



Risks of super

VicSuper FutureSaver Member Guide

The information in this document forms part of the *VicSuper FutureSaver Product Disclosure Statement (PDS)* dated 1 July 2019.

Understanding risk

Super is a tax-effective way to save for your retirement. Superannuation is an investment and all investments carry some risk.

You should make yourself aware of and consider all risks, having regard to your own personal circumstances, before making decisions about your super. In particular, you should note that the value of your investment in VicSuper FutureSaver may rise or fall. If you leave VicSuper FutureSaver, you may get back less money than the amount of contributions paid in, because of the level of investment returns earned by the Fund, the Fund's fees and costs, insurance premiums (if applicable) and the impact of tax.

Under exceptional circumstances (such as the closure of a major sharemarket) and in the interests of all members, VicSuper may temporarily suspend transactions and/or the calculation and application of unit prices in the Fund.

Common risks that may affect your super investment include:

Counterparty or credit risk

The risk that a party to a financial contract (eg derivative contract), or the issuer of the security (such as a bond) fails to meet its obligations. This may result in loss of value.

Currency risk

The risk that investments in other countries fluctuate in value due to currency movements relative to the Australian dollar.

Derivatives risk

VicSuper and its investment managers may use derivatives to reduce risk or gain exposure to underlying assets, such as equities, bonds and currencies, when this is considered appropriate. The risks associated with the use of derivatives include market risk, the value of the derivative failing to move in line with the value of the underlying assets, potential illiquidity of the derivative and counterparty risk. VicSuper doesn't use derivatives for speculation or to leverage the Fund.

Financial risk due to climate change

Climate change can have a material negative impact on society and the environment. This can result in risks for VicSuper's investment portfolio. Policy, technology, physical impacts and resource availability may impact asset revenues, operating costs and therefore values.

We manage financial risk due to climate change in our portfolio through various approaches including: scenario analysis, stress testing, integrating climate change risk into the strategic asset allocation modelling, company engagement, and the assessment of asset level resilience.

Inflation risk

The risk of the purchasing power of your income or capital reducing over time due to inflation.

Interest rate risk

The risk that changes in interest rates may have a positive or a negative effect, directly or indirectly, on investment returns.

Liquidity risk

The risk that we cannot sell particular assets within a relatively short period, without negatively impacting the price of the asset.

Market risk (systemic risk)

The risk that changes in the value of investment markets will affect the value of the Fund's investments.

Specific risk

Specific risk refers to the non-market risk exposure of assets. Individual assets can fall in value for many reasons. For example, changes in the internal operations or management of a fund or company, or in its business environment.

Each of VicSuper's investment options is exposed to these investment risks in different degrees, depending on the assets that are allocated to the option.

For example, investment risk may be slightly higher for the Socially Conscious investment option because the portfolio is not as well diversified and has fewer underlying investment managers compared to our standard investment options. Investment risk may also be higher due to the exclusion of specific industries including fossil fuels, alcohol and gambling.

You can find further information about the risks of each option on VicSuper's website under VicSuper's investment policy and investment options.

Get in touch – we're here to help

Call our Member Centre

1300 366 216 (from outside Australia +61 3 9667 9875)
and speak to a VicSuper super consultant
between 8.30am and 5pm, Monday to Friday

Visit us

Bendigo | Blackburn | Geelong | Melbourne CBD | Traralgon

Monday to Friday
8.30am to 5pm

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