

Risks of super

1 November 2021

UniSuper Accumulation 1, Defined Benefit Division, Accumulation 2, Flexi Pension and Personal Account members

The information in this document forms part of the following Product Disclosure Statements (as supplemented from time to time):

- › UniSuper *Accumulation 1 Product Disclosure Statement* issued on 1 November 2021
- › UniSuper *Defined Benefit Division and Accumulation 2 Product Disclosure Statement* issued on 1 November 2021
- › UniSuper *Flexi Pension Product Disclosure Statement* issued on 1 November 2021
- › UniSuper *Personal Account Product Disclosure Statement* issued on 1 November 2021



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ABOUT THIS DOCUMENT

This document has been prepared and issued by UniSuper Limited. It contains information about the main sources of risk to your super and pension. It should be read in conjunction with the Product Disclosure Statement (PDS) that applies to your UniSuper membership category.

Information in this document may change from time to time. We'll provide updates of any changes at unisuper.com.au/pds. You can also request a paper or electronic copy of updated information without charge by calling 1800 331 685.

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This document assumes that the taxable component of any super benefits paid to you includes only a taxed element. It also assumes you're an Australian resident for income tax purposes.

The information in this document is of a general nature only and does not take into account your individual objectives, financial situation or needs. You should consider the appropriateness of the information having regard to your personal circumstances and consider consulting a qualified financial adviser before making an investment decision based on information contained in this document. To the extent that this document contains any information which is inconsistent with the UniSuper Trust Deed and Regulations (together, 'the Trust Deed') the Trust Deed will prevail.

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AWARD-WINNING FUND

Super is what we do, so we love that we're recognised as one of Australia's best super funds. We've won a string of awards and high ratings for our investment performance*, value and services from the country's top ratings and research agencies.

* Past performance isn't an indicator of future performance.



UniSuper was awarded 'Best Fund: Advice Services' in 2020 and Pension Fund of the Year in 2021. Our accumulation and pension products consistently receive a 5 Apples rating from Chant West - the highest quality fund rating. Full details regarding the ratings and awards and Chant West's Financial Services Guide (FSG) are available at www.chantwest.com.au. © Zenith CW Pty Ltd ABN 20639121403 (Chant West), AR of Zenith Investment Partners Pty Ltd ABN 27103132672, AFSL 226872/AFS Rep No. 1280401. Criteria used by Chant West to judge its awards is subjective and has been determined based on data supplied by third parties. While such information is believed to be accurate, Chant West do not accept responsibility for inaccuracies in such data. Chant West do not make any representation or give any guarantee or assurance as to the performance or success of any financial product based on the subjective ratings provided. Past performance is not a reliable indicator of future performance. The Chant West awards do not constitute financial product advice, however, to extent the awards are considered to be advice, it is General Advice only and does not take into account your objectives, financial situation or needs, including target markets of financial products, where applicable. You should consider the suitability of any advice against your personal circumstances. Awards may not be reproduced, modified or distributed. Except for any liability which cannot be excluded, Chant West do not accept any liability whether direct or indirect, arising from use of the awards. Awards displayed for previous years are for historical purposes only. Full details regarding the awards and Chant West's FSG are available at www.chantwest.com.au.



SuperRatings, a superannuation research company, has awarded UniSuper 'MySuper of the Year' for 2021, and a Platinum Choice rating for our accumulation products, something only the 'best value for money' funds receive. Our accumulation products have also achieved a 15-year Platinum Performance rating. For full details about its rating criteria, go to www.superratings.com.au. The ratings are issued by SuperRatings Pty Ltd ABN 95 100 192 283 AFSL 311880 (SuperRatings). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and SuperRatings assumes no obligation to update. SuperRatings uses objective criteria and receives a fee for publishing awards. Visit www.superratings.com.au for ratings information and to access the full report. © 2021 SuperRatings. All rights reserved.

Risks of super

Superannuation (super) is designed to provide you with benefits for your retirement. It aims to build your retirement savings in a cost-effective way to help you achieve financial security when you retire.

However, there are certain risks you should be aware of. The types of risks your super may be exposed to can be broadly categorised as either general or investment risks.

General risks that may affect your super or pension

The impact of these risks may be short-term or long-term, depending on the conditions and circumstances that have given rise to them. A wide range of general risks are set out in this section.

LEGISLATIVE RISK

There is a risk that legislation governing super and pensions may change in the future. For example, the way super is taxed, how and when you can take your benefit, or treatment for means testing by Centrelink. This may result in you paying more tax than you had initially planned, not being able to take your benefit exactly as and when you had planned, or other unanticipated consequences.

OPERATIONAL RISK

There is a risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. These may result in the Trustee failing to properly administer and manage the Fund, your account, the investment options and the Fund's investments. External events might include system failure, market closures, significant market movements, significant redemption or switching activity, fraud and theft, errors and omissions made by our external investment managers and other service providers, industrial disputes, terrorist acts, wars, or natural disasters and civil disturbances.

The Trustee has measures in place that are intended to manage both internal and external risks. However, the Trustee cannot guarantee these kinds of occurrences will not interrupt normal operations.

LONGEVITY RISK

This risk is relevant to you if you're receiving a pension. There is a risk that your pension won't be adequate to support your retirement lifestyle. For Flexi Pension members, it's important to be aware that your annual pension payments aren't guaranteed. To make sure your pension can last over your lifetime (or as long as possible), you should carefully monitor your lump-sum withdrawals and level of annual pension payments.

The level of investment returns allocated to your pension account will also affect how long your pension will last. Pension payments will stop when you no longer have enough money in your pension account to meet the next payment. In these circumstances, the remainder of your pension account will be redeemed and paid into your nominated financial institution account(s) and your pension account will be closed.

If you don't monitor your lump-sum withdrawals and your level of annual pension payments carefully, your pension account may run out of money before you die or intend for it to run out. It's important to remember that your annual pension payments are based on government rules that determine the minimum amount that must be received from your pension account each financial year. This is the case regardless of whether your pension investments have achieved positive or negative returns in a given year.

INFLATION RISK

There is a risk that inflation and/or interest rates may fluctuate and affect investment returns and the real value of your investment.

INVESTMENT OPTION RISK

There is a risk that during your membership, we may discontinue the investment option you're invested in and require you to transfer to another option or make substantial changes to your chosen investment option. However, if this were to occur, you would receive advance notice and have an opportunity to switch to any of our other investment options available. Similarly, we may change the default option that applies to members who don't make an investment choice.

CYBER RISK

There is a risk of financial or data loss, business disruption, damage to our reputation, or breach of our members' privacy as a result of a threat or failure to protect the information or personal data stored within our informational technology systems and networks.

OTHER GENERAL RISKS

The fees and costs associated with your membership may increase in the future. There's the possibility we may introduce a new fee or cost, or change an existing fee or cost. There's also the chance the Trust Deed may be amended or changes to the Fund (as permitted by law) may affect your rights and entitlements as a member. We'll keep you informed of such changes, as required by law.

Specific Defined Benefit Division risks

Defined benefits are based on a formula that takes into account your age, salary, period of service, average service fraction and average contribution factor.

Defined benefits are supported by a pool of assets into which you and your employer contribute, and which we invest in a diversified portfolio of investments. We originally designed the Defined Benefit Division (DBD) so that investment returns are expected to be sufficient to provide for UniSuper's defined benefits in the long term (particularly so given the stable and predictable nature of membership profile in the higher education and research sector) although this is not guaranteed. Over short periods, the funding position may vary with investment volatility.

From 1 November 2021, UniSuper's DBD is no longer the default superannuation arrangement and is offered on an 'opt-in' basis to eligible members who wish to join. This has the potential to change the membership profile of the DBD in a material way and exposes the DBD to an increased risk of adverse selection on the basis of age, health or salary. Adverse selection, if it did occur, has the potential to put pressure on the funding viability of the DBD over the longer term. UniSuper is actively monitoring the experience of the DBD and considering appropriate actions (including the closure of the DBD to new members) that can be taken if adverse selection emerges.

There's a risk the defined benefit pool could be insufficient to meet all obligations to DBD members, meaning your defined benefit may be reduced.

The accumulation component for DBD members is not subject to this defined benefit risk, but is subject to investment risk.

Investment risks that may affect your super or pension

Investment risk is the potential for your super account, accumulation component (for DBD members) or pension account to rise or fall as a result of how it's invested. Therefore, if you have a super account or accumulation component, the amount of your final benefit when it comes time to withdraw it from the Fund, may be less than the total contributions made into your account. In other words, your final benefit may be less than you need to achieve your desired lifestyle in retirement. Or, if you have a pension, your pension account balance may reduce.

We offer a range of investment options that give you the flexibility to invest your super according to the level of investment risk you're comfortable with. While each investment option involves some level of risk, some involve higher levels than others. As a general rule, investments that offer higher returns tend to be higher risk, while those that offer lower returns tend to be lower risk.

The range of risks relating to particular types of investments are set out in this section. The impact of these risks may be short-term or long-term, depending on the particular conditions and circumstances.

SPECIFIC INVESTMENT (OR SECURITY) RISK

There is a risk that a specific investment held in an investment option may experience negative returns and lose money, or may fail to perform in line with expectations.

INVESTMENT MANAGER RISK

There is a risk that we, or an external investment manager we appoint to manage certain investments, may underperform the general market, or may fail to perform in line with expectations, for example due to their investment management style or management decisions.

MARKET RISK

There is a risk that a specific investment market (for example the share market or the fixed interest market), may not perform well and diminish the value of the investments held in those markets. Factors such as interest rates and inflation, as well as government policy and economics, can all influence market risk.

COUNTRY RISK

There is a risk that investment options that hold securities from an individual country may not perform well as a result of economic or political pressures specific to that country, and the investment options may underperform as a result.

CURRENCY RISK

There is a risk that your investment may lose value due to the change in price of one currency relative to another. For example, if the investment option contains investments denominated in US dollars and the Australian dollar rises against the US dollar, the value of those US investments may fall when calculated in Australian dollar terms.

UniSuper may, from time to time, hedge some or all of the Fund's foreign currency exposures but will not necessarily do so at all times. Different currencies may be hedged to different extents (or possibly not at all).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK

There is a risk that a company is not appropriately managing its environmental, social and governance (ESG) risks, which will result in specific investments, markets or countries failing to perform in line with expectations.

CLIMATE RISK

There is a risk that increasing global temperatures, or the global response to mitigate and/or minimise temperature rise, will cause specific investments, markets or countries to fail to perform in line with expectations.

More information

You can read the *Climate risk and our investments* report on our website.

CREDIT RISK

There is a risk that an organisation we deal with fails to meet its obligations and causes an investment option to incur a financial loss. This may be caused by a counterparty to an investment transaction defaulting on a due interest payment or return of capital.

LIQUIDITY RISK

There is a risk that a particular asset cannot be easily converted into cash at a particular time, leading to a delay and resulting loss when the asset is eventually sold.

DERIVATIVES RISK

UniSuper and some of its external investment managers use derivatives to gain exposure to certain types of investments or to hedge risks, as considered appropriate.

Importantly, UniSuper doesn't use derivatives to leverage the Fund's assets.

With derivatives, there's a risk that the value of the derivative will fail to move in line with the value of the underlying asset, or that the obligation under the derivative contract held by another party won't be honoured.

Managing investment risk

While risk is an inevitable part of investing, it's possible to manage investment risk and therefore moderate its impact on your investments. Two strategies for managing such risks are:

- Diversification—spreading your money across a number of different investments, rather than a few or even a single investment, and
- Investing according to your timeframe—choosing investments that are expected to be best suited to the length of time you intend to hold those investments.

When it comes to deciding how you want your super, accumulation component (for DBD members) or pension to be invested, we have a wide range of investment options to choose from. All of these options offer a diversified selection of investments, some within specific asset classes and some across a range of different asset classes.

In addition, for super, we generally encourage you to take a long-term view. You should consider your individual circumstances when deciding how to manage investment risk.

You may decide to seek professional financial advice to help you assess your investment risk tolerance and approach.

More information

You can read our *How we invest your money* document for more information about investing with UniSuper.

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