

## How they're managed

### Accumulation super and pension members

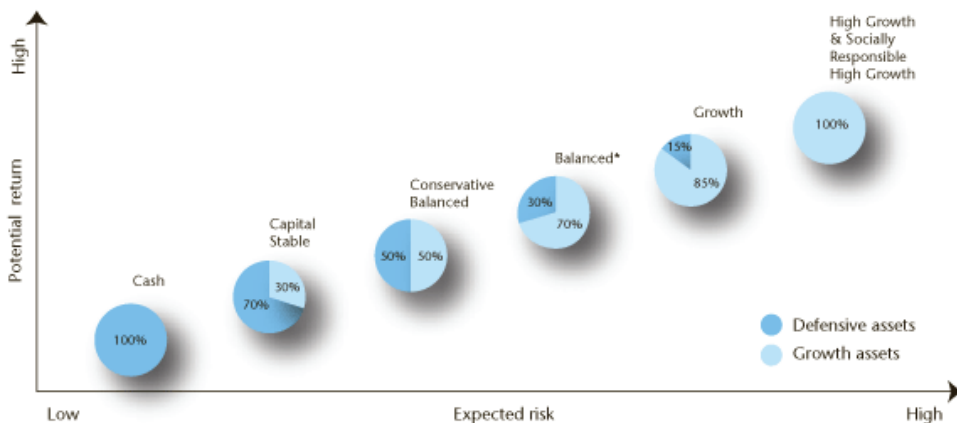
If you're in Accumulation super or have an accumulation component as part of your membership of the Defined Benefit Division, you can access a range of investment options for your super. All options invest in a diverse mix of assets and/or asset classes:

- Pre-Mixed options invest in a mix of growth and defensive assets.
- Self-Select options invest in a diverse mix of investments within a particular asset class.

Importantly, each investment option has its own performance objectives and its own blend of assets, ranging from low-risk options with lower return targets, through to higher-risk options with higher return targets.

If you're a Flexi Pension member or have a term allocated pension with UniSuper, you also have access to the same range of investment options for your retirement savings.

### Here's how the investment options differ



The asset allocation shown is for UniSuper's default investment option. The Socially Responsible Balanced option has a higher allocation to growth assets (74%) and a lower allocation to defensive assets (26%).

Actual allocations to growth and defensive assets will vary from their strategic allocations, but are monitored so that they are kept within a range approved by UniSuper.

The risk and return profiles of the Self-Select investment options are not shown on this chart, as they are not designed to be used in isolation in a portfolio, but instead to be blended with one or more investment options to make up a complete portfolio. More information on the Self-Select options is available in the *Investing in the future* booklet.

## A note for Defined Benefit Division (DBD) members

The value of your defined benefit component is not directly determined by the Fund's investment performance.

Instead, it's based on a formula that takes into account your age, benefit salary, period of service, average service fraction and level of contributions.

## Defined Benefit Division (DBD)

If you're in the DBD, the bulk of your benefit is calculated using a formula that takes into account your age, benefit salary, age, period of service, average service fraction and level of contributions. All member and employer contributions made to the DBD are pooled and invested in a single diversified portfolio. The Trustee continually monitors and reviews this portfolio and may vary its asset allocation from time to time.

## How the options are designed and managed

UniSuper's investment options differ in terms of the returns they aim to achieve. Their performance objectives describe the level of risk associated with a specific option, as well as the level of return the option aims to achieve. To meet their individual performance objectives, each investment option is structured with a unique mix of defensive and/or growth investments – referred to as its strategic asset allocation.

The asset mix of each option is reviewed regularly, and rebalanced to its correct strategic asset allocation on a regular basis. Generally, these strategic asset allocations remain fixed. However, the underlying mix of assets and allocations may be changed by the Trustee in order to optimise the performance of the investment option.

### Defensive

Defensive investments, such as cash and fixed interest, generally provide investors with returns in the form of income. These returns tend not to be strongly influenced by day-to-day market fluctuations, but instead tend to be more consistent. As a result, they have lower levels of risk, but they generally produce lower long-term returns.

### Growth

Growth investments, such as shares, property and alternative investments, provide most of their returns in the form of capital growth. These returns can be strongly influenced by market fluctuations, and can therefore vary considerably over shorter time frames. As a result, growth assets carry higher levels of investment risk, especially over short time frames of 1 to 3 years. But they also have the potential for higher returns over longer time frames of 5 to 7 years or more.

## How investments in each asset class are managed

The Trustee employs external investment managers with expertise in particular asset classes to manage approximately 89% of the Fund's assets. Each investment manager is expected to outperform the market index.

The remaining 11% of the Fund's assets are invested and managed directly by the Trustee in a range of alternative, or private market, investments – mostly infrastructure projects.

### Asset classes

Most investments fall into one of five main groups, or asset classes: shares, property, fixed interest, cash and alternative investments.

## When derivatives are used

Derivatives (e.g. options, futures and warrants) are a type of financial instrument commonly used as a risk management tool. Some investors may also use derivatives to earn extra income on their shareholdings.

UniSuper's investment managers are authorised to use derivatives within the guidelines set out in the Fund's Derivative Risk Statement which, amongst other things, prohibits the use of derivatives for speculative purposes. The derivatives charge ratio (i.e. the percentage of Fund assets being used as security for derivative investments) was less than 5% at all times during the reporting period.