comprised of 13 Bank bills of equal face value, each with a maturity seven days apart. The average maturity of the index is approximately 45 days.

Bloomberg AusBond Composite 0+ Year Index

The Bloomberg AusBond Composite Bond Index includes investment grade fixed interest bonds of all maturities issued in the Australian debt market.

Consumer Price Index (CPI)

Consumer Price Index is a measure of quarterly changes in the price of everyday goods and services – i.e. groceries, transport, medical care etc. It's calculated by the Reserve Bank of Australia (RBA) using price changes for each assessed item and averaging them. Changes in CPI are used to measure changes in the cost of living.

MSCI Emerging Markets Index

The Morgan Stanley Capital International (MSCI) Emerging Markets Index tracks large and mid-cap shares from emerging market countries.

MSCI All Country World ex Australia Index

The Morgan Stanley Capital International (MSCI) All Country World Index (excluding Australia) tracks large and mid-cap shares from developed and emerging market countries.

MSCI World ex Australia Index

The Morgan Stanley Capital International (MSCI) World Index (excluding Australia) tracks large and mid-cap shares from developed market countries.

S&P/ASX 300 Accumulation Index

Standard and Poor's (S&P) in collaboration with the Australian Securities Exchange (ASX) provide this index. It includes up to 300 of Australia's largest securities by float-adjusted market capitalisation. The index assumes that all dividends are re-invested, so it measures both price growth and dividend income.

Passive versus active investment management

Investment options are managed by a combination of passive and active managers, depending on each option's strategy. Passive investment management aims for returns very close to a market index (see Beta definition). Active investment management is more aggressive, trying to outperform the market by researching, monitoring and choosing investments that the managers believe can deliver a better return than the market index (see Alpha definition).

Active managers often expect to charge a higher fee for this outperformance. An investor will pay higher fees using active strategies. If outperformance is achieved, however, the investor should also benefit from higher returns net of any fees paid.

HESTA only employs active managers where we believe they can achieve sufficient outperformance to justify the higher fees that they charge. It is important when considering an investment option to not only look at the investment costs but also the long term performance. Where appropriate, investment options are managed by a combination of active and passive managers.

Portfolio

A range of investments across a group of asset classes, managed together as a portfolio to achieve a single performance objective.

Short selling

A strategy that can be applied to many asset classes, in which shares and other assets are borrowed and sold with the aim of buying them back at a lower price to generate a profit. We allow short selling of shares in line with government regulations, as they provide an opportunity to profit from falling, as well as rising, prices. Short selling can help lower the risk of HESTA investment options that include shares.

Strategic asset allocation

The proportion of each HESTA investment option that may be invested in each asset class to achieve the option's long term risk and return objectives. The strategic asset allocation is the main influence on the expected return of any investment.



**need a
little help
from a
friend?**

How can we help?

Believe it or not, if you can manage the household budget, you can easily manage your super. With the right guidance, your super really can be just as straightforward.

Our financial education and advice service is here to give you that guidance. Our Member Education Managers, Superannuation Advisers and Financial Planners can help make super relevant and show you some hassle-free ways to boost your super and protect your future.

Getting the right advice, starts with you

Of course, getting the right advice starts with understanding what you want and which option fits in best with your life. In addition to advice, we also provide a variety of education options – from the convenience of online education, right through to workplace education sessions – all you need to do is choose the options that work best for you.

Education



Online education – 24/7 education at home

- financial goal setting
- income streams
- financial planning
- saving
- social security
- retirement basics.

Improve your financial skills today at hesta.com.au/money101



Workplace education sessions – let us come to you

- how super works
- transition to retirement
- government co-contributions
- easy money management
- combining super
- low-cost banking services for members.

Ready to book in for an education session? Simply visit hesta.com.au/workplacevisit or call us on 1800 813 327.



Retirement planning information sessions – demystify retirement

- boosting your super before retirement
- transition to retirement
- stretching your super further
- creating a comfortable retirement
- super and the Age Pension.

Advice



One-on-one advice – at no-extra cost

- review your investment options
- determine the adequacy of your income in retirement
- determine the most tax-effective way to make additional contributions to your super
- consider your insurance needs.



Personal retirement advice – get the most out of your retirement

- help with creating a personalised transition to retirement strategy at no extra cost
- advice on choosing the investment options to suit your needs
- maintaining your super and insurance when you start accessing your super.



Financial planning – full service advice

- making your investments work harder
- setting your retirement goals
- super and the Age Pension
- your super and tax
- creating a contributions strategy that works for you
- aged care
- provided on a fee-for-service basis
- personalised advice for couples
- investments outside of super.

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...because your
stories are
our inspiration.

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