

Risks of super



1 July 2024

The information in this document forms part of the REI Super Product Disclosure Statement (PDS) dated 1 July 2024.

Super is a tax-effective retirement savings vehicle. It is designed to provide you with an income in retirement. However there are also certain risks that you should be aware of, and these can be broadly categorised as either investment or operational risks.

Investment Risks

When it comes to investing, the risk is that the value of your investments may go down as well as up. We think it's important to understand the risks associated with your super investments, so that you can better ensure you have chosen the right investment option for your circumstances.

REI Super offers you a choice of a range of different investment options to cater for your own particular preferences about return and risk.

You can choose to invest in one option or a mixture, depending on your investment needs.

They are:

- Growth Plus
- Growth
- Balanced (the Fund's MySuper option)
- Stable
- Cash
- Australian Shares
- International Shares
- Australian Property
- Global Property
- Bonds.

History shows that investment markets can behave differently according to different economic situations, and it is often difficult to predict these in advance. Risks relating to particular types of investment are set out below.

Market risk

Other than the Cash investment option, the investment options invest into investment markets and these markets are affected by a range of conditions (e.g. economic, technological or political) that impact returns. As the risk relates to the market as a whole, it cannot be avoided by holding a greater variety of assets within a particular market. Periods of extreme market volatility can alter the level of risk, return and liquidity of an investment.

Currency risk

Movements in exchange rates between the Australian dollar and foreign currencies can affect performance of an investment option due to its exposure to international currency changes. Where foreign currencies fall in value relative to the Australian dollar this can have an adverse impact on investment returns. Exposure to currency movements may be managed by converting foreign currency exposures to local currency exposures, also known as hedging.

Credit risk

There is a risk bond and other debt issuers will run into financial difficulties and will not be able to fulfill their contractual obligation

to pay the promised interest, or repay the loan amount (principal) at maturity.

Country risk

Some of the investment options invest internationally. There is a risk that a country may become politically or economically unstable, which may prevent assets (such as shares) being sold or the proceeds being repatriated to Australia. This risk is generally higher in countries classified as emerging markets.

Derivatives risk

Some of REI Super's investment managers may hold derivatives such as options, futures, swaps, forward rate agreements and forward foreign exchange contracts. Risks associated with using derivatives include the value of the derivative failing to move in line with the underlying asset, illiquidity of the derivative, and counterparty risk (this is where the counterparty to the derivative contract cannot meet its obligations under the contract).

Inflation risk

Increasing inflation, or the cost of living, reduces the purchasing power of your super savings. Your super needs to increase in value above the rate of inflation so that you maintain your purchasing power.

Interest Rate risk

An increase in interest rates may lead to a reduction in the value of most investments. The risk is usually greater for fixed income securities that have longer maturity dates.

Liquidity risk

Liquidity risk is the risk that a security may not be converted into cash on a timely basis with little or no loss of capital. Liquidity is affected by market movements. During extreme market volatility, an investment option may experience illiquidity. Withdrawals may be suspended for a period of time and payments may be deferred.

Counterparty or Default risk

There is a risk that a party fails to meet its contractual obligations, resulting in a loss of capital for the investment option. Counterparties include brokers, foreign exchange counterparties, and borrowers under any stocklending agreements.

Managing investment risk

Whilst you can never fully eliminate the risk associated with an investment, there are a number of different ways in which you can minimise the potential risk. Two strategies for managing risk are:

Investment diversification: spreading your money across different asset classes, rather than just investing in a single asset class.

Investment goals: choosing an investment option that is best suited to the length of time you wish to invest.



Where can I find other information about REI Super investment options?

If you'd like more information about our investment options, visit reisuper.com.au and read our **Investment Guide**.

The **Investment Guide** shows the risk profile of each investment option using a Standard Risk Measure (SRM) that is based on industry guidance. See below for more information about the SRM.

You can make an investment choice when you join the Fund or when your needs change. See the **Membership Application Form** or login to your account online if you are an existing member with us. If you don't choose an investment option, your account balance and ongoing contributions will be invested in the Balanced option, the Fund's MySuper option.

Refer to the section **How we invest your money** for more information about investing with REI Super.

Need advice about your investment goals?

We are here to help. Take control of your super - and your future – by calling one our qualified financial advisers on **1300 13 44 33**.

Operational Risks

Other than investment related risks, there are other risks that may be relevant to your super fund such as the failure of the administrator, insurer or other third party service providers to meet their contractual obligations.

Also we may have risks associated with the general operation of the Fund, such as financial risk, operational risk and loss of data risk. We rely on technological, human and other resources provided by service providers, for example, administrative, custodial, investment and insurance. A failure in these systems and processes may have an impact on your investments or benefits (for example, investment transactions or benefit payments may be delayed).

Managing operational risks

We are required by regulation to hold an operational risk reserve to compensate you for any Fund operational risk events that may otherwise impact your member benefits.

A Risk Management Framework is in place to help manage investment and other risks associated with the operation of REI Super.

Need help?
1300 13 44 33 | reisuper.com.au
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Other Risks

Changes to super law

There may be changes to super legislation that may affect your benefit or ability to access a benefit, or there could be taxation changes that may affect the value of your investment. Not all operational risks can be controlled by the trustee.

Insurance claim risk

When applying for insurance cover, if you don't comply with your Duty of Disclosure set out in the **Insurance Guide**, the insurer may not pay your claim.

No insurance cover risk

If you are contemplating changing your super fund or choosing another fund for your employer contributions, be careful, as this may impact your insurance cover. Insurance cover ceases in various circumstances as set out in the fund's insurance policy(ies) and/or where required by law.

Standard Risk Measure (SRM)

The SRM allows you to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period.

The SRM is not a complete assessment of all forms of investment risk, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than a member may require to meet their objectives.

Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return.

You should ensure you are comfortable with the risks and potential losses associated with your chosen investment option(s).

| Risk Band | Risk Label | Estimated number of negative annual returns over any 20 year period |
|-----------|----------------|---|
| 1 | Very Low | Less than 0.5 |
| 2 | Low | 0.5 to less than 1 |
| 3 | Low to medium | 1 to less than 2 |
| 4 | Medium | 2 to less than 3 |
| 5 | Medium to high | 3 to less than 4 |
| 6 | High | 4 to less than 6 |
| 7 | Very high | 6 or Greater |



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