risks of super

HESTA | An Industry SuperFund

1 July 2017

The information in this document forms part of the following Product Disclosure Statements:

- HESTA Product Disclosure Statement issued 1 July 2017
- HESTA Personal Super Product Disclosure Statement issued 1 July 2017

Understanding risks

Super allows you to save for your retirement in a low-cost, tax-effective way. However, it's important to note that the amount of your super benefit may not meet your expectations due to the impact of risk factors.

You should make yourself aware of and consider all risks, as well as your own personal circumstances, before making decisions about your super.

We have a Risk Management Framework and Strategy to help minimise risks, although risk cannot be completely eliminated.

Each person has their own comfort level with risk. This may vary over time with changes in life circumstances and financial status. You should regularly review decisions you make about your super to make sure they continue to meet your needs and circumstances.

It's important to understand the following:

- the value of investments will vary
- the level of investment returns will vary and future returns may differ from past returns
- returns are not guaranteed and you may lose some of your money
- superannuation and tax laws may change in the future
- the amount of your super benefit at retirement may not be enough to provide adequately for your retirement.

Investment risk

All investing carries varying degrees of risk, depending on the nature of the underlying investments and the approach taken to achieve each investment's objective.

This document outlines a number of common investment risks. All HESTA investment options are subject to some or all of these risks and the list is not intended to be exhaustive. Read *Investment Choices* at **hesta.com.au/pds** for an indication of the level of risk applicable to each HESTA investment option.

Market risk

This is the risk that exposure to a particular investment market brings, such as the Australian share market, property market, bond market and international investment markets.

Markets can be affected by many factors including:

- domestic and international economic conditions
- interest rates
- exchange rates
- inflation
- government policy
- current valuation levels
- market sentiment.

These could have a negative impact on the returns of all investments in that market. This may affect various investments differently at different times.

Sequencing risk

Sequencing risk is the risk that the order or timing of negative investment returns may impact the value of a portfolio of investments. Positive or negative returns have more impact depending on when they occur. Sequencing risk increases as contributions and/or investment account balances increase. If a period of poor performance is experienced near to or early in retirement this can have a significant impact on how long savings may last, particularly if funds need to be withdrawn to pay an income stream.

Security-specific risk

An investment in a company may be affected by unexpected changes in that company's operations (e.g. due to decisions by its management, or use of technology) or its business environment.

Country risk

Investing internationally can mean exposure to risks not associated with Australian investments. For example, international investments may be more affected by political and economic uncertainties, different regulatory supervision, movement in currency and interest rates, and more volatile, less liquid markets.

Currency risk

There is a risk that changes in the exchange rate may adversely affect the value of international investments. If a fund holds investments in international assets, a rise in the Australian dollar relative to other currencies may negatively impact Australian dollar investment value or returns.

Investment management risk

Investment managers try to understand and manage investment risk. There is a risk that investment managers may underperform
the market.

Interest rate risk

Changes in interest rates can influence the value or returns of investments.

Liquidity risk

This is the risk that a fund will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments.

Credit risk

This is the risk that another party will fail to perform its contractual obligation relating to the fund's investment, resulting in a financial loss to the fund.

Other risks

Operational risk

This is the risk that factors beyond our reasonable control may prevent the normal administration and management of your account. These risks include terrorist acts, war, earthquakes, epidemics, pandemics, fire or civil disturbance.

Legislative risk

The laws that impact on super, including tax laws, are subject to change. These changes may affect the tax effectiveness or value of your investment, or your ability to access it.

Adequacy risk

The risk that your savings will not be adequate to provide your desired level of income in retirement.

Longevity risk

This is the risk that you will live longer than your savings can provide for you financially in your retirement.

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