



Australian Government

Commonwealth Superannuation Corporation

Investment options and risk

Issued 31 October 2025

The information in this 'Investment options and risk' document forms part of the Commonwealth Superannuation Scheme (CSS) Product Disclosure Statement (PDS), twelfth edition, issued on 31 October 2025 available at csc.gov.au/css-pds

Things to remember when reading this document

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 CSS PDS and consider its contents before making any decision regarding your super.

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Trustee and Issuer of the Commonwealth Superannuation Scheme (CSS) ABN: 19 415 776 361 RSE: R1004649

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/css-pds or you can obtain a paper copy free of charge by contacting us on **1300 000 277**.



Commonwealth
Superannuation
Scheme

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.

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 recognised with a number of investment awards for governance, innovation and broad risk management. Please see our website for the full list of external awards we've received.

Investment options and risk

The decisions you make now about your super can help you reach your retirement goals. Take the time to understand your options, taking your personal objectives, financial situation and needs into account. For example, you should consider the:

- impact investment performance has on your account;
- amount of time your money will be invested before you need it for retirement;
- level of investment performance that you are expecting; and
- level of risk and fluctuation in the value of your investment that you can tolerate.

Commonwealth Superannuation Corporation (referred to as CSC, we or us) offers, and is responsible for all aspects of CSS, including the investment strategy. CSC pools your super with that of other members in a pooled super trust and invests it according to the investment option you choose.

You have the choice of investing your accumulation components in the Default Fund or the Cash investment option. If you do not choose an investment option, your super will be invested in the Default Fund.

Our guiding investment principles

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

We invest in five broad categories of opportunity:

- **Corporations.** By investing in public and private corporations, we aim to grow the real value of your savings.
- **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.
- **Government bonds.** By owning the debt of stable governments, we aim to protect investments against adverse events like economic recessions.
- **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 and grow investments. (This is where we bring in our investment strategy expertise, to augment and manage our investment performance in underlying financial markets).
- **Foreign currency risk.** We proactively manage foreign currency risk through foreign currency hedging.

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, first 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 visit 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/db-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'. CSS's investment options are made up of a mix of these asset classes:

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

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 invested 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.

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. a 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
- 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.

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. We may invest directly in infrastructure facilities and services, or in the entities that own or operate them.

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.

CSS investment options

Cash

Its objective

To preserve its capital and earn a pre-tax return close to that of 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.)

The 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) under the Standard Risk Measure (see page 9), and we estimate that your investment may lose value (have a negative investment return) in less than six months over any 20-year period.

Default Fund

Objective

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

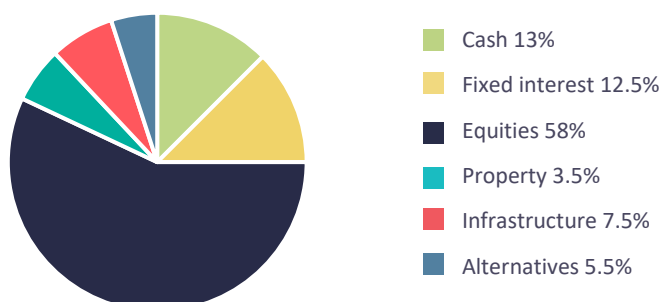
Risk profile: high

If you're prepared to accept a higher risk than the Cash option 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 Default Fund has a high risk rating (Band 6) under the Standard Risk Measure (see page 9), and we estimate that your investment may lose value (have a negative investment return) in four to less than six years over any 20-year period.

Target asset allocations*

The Default Fund invests in the asset classes shown in the diagram below. The diagram shows the investment allocation percentage by class as at the date of publication. See also [Asset classes](#) from page 3.



* 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/css-asset-allocation. Investment returns aren't guaranteed.

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 Default Fund, within the target asset allocation ranges.

Asset type	Target asset allocation range
Cash	0–65%
Fixed Interest	0–65%
Equities	15–75%
Property	0–25%
Infrastructure	0–25%
Alternatives	0–30%
Foreign currency hedge ratio	0–100%

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 10 years. 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.

How your investment in CSS is determined

Your investment performance and fund earnings are determined using an [earning rate](#) which is calculated each business day. Each earning rate is expressed as a percentage and represents the earnings for the Default Fund or Cash investment option since the beginning of the calendar month to which the earning rate relates. The earning rates are determined based on the best available information at the time they are declared.

CSS accounts are made up of three main components:

- **Member component.** This is made up of your basic (either 5% or 0% of your super salary) and supplementary contributions (any contributions in addition to your basic contributions) and fund earnings.
- **Productivity component.** This is made up of your employer’s fortnightly contributions and fund earnings less tax. The amount of these contributions is based on your super salary.
- **Employer financed component.** This is made up of amounts financed by your employer and is calculated and paid when you claim your CSS benefit.

Contributing members

If you are a contributing member, the accumulation components of your benefit are affected by fund [investment performance](#) and earnings. Positive or negative earnings will be applied to your account in line with investment performance. The rate of earnings will depend on whether you are in the Default Fund or the Cash investment option.

However, if you leave as an age retiree, your [CPI-indexed pension](#), is not affected by investment performance because it is determined based on your final super salary, length of membership and your age at exit.

If you are eligible to elect to defer your benefit, such as resigning prior to your 55th birthday, the information provided below may also be relevant.

Deferred benefit member

If you have a deferred benefit, fund performance and earnings are important as when you claim your benefit, your [CPI-indexed pension](#) will be determined by the amount of basic contributions and fund earnings on those contributions that you have in your account at the time your benefit is paid. The earnings applied to your basic contributions can be either positively or negatively impacted in line with the investment performance of the option you have chosen—the Default Fund or the Cash investment option. The remainder of your benefit, which is the lump sum component or the amount you can convert to a non-indexed pension, will also be affected by fund earnings, and similarly can be either positively or negatively impacted in line with the investment performance of your chosen option.

Associate member

If you are an associate, your indexed pension will not be affected by investment performance. It will be determined based on the value of your untaxed benefit at the time you became an associate, adjusted by the long-term Treasury bond rate until the date when your benefit becomes payable.

Your untaxed component increases at the long-term Treasury bond rate between the 'operative time' and the date when the benefit becomes payable. The 'operative time' is either the date when a family law split occurred, or four business days after a superannuation agreement is served on CSC.

Switching between investment options

Members can switch their entire accumulation component (if greater than \$1,000) no more than twice in a calendar year. Partial amounts cannot be switched and amounts cannot be switched more than once in any month. To switch:

- log in to [CSC Navigator](#); or
- send us your completed **CSS investment option switching form**. This form is available on our [website](#) or you can obtain a paper copy free of charge by calling **1300 000 277**.

Switch forms and online switch requests need to be received before monthly choice cut-off dates. Choice cut-off dates are the last Friday in each month. We then process your switch so it takes effect the following Wednesday. If we do not receive your switch request by the choice cut-off date, we cannot process it until the next available choice cut-off date. If you post your form, it is important that you allow sufficient time for postage.

The date that determines in which calendar year a switch occurs is the date when the switch takes effect (the Wednesday following the cut-off date)—for example a switch submitted in December may take effect in January, counting toward your switches made that calendar year.

Switch requests can be withdrawn but you need to notify us in writing of your withdrawal of your investment switch request (even if you use Member Services Online on or before the choice cut-off date). If your written withdrawal (including your full name and member number) is not received, your switch will be processed. If more than one completed switch form has been received by the cut-off date, only the latest completed and confirmed switching request will be processed.

CSS performance

Performance information can be found at [csc.gov.au](https://www.csc.gov.au)

Please note that super is a long-term investment and past performance is no indication of future performance—investment markets are volatile, and it is not possible to predict when they will go up or down or how quickly this will happen.

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 investment earning rate to process a transaction that results in losses to the fund or to members.

CSC has set a target amount of financial resources to be held as the operational risk reserve in CSS. The operational risk reserve is monitored on a quarterly basis, and it may be necessary from time to time to allocate funds to the operational risk reserve in order to maintain this target amount. When this occurs, it will result in a minor negative impact on investment earnings.

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 Superannuation 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
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
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	Description
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	CSC considers relevant environmental, social and governance risks in making decisions consistent with its investment objective to maximise long-term returns for customers. For more information on our approach to ESG issues see csc.gov.au/db-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	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.

* These risks also apply to the defined benefit component of CSS.

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/db-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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