Australian Government
Commonwealth Superannuation Corporation

Investment options and risk

Issued 23 September 2024

CSC — PSSap Public Sector Superannuation accumulation plan

The information in this document forms part of the Product Disclosure Statement (PDS) for the Public Sector Superannuation accumulation plan (PSSap), issued on 23 September 2024, twenty-second edition.

Things to remember when reading this document

This 'Investment options and risk' document forms part of the PSSap PDS available at csc.gov.au/pds or you can obtain a paper copy free of charge by calling **1300 725 171**.

Any financial product advice in this document is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs. You may wish to consult a licensed financial adviser. You should obtain a copy of the PSSap PDS and consider its contents before making any decision regarding your super.

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Information in this document is up to date at the time of preparation, but we may make changes from time to time. Any changes that are not materially adverse will be updated on our website at csc.gov.au/pds

Contents

How we invest your super

At the heart of it, we're investment strategy experts who aim to optimise your super returns over the long term.

About us

We're Commonwealth Superannuation Corporation (CSC) and we're proud to have managed super for current and former Australian government employees for more than 30 years.

Over these years, we've become experts in the super and investment needs of Australian Public Service (APS) employees, and we've built this knowledge into how we manage your PSSap super investment.

Our strategy is to grow your super savings reliably—that's why we exist.

Our measure of success is to achieve the Association of Superannuation Funds of Australia's 'comfortable retirement standard' for all our customers, while minimising the uncertainty (risk) about what that future amount will be.

Our primary goal is to build, support and deliver better retirement outcomes for you and your family.

Our capability has been independently recognised with a number of investment awards for governance, innovation and broad risk management. For the full list of the external awards we've received, see our website.

Runs on the board

Using SuperRatings data over the 10 years to 30 June 2024, the PSSap MySuper Balanced option has captured 91% of the positive returns generated by other superannuation funds during periods when markets rose, whilst avoiding 23% of the losses generated by other super funds when markets fell, including the market volatility arising from COVID-19.

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This booklet describes how we invest your super money.

It explains PSSap investment options and the asset classes they're built on.

We also cover the investment strategies we apply to them, what investment risks are and how we manage those risks.

How super investments work—the super 101

When PSSap investments grow, your super savings do too

Let's start by covering the basics.

An advantage of super investments over other investment types is that your investment returns generally attract a lower rate of tax than you'd pay outside of super. Plus, by pooling your savings with all CSC customers, you benefit from our lower costs and scale, which makes more profitable but hard to access opportunities available.

So, when you make or receive a super contribution, your money doesn't just sit there like it might in a bank. We invest strategically—purchasing assets with the view that they'll grow in value over time, outpacing the cost of living, to fund your future.

Super, like any investment, has risks—and you should feel comfortable with the potential risks and fluctuations associated with the investment option(s) you choose. See Managing and measuring investment risk on page 19.

Here's how it works.

1 We use your super money to buy 'assets'

We place your money into a 'pooled' super trust and buy the assets we believe will grow the pool and therefore your super, in one of these ways:

1. Assets may increase in value over time creating capital growth.
2. Assets may provide investment income returns through interest, rent or dividends.

2 We include different assets for each investment option to help you achieve your goals

Our investment options are designed to suit all types of customers. Whether you're after low risk to preserve your wealth in the shorter term or you're happy to take measured risks to grow your wealth longer-term, there's an option for you.

We construct a portfolio for each investment option by including different assets and considering each asset's potential role in the portfolio. Here are some examples:

- Does the asset generate returns above inflation, by investing in businesses that are expected to grow?
- Does the asset protect the value of your savings and diversify against market downturns?
- Can this asset be easily sold when required?
- Under what economic scenarios and market conditions will these assets grow or reduce in value?
- How stable and sustainable is the expected income from this asset over time?
- How sustainable and reliable is the expected capital growth from this asset over time?

See PSSap investment options on page 12.

3 We look to invest in new opportunities early, and proactively manage investment risks

We hunt for untapped investment opportunities, which allows you to enjoy early mover profits. Our portfolio construction is designed to recognise and move quickly into new investment opportunities, before others crowd in.

See:

- Asset classes on page 9
- PSSap investment options on page 12
- Managing and measuring investment risk on page 19.

See also Our guiding investment principles on page 7.

Our guiding investment principles

Having many loyal, long-term PSSap customers means there is a large pool of money invested with us.

We invest in five broad categories of opportunity:

1. **Corporations**. By investing in public and private corporations, we aim to grow the real value of your savings.
2. **Property and infrastructure**. By investing in and operating property and infrastructure assets, we aim to protect against the risk of inflation eroding the real value of your savings.
3. **Government bonds**. By owning the debt of stable governments, we aim to protect investments against adverse events like economic recessions.
4. **Active-risk strategies**. By proactively managing investment risks throughout the investment cycle, across a wide variety of opportunities and in different economic environments, we aim to protect your capital, preserve your purchasing power and grow the real value of your savings (this is where we bring in our investment strategy expertise, to augment and manage our investment performance in underlying financial markets).
5. **Foreign currency risk**. We proactively manage foreign currency risk through foreign currency hedging. See What's currency hedging? on page 10.

Our guiding investment principles

We acknowledge the important responsibility we have in investing your super, and we put in place many checks and balances to make sure we make well judged decisions for you.

Our guiding investment principles summarise our approach.

- **We avoid loss and waste**. We focus on getting you the best return, after costs, per unit of risk. To do this, we aim for the lowest cost when it comes to putting your investment portfolio together. Sometimes we'll choose a higher cost alternative if we expect to:
  - boost your investment returns after costs; or
  - lower the variability of returns.
- **We prioritise outcomes.** We use our knowledge of the investment market to take up investment opportunities with the highest potential to improve your retirement outcomes.
- **We focus on mitigating and managing risks.** We were the first Australian super fund to implement a fully integrated, portfolio-wide risk system that gives us consistent analysis of the key risks that matter for your total portfolio. This allows us to consider the complex interactions between asset classes, and the evolving world in which they operate. For more information see our website.
- **We value simplicity and flexibility in all stages of the investment process.** We make decisions quickly, enabled by our robust and unique governance structure. We are recognised for globally-leading investment governance and investment innovation capabilities.
- **We work in collaboration with our service providers.** We partner with a relatively small number of specialist investors around the world, which allows us to structure our working relationships with their teams in ways that enhance alignment between those service providers and your retirement goals. For more information about who we work with, go to Investment on our website.
- **We behave as active owners of the investments we make on your behalf.** For further information about the extent to which we consider environmental, social and governance risks for the purpose of achieving our investment objectives, see csc.gov.au/esg

Asset classes

What’s in the mix?

The investment industry refers to groups of similar assets as ‘asset classes’ and the weightings to each asset class as ‘asset allocation’. PSSap’s investment options are made up of a mix of these asset classes:

- Cash
- Fixed interest
- Equities
- Property
- Infrastructure
- Alternatives

Cash

Cash Investing in the short-term money market.

Cash investments are made up of:

- Deposits with banks.
- Short-term money market securities issued or guaranteed by a government, bank or corporate entity and money market funds invest in the above securities:
    - all short-term securities must have a minimum credit rating of A1 (or its floating rate equivalent) by Standard & Poor’s (S&P) or the equivalent from Moody’s or Fitch (if there’s no S&P rating available). Unlike bank deposits, short-term money market securities can deliver negative returns on a particular,day if there are large, unusual movements in interest rates.
- Australian unit trusts benchmarked against bank bill indices.

Asset classes

Fixed interest

Lending to borrowers.

When entities like governments and large corporates need access to cash, we may lend them money. In return, they'll repay a set amount by agreed dates, and then repay the loan amount in full plus interest at the end of an agreed, fixed-term loan.

Government bonds

Investing in government bonds means we lend your money to governments who want to raise funds. Generally, in return, you'll receive a fixed rate of interest until the bond matures and the amount invested is repayable.

We invest in both Australian and international government bonds. This is generally considered a 'moderate risk' investment (i.e. a borrower can't or won't repay the money, or general interest rate fluctuations change the value of the bonds).

Corporate credit

Investing in corporate credit means we lend your money to corporate organisations who want to raise capital by issuing corporate bonds. And just like government bonds, you'll generally receive a fixed rate of interest until the bond matures and the amount invested is repayable.

We invest in Australian and international corporate credit. This is generally considered a moderate risk investment (i.e. borrower can't or won't repay the money, or general interest rate fluctuations change the value of the bonds).

Equities

Buying stocks, also called buying equities.

When we invest in stocks, we buy shares in companies. Not all companies are listed on a stock exchange (e.g. private companies).

Australian shares

Investing in Australian shares means you're investing in companies listed on the Australian Securities Exchange (ASX).

As companies' fortunes change—up or down—so does the value of their shares. This fluctuation is reflected in your return. The companies' profits determine the return on share investments, which is returned to shareholders in:

- dividends—usually once or twice a year; and
- capital gains or losses that have come from share-price fluctuations.

Market forces can affect share prices, and investing in shares is considered a riskier investment because there may be significant short-term fluctuations. Over the longer term, though, shares may offer relatively higher returns.

International shares

Investing in international shares is like investing in Australian shares except that the companies are listed on international stock exchanges, rather than the ASX.

As well as being exposed to global stock market fluctuations, investment returns are also influenced by foreign currency exchange movements.

We manage foreign currency exposure through currency hedging against the Australian dollar. We determine the level of hedging and it may change from time to time.

Private equities

Investing in private equities means we invest in companies that aren't listed on a stock exchange.

These companies may be in Australia or overseas, and this investment gives us access to sectors or segments of economic growth that we may not access as efficiently through listed markets. Examples include the information technology and health care sectors, which can both create interesting and innovative change rapidly.

Private companies are generally managed by teams that have operational experience in their specialist industry.

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What's currency hedging?
It's a risk management strategy designed to manage fluctuations in the value of investments due to currency movements. When we invest in other countries, we use currency hedging to guard against foreign currencies changing in value relative to the Australian dollar.

Asset classes

Property

Investing in real estate like shopping centres, office space, factories, hotels, residential developments (either completed or in-progress developments).

Investing in property includes buying into established and in-development-buildings and properties.

We also invest in property trusts and property companies, which means we pool your money with other investors to achieve the scale required to buy a share of very large properties.

The investment returns on property may come from rent and changes to property values over time (also called capital growth).

Our property portfolio generally has lower rates of return than Australian shares because the risk profile is more moderate.

Infrastructure

Investing in public works and services.

Investing in infrastructure means investing in important public works facilities and services in Australia and overseas. Examples include traditional assets like toll roads, airports, schools, water systems and the power supply, as well as emerging areas like renewable energy, telecommunications and data centres. Indeed, we were an early mover into data centres, recognising that this was the infrastructure relevant to a digital age.

Alternatives

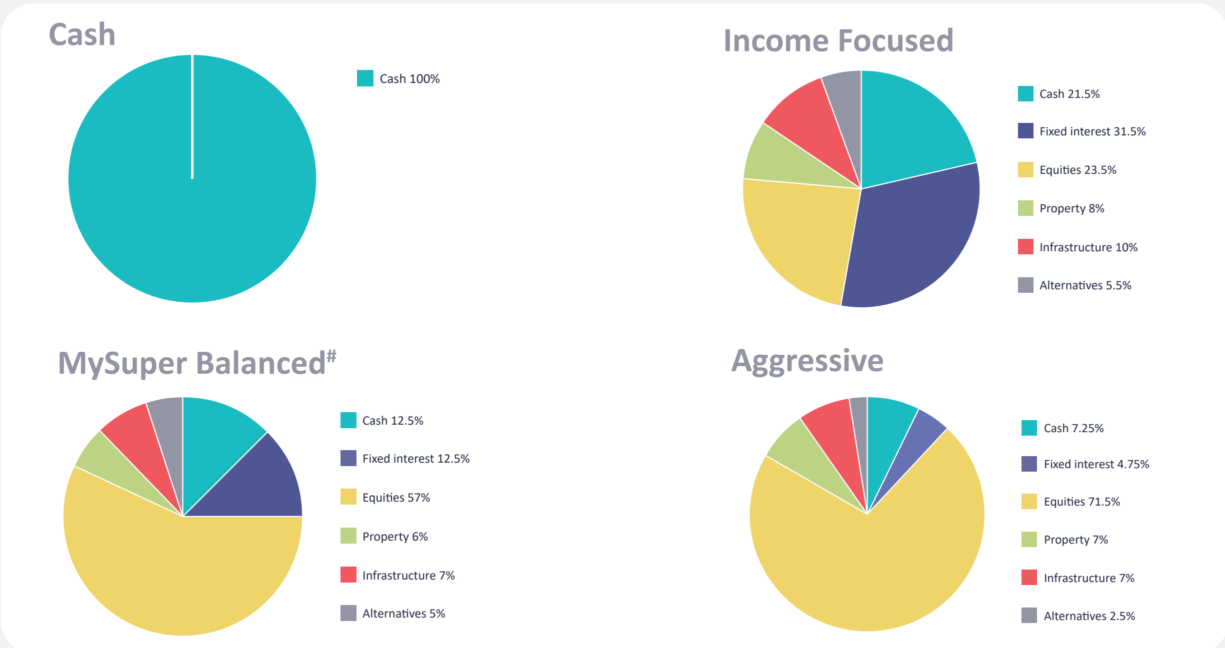
Hedging against share and bond markets.

Alternative investments are investments that don't fall within the main asset class groupings. They can be based on publicly traded securities like shares, bonds and derivatives, and can include hedge funds and absolute return funds.

Investing in alternative investments can allow us to hedge against negative returns from traditional markets like bonds and shares.

Putting it together

The diagram below shows you how the mix of our asset classes in different percentages made up PSSap's four investment options as at 23 September 2024. This is known as the target asset allocation.



Or Balanced for Ancillary customers

PSSap investment options

What you choose can make a difference

The decisions you make now about your super can make a difference to how you live when you're no longer working. Your investment option(s) choice is key to how this plays out.

PSSap investment options have varying levels of risk and return. Generally, the higher the risk, the higher the potential for growth or loss, and the lower the risk, the lower the potential for growth or loss.

To give you a better understanding of the investments that make up your super, this section describes the characteristics of each PSSap investment option, including its objective, its risk profile and the asset classes and asset allocations that it consists of.

When choosing your investment option(s), you should always consider:

- how long your money will be invested before you'll be accessing it;
- the level of investment performance you're expecting;
- the level of risk you can tolerate for the return; and
- your own personal objectives, financial situation and needs.

How you choose yours

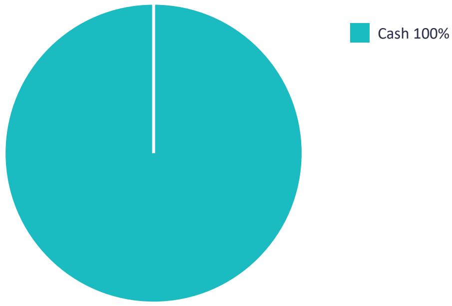
PSSap customers (excluding Ancillary customers). When you join or re-join PSSap, you can choose to invest in one or more of our four investment options—Cash, Income Focused, MySuper Balanced and Aggressive. If you don't pick your investment option(s), we'll invest your money in MySuper Balanced, which is our default option.

Ancillary customers. You can choose to invest in one or more of our four investment options—Cash, Income Focused, Balanced and Aggressive. As an Ancillary customer you must nominate your investment option(s) when you complete the 'Apply to join PSSap as an Ancillary Member' form.

In this section, we explain the key information you need to know about the PSSap investment options. To find out about the risk ratings we mention here, see Managing and measuring investment risk on page 19.

PSSap investment options

Cash



Its objective

To preserve its capital and earn a pre-tax return that's close to the Bloomberg AusBond Bank Bill Index, by investing 100% in cash assets.

(The Bloomberg AusBond Bank Bill Index is a market-accepted index that measures the performance of short-term, cash investment portfolios within the Australian money market.)

Risk profile: very low

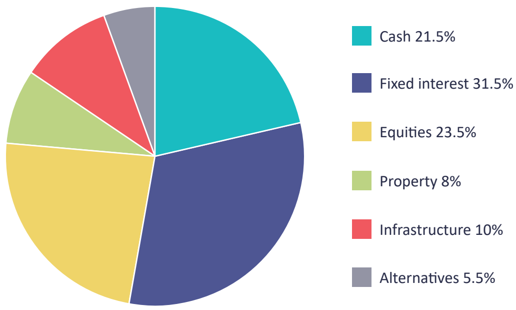
If you prefer less risk, this investment option may suit you. And if you choose this option, we suggest you hold onto it for a minimum of one year, and more if you can. This is called the minimum investment time frame.

The Cash option has a very low risk rating (Band 1), and we estimate that your investment may lose value (have a negative return) in less than six months over any one 20-year period.

Target asset allocation*

All of the Cash option is invested in the cash asset class. For more information see Asset classes on page 9.

Income Focused



Its objective

To outperform the Consumer Price Index (CPI) by 1.5% per year after fees and tax, over 10 years.

Risk profile: medium

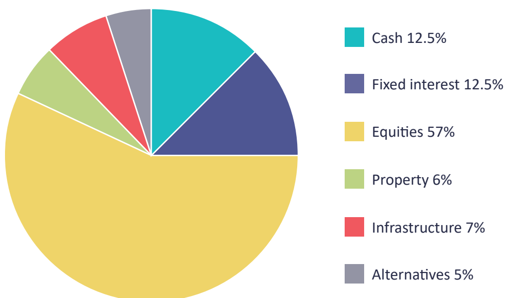
This investment option may suit you if you're after an investment with a medium risk. If you choose this option, we suggest you hold it for a minimum of five years. This is called the minimum investment time frame.

The Income Focused option has a medium risk rating (Band 4), and we estimate that your investment may lose value (have a negative return) in two to less than three years over any 20-year period.

Target asset allocation*

The Income Focused option invests in the asset classes shown in the diagram above. The diagram shows the investment allocation percentage by class as at 23 September 2024. See also Asset classes on page 9.

MySuper Balanced



Our default option for PSSap customers (and the Balanced option for Ancillary customers).

Its objective

To outperform the Consumer Price Index (CPI) by 3.5% per year after fees and tax, over 10 years.

Risk profile: high

If you're prepared to accept a higher risk than Cash or Income Focused in exchange for potentially higher returns over the medium-to-long term, this option may suit you. If you choose this option, we suggest you hold it for a minimum of 10 years. This is called the minimum investment time frame.

The MySuper Balanced option has a high risk rating (Band 6), and we estimate that your investment may lose value (have a negative return) in four to less than six years over any 20-year period.

*The material relating to how we invest your money may change between the time when you read this Statement and the day when you acquire the product. For updated information see csc.gov.au/AssetAllocation. Investment returns aren't guaranteed.

PSSap investment options

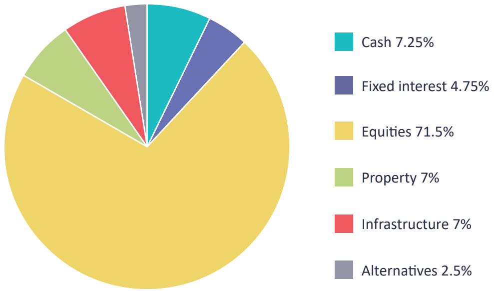
Target asset allocation*

The MySuper Balanced option invests in the asset classes shown in the diagram on the previous page. The diagram shows the investment allocation percentage by asset class as at 23 September 2024. See also Asset classes on page 9.

Aggressive

Its objective

To outperform the Consumer Price Index (CPI) by 4% per year after fees and tax, over 10 years.



Risk profile: high

This investment option may suit you if you're prepared to take more risk in exchange for potentially higher returns over the long-term. If you choose this option, we suggest you hold it for a minimum of 15 years. This is called the minimum investment time frame.

The Aggressive option has a high risk rating (Band 6), and we estimate that your investment may lose value (have a negative return) in four to less than six years over any 20-year period.

Target asset allocation*

The Aggressive option invests in the asset classes shown in the diagram above. The diagram shows the investment allocation percentage by asset class as at 23 September 2024. See also Asset classes on page 9.

Our target asset allocation ranges*

When it comes to investing your money, our eyes are fixed on your retirement outcome. We frame this up with a tool called the 'target asset allocation range'—which is simply a mid- to long-term strategy for your investments.

We watch for all risks – short, medium and long term to maximise the best retirement outcomes for our customers. We regularly rebalance individual asset class allocations within the Income Focused, MySuper Balanced (or the Balanced option for Ancillary customers) and Aggressive investment options, within the target asset allocation ranges.

	Target asset allocation range		
Asset type	**Income Focused**	**MySuper Balanced#**	**Aggressive**
Cash	10–100%	0–65%	0–35%
Fixed interest	10–100%	0–65%	0–35%
Equities	0–40%	15–75%	20–95%
Property	0–35%	0–25%	0–50%
Infrastructure	0–35%	0–25%	0–50%
Alternatives	0–70%	0–30%	0–70%
Foreign currency hedge ratio	0–100%	0–100%	0–100%

#The Balanced option for Ancillary customers has the same target asset allocation range as MySuper Balanced.

Currency hedging is a risk management strategy that's used to manage fluctuations in the value of investments due to currency movements. The foreign currency hedge ratio is the proportion of currency exposure that's hedged back to the Australian dollar, to minimise volatile returns.

*The material relating to how we invest your money may change between the time when you read this Statement and the day when you acquire the product. For updated information see csc.gov.au/AssetAllocation. Investment returns aren't guaranteed.

PSSap investment options

If you're new to investing call **1300 725 171** to:

- ask for information and answers to your general queries at no extra cost; or
- request a quote to get more complex advice from our experienced Financial Planners[1].

For further information see Your PSSap fees and costs booklet.

Check our performance

Super is a long-term investment. Past performance is not an indication of future performance. Investment markets are volatile, so it's not possible to predict when they will go up or down or how quickly this could happen.

We publish our performance on our website and you can select a short- or long-term view of how we've done, going back to 2005. Check it out at How we perform.

Changes to investment options

From time to time we may add, change or remove an investment option. If this happens, we'll be in touch beforehand with information about how the change may affect you.

[1] CSC Financial Planners are authorised to provide financial advice by Guideway Financial Services (ABN 46 156 498 538, AFSL 420367). Guideway is a licensed financial services business providing CSC Financial Planners with support to provide members with specialist financial advice, education and strategies.

Getting involved in your investment

It’s easy, here’s how

Understand how and when we calculate unit prices

How

The unit price for an investment option represents the total value of assets in the investment option (less fees not deducted directly from your account, expenses and tax), divided by the number of all units issued in that investment option.

When

Generally, we calculate the:

- value of assets in each investment option using the latest available market value at the end of each business day; and
- unit prices for a given business day using these asset values, on the next business day.

We don’t make any unit price calculations on weekends or public holidays. If we make a calculation the day before a weekend or public holiday, we publish the unit price on the next business day.

If we can’t determine a unit price for a business day because of an unforeseeable event, like a trading suspension in a market, we’ll take all reasonable steps to start unit pricing as soon as possible.

What it costs to invest

The costs to buy or sell units are included in the unit price through the buy–sell spread. For more information about investment costs, download our Your PSSap fees and costs booklet.

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Good to know.
Your super investment is in it for the long haul, so don’t be alarmed if your unit prices fluctuate in any given week or month. Unit prices may move up and down in line with investment performance. We proactively manage investment risks and are nimble in identifying new opportunities.

Getting involved in your investment

Transaction processing

When a contribution, rollover in, rollover out, cash withdrawal or form based switch request is received on a business day[2], together with all necessary information, it will be processed using the unit price issued for the date the transaction is processed, which is generally within 3 business days. There may be some delays at the end of June and the beginning of July as a result of necessary maintenance on your accounts[3].

Because units are issued or redeemed based on prices described above, there can be an effect on underlying performance, either positive or negative, depending on market movements, between the day your transaction request is received and the date of the unit price used when the transaction is processed.

Switches completed online

If a switch request completed online is submitted prior to 2.30pm (AEST/AEDT) on a business day, it will generally be processed using the unit price issued for that day. If the request is submitted on or after 2.30pm on a business day, it will be generally be processed using the unit price issued for the next business day.

In the event of a delay in receipt of unit prices, the 2.30pm cut-off may be extended in which case the transaction will be processed using the unit price issued on the next business day. If a current switch is made, it is processed as a withdrawal (sell down of units) from one investment option, and an investment (purchase of units) into the other investment option.

Transaction processing discretion and unit price delays

In certain circumstances allowed under superannuation law and the Trust Deed (for example, where it would prejudice the interests of the other members of PSSap), we may delay, suspend or not process your application, switch or withdrawal request.

We reserve the right to delay or suspend unit prices[4], apply a special price or not process future application, switching or withdrawal requests.

Annual Statements

The effective date of each transaction listed in your annual statement and on our secure member portal, is based on the date of the unit price used to process that transaction.

End of Financial Year-30 June: Transaction processing

In the lead up to the end of the financial year (30 June) we suggest that any contributions that you wish to be processed by 30 June or earlier, be submitted at least 7 business days prior to 30 June.

Please note: A contribution is reported to the ATO on the date that the money is received into CSC's Administrator's bank account. This ATO reporting date is likely to be different to the date of the unit price used to process the transaction on your account (which is also the date for the transaction that you'll see on your Annual Statement).

The date that a contribution is reported to the ATO is relevant for a number of reasons:

- to determine in which financial year the transaction is counted by the ATO for the purposes of contribution caps; and/or
- in determining your eligibility to claim a tax deduction for personal contributions.

Example:

A customer makes a BPAY®[5] personal contribution on 28 June 2024 to your PSSap account. The funds are received into CSC's Administrator's bank account on 30 June 2024, but the contribution transaction is not processed until 1 July 2024. This means on your annual statement you'll see that this contribution has a unit price date of 1 July 2024, but it has been reported to the ATO by CSC as being received on 30 June 2024. If you wish to claim a tax deduction for this personal contribution, such a deduction will relate to the 2023–24 Financial Year, and not to 2024–25. Notwithstanding the fact that the contribution is listed as a transaction on your 2024–25 Annual Statement.

[2] A business day is defined as a day that is not a Saturday or Sunday, and is a day on which banks are open for business in Sydney and Canberra, other than a Public holiday or day which is a public holiday in Sydney or Canberra.
[3] There may also be occasional delays if there is a IT system outage/issue, or if incorrect information is provided by an employer or Super Fund.
[4] PSSap uses forward unit pricing. Where a unit pricing suspension occurs, all pending transactions are processed using the latest unit prices available on the day of processing.
[5] Registered to BPAY Pty Ltd ABN 69 079 137 518.

Getting involved in your investment

Keep track of it

When you choose your investment option(s), we manage the investment strategy for you. Still, it's a good idea to keep an eye on your super balance and understand what makes it change.

Here's how:

- Because your PSSap account is valued in units, we buy units in the investment option(s) you choose. Log in to the CSC Navigator to see the number of units you have in your chosen investment option(s).
- We generally publish unit prices on our website each business day. The balance of your account on any business day is the number of units you hold in each investment option multiplied by the relevant 'sell' unit price shown at Unit prices and earnings rates on our website.

Switch investment options

Types of switches

There are two types of switches:

1. The first is where you switch your current PSSap balance from your existing investment option(s) into other investment option(s). This is called a current switch.
2. The second is where you change the investment option(s) that will apply to new money received into your PSSap account. This is called a future switch.

How to switch

If you'd like to manage your own investments, you can switch your investment option(s) at any time. To switch:

- log in to the CSC Navigator;
- download, complete and return an Investment choice form; or
- call **1300 725 171** and we'll email or post you a copy.

What it costs to switch

Buy–sell spreads apply when you switch investments. See 'Buy–sell spread' on page 13 of the Your PSSap fees and costs booklet on our website.

Operational risk financial requirement

All trustees of super funds are required to establish and maintain an operational risk reserve. The purpose of a risk reserve is to provide a source of financial resources to help protect members' interests should an operational risk event occur, such as the use of an inaccurate unit price to process a transaction that results in losses to the fund or to members.

A target amount of 0.35% of funds invested in PSSap was set for the PSSap operational risk reserve. While the target amount has been reached, maintaining this target will result in a minor negative impact on investment earnings. The operational risk reserve is monitored on a quarterly basis. An update will be provided if there are material changes to it.

Managing and measuring investment risk

The standard risk measure (SRM)

The SRM is a guide to the likely number of negative annual returns we should expect over any 20-year period. Its purpose is to give you a way of assessing risk so you can choose the investment option that fits your super goals.

To determine investment risk, we use the standard risk measure (SRM), which is recommended by the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), the Association of Super Funds of Australia (ASFA) and the Financial Services Council (FSC).

The SRM is not a complete assessment of investment risk—for instance it won't go into detail about the size of a negative return or the potential for your positive return to be less than you expected. It also doesn't take into account administration fees and tax on the likelihood of a negative return.

The table below shows the estimated number of negative annual returns you could expect over a 20-year period. This determines the risk band and label.

Risk band	Risk label	Estimated number of negative annual returns over a 20-year period
Band 1	Very low	Less than 0.5
Band 2	Low	0.5 to less than 1
Band 3	Low-to-medium	1 to less than 2
Band 4	Medium	2 to less than 3
Band 5	Medium-to-high	3 to less than 4
Band 6	High	4 to less than 6
Band 7	Very high	6 or greater

For more information about how we calculate the SRM, go to Your investment options on our website.

Significant risks—what are they?

Super, like any investment, has risks—and you should feel comfortable with the potential risks and fluctuations associated with the investment option(s) you choose. Here are the significant risks you should know about.

Risk type	Description of risk
Asset investment risk	Individual assets we buy can change in value for many reasons; e.g. there may be changes in the internal operations or management of a fund or company we invest in, or in its business environment.
Counterparty risk	If another party to a contract can't meet its obligations under the contract, this may have a negative effect on the value of the investments in the fund.
Currency risk	When we invest in other countries, if their currencies change in value relative to the Australian dollar, the value of the investment can change.
Derivatives risk	A derivative is a contract that has an agreed financial value, and that value is derived from anticipated fluctuations to the underlying asset (market or index) that is the subject of the contract. It's used to reduce risk or gain exposure to investment markets when we think it's appropriate. Risks associated with derivatives include the value of the derivative failing to move in line with the value of the underlying asset, market or index.
Environmental, social and governance risks	See csc.gov.au/esg
Fund risk	There are certain events that we classify as CSC fund risks. These include if CSC should stop operating, if fraud occurs against us, if our board is restructured and/or if our investment professionals change.
Inflation risk	There is a risk that inflation may exceed the return on an investment.
Interest rate risk	Changes in interest rates can have a positive or negative effect on investment value or returns.
Liquidity risk	Assets that we invest in may become difficult to trade under certain market conditions.
Market risk	Market sentiment can change, as can economic, technological, political or legal conditions, all of which affect the value of investments.
Super and tax law risk	Super and tax laws change frequently and this may affect the value of your investment and your ability to access it. For example, changes made may affect the tax you pay on your super.

Manage and measure investment risk

Methods for managing risks

We can't ever eliminate it, but we can manage and even minimise it.

No matter how skilled the investment manager is or how strong performance has been in the past, there's always a chance you could receive less than you invested.

To manage and minimise risk we:

- Make it our job to understand any inherent risks a particular type of investment may be exposed to.
- Diversify investments across asset classes, individual assets, investment styles and investment managers.
- Continuously monitor market performance, investment manager performance and relevant legislation.
- Run systematic compliance and fraud control programs.
- Run a continuous program of research and analysis, including environmental, social and governance (ESG) analysis. See csc.gov.au/esg

Our investment governance focuses on managing risk and it's driven by our primary investment objective, which is to **maximise long-term real returns (i.e. returns above inflation) within strictly defined risk limits**.

Professional investment managers make day-to-day investment decisions within agreed parameters, and we regularly review these parameters.

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