



Investing your super

The money in your First Super account earns a return linked directly to market and investment performance. The return depends on your investment choice.

- > Your investment choices are covered on pages 22 to 23.
- > How money is credited or debited to your account is covered on page 24.
- > Before you make your investment choice you should read the following investment basics.

Growth versus defensive investments

The four First Super investment options are invested in a mix of two types of investment – **Growth Investments** and **defensive investments**.

Growth Investments are investments such as Australian and overseas shares. These are likely to go up and down in terms of performance from year to year but have the potential to grow over the long term (which is at least five years).

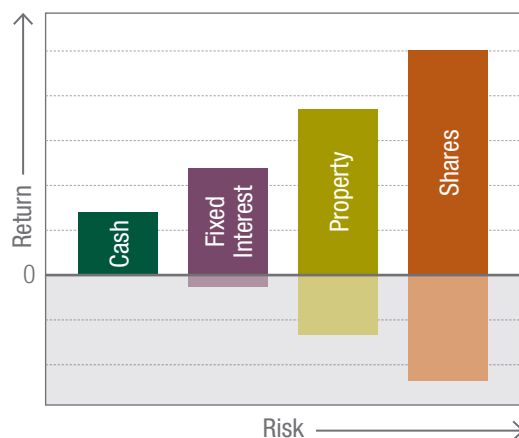
Defensive investments are investments such as fixed interest and cash. These are the types of investment used when trying to protect your investment from the chance of a negative return. They tend to produce lower long-term returns, but are more stable.

The First Super property portfolio is classified partly as a defensive asset and partly as a growth asset. This is due to the structure of the underlying investments, which have been chosen to contain strong income yield securities with wide diversification by sector and geography and a solid weighted-average lease duration.

As a general rule, your investment decision should be based on your own risk profile and time horizon – your willingness to take risk and how long the money will be invested.

The risk/return profile of the main asset classes

This graph illustrates the relationship between higher returns and greater risk. It does not reflect the actual returns or risks.



Risk versus return

Understanding the relationship between risk and return is essential to making informed investment decisions.

Risk refers to the chance your investment has of losing value as investment conditions change. It includes the potential for negative returns. There are risks with every type of investment. Even cash and low risk Government bonds suffer from the risk of inflation. Generally all investments have the potential to increase in value, decrease in value or stay the same. An increase in value generates a positive return while a decrease in value generates a negative return. Generally, the greater an investment's potential return, the greater the risk associated with that investment.

Investment risks

There are a number of investment risks you should consider:

Inflation

Inflation may exceed the return on your investment. The Fund aims to reduce this risk by investing in assets that are expected to generate returns in excess of inflation over the medium term.

Individual investment risk

Individual assets the Fund purchases can (and do) fall in value for many reasons, such as changes in the internal operations or management of a fund or company or changes in the business environment. The Fund aims to reduce these risks through diversified holdings of assets and careful risk analysis of assets acquired.

Market risk

Economic, technological, political or legal conditions and even market sentiment can (and do) change, and this can mean that changes in the value of investment markets can affect the value of investments in the Fund. The Fund aims to reduce market risk through diversification of the portfolio across asset classes, countries and investment managers.

Interest rate risk

Changes in interest rates can have a positive or negative impact directly or indirectly on investment values or returns.

Currency risk

First Super invests in other countries and if their currencies change in value relative to our dollar, the value of the investment can change. The Fund undertakes some currency strategies with the goal of reducing the impact of adverse movements in the dollar.

Derivatives risk

The Fund and its managers may use derivatives to reduce the risk or gain exposure to other types of investments when deemed appropriate. Risks associated with these derivatives include:

- > the value of the derivative failing to move in line with the underlying asset;
- > potential illiquidity of the derivative;
- > the Fund not being able to meet payment obligations as they arise; and
- > counterparty risk.

First Super aims to keep derivative risk to a minimum by constantly monitoring the Fund's exposure to derivative contracts and by only ever entering into derivative contracts with reputable counterparties.

Fund risk

First Super aims to keep fund risk to a minimum by always aiming to act in members' best interests.

Changes to superannuation law

Changes are frequently made to superannuation law which may affect your ability to access your investment.

Changes to taxation

Changes can occur to the taxation of superannuation which may affect the value of your benefit.

Diversification

Diversification means not putting all your eggs in the one basket. By spreading your money across different asset classes (e.g. shares, property, fixed interest, cash), you can effectively spread the risk, reducing the likelihood of poor returns on the overall value of investment.

First Super invests in a range of asset classes managed by leading Australian and international investment managers. You will find details of the strategic asset allocation of each of the four First Super investment options on pages 22 to 23. Details of the latest asset allocation are available in the *Annual Report* each year.

Understanding asset classes

First Super invests your super across a range of asset classes. These include:

> Shares (Australian and Overseas)

provide part ownership of a company. Earnings are derived from dividends and profits (or losses) gained through changes in their share price. Historically, shares have outperformed all asset classes over the long term, but short-term volatility has seen negative returns recorded in some years.

> Property

includes commercial, industrial and retail real estate, held directly, or indirectly with other investors through a property trust. Earnings are derived through rental income and increases (or decreases) in value over time. Historically, property investments have produced medium to high returns over the long term but carry a medium to high level of risk. It is possible for this investment class to give negative returns in some years.

> Fixed Interest (Australian and Overseas)

involves the purchase of interest-bearing debt securities issued by governments and businesses. These investments are held for a set period of time in exchange for a set rate of return. Historically, fixed interest investments produce a medium level of return and carry a medium level of risk. It is possible for this asset class to give negative returns in some years.

> Cash and guaranteed investments

generally take the form of term deposits and short-term bank bills. Interest is earned on the cash invested. Historically, cash investments provide a lower rate of return but with the lowest level of risk. Regardless of the lower level of risk, it is possible for this asset class to give negative returns in some years.

> Alternative Assets

include development capital investments typically invested in unlisted companies or infrastructure. Alternative assets may also include investments that are not measured against an index like the Australian Share Price Index. For example, hedge funds or absolute return funds. It is possible for this asset class to give negative returns in some years.

Your investment choice

First Super lets you choose how your super is invested when you join the Fund. Members can choose to invest in any one or a combination of the following four investment options:

1: Shares Plus

2: Balanced (default option)

3: Conservative Balanced

4: Cash

You also have the flexibility to change your investment choice at any time, provided you have an account balance of at least \$1,000.

key fact

If you do not make a choice, your super money will be invested in the default **Balanced** option.

When it comes to how your super is invested, you can split your super to make up your own mix.

Split to make up your own mix

You can split your super to make up your own mix in any percentage split across the four investment options that totals 100%. This flexibility enables you to tailor how your super is invested to more closely fit your individual needs and attitude to risk.

For example, you could choose to split your investment:

Example 1	Example 2
50% in Balanced 50% in Shares Plus	25% in Cash 75% in Conservative Balanced
= 100%	= 100%

If you want help making your investment choice, financial planning advice is available to First Super members. Call **1300 360 988** for more information or to arrange for a licensed professional to contact you.

Shares Plus

Objectives

- > To achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by the Consumer Price Index, by at least 4.0% per annum over rolling seven year periods.
- > The chance of the rate credited to members falling below zero in any financial year being less than one in five.
- > To achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings Shares Plus (91 - 100) Option Survey over rolling five year periods.

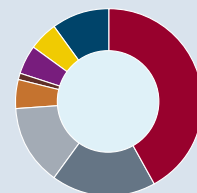
Investor profile

This investment option is likely to appeal to members with a long-term view of their superannuation savings and/or who are prepared to accept higher risk in the search for higher returns.

Risk profile

The Shares Plus option is likely to provide a high degree of volatility and fluctuations in returns and is at the high end of the risk/return range. The risk may increase by the nature of overseas investments, which means that this option is subject to the considerable extra risk of currency fluctuations and international events. It is likely to outperform the other investment options offered in the longer term.

Asset allocation & ranges



42% (30-54%)	5% (0-10%)
18% (10-26%)	5% (0-10%)
14% (0-20%)	10% (0-20%)
5% (0-10%)	
1% (0-5%)	

Asset allocation - asset class

- Australian Equities
- International Equities (Unhedged)
- International Equities (Hedged)

Balanced (default option)

Objectives

- > To achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by the Consumer Price Index, by at least 3.5% per annum over rolling five year periods;
- > The chance of the rate credited to members falling below zero in any financial year being less than one in ten; and
- > To achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings Default Option Survey over rolling five year periods.

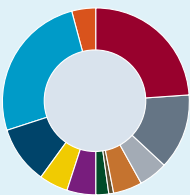
Investor profile

This investment option is likely to appeal to members seeking mid to long-term growth of their superannuation along with diversification across asset classes.

Risk profile

Designed to provide good growth over the mid to longer term while reducing risk through diversification. Likely to slightly under perform against the First Super Shares Plus Option over the long term.

Asset allocation & ranges



■ 24% (18-35%)	■ 5% (0-10%)
■ 13% (6-25%)	■ 5% (0-10%)
■ 5% (0-15%)	■ 10% (0-20%)
■ 5% (0-10%)	■ 26% (16-36%)
■ 1% (0-5%)	■ 4% (0-10%)
■ 2% (0-5%)	

Conservative Balanced

Objectives

- > To achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by increases in the Consumer Price Index, by at least 3.0% per annum over rolling five year periods.
- > The chance of the rate credited to members falling below zero in any financial year being less than one in fifteen.
- > To achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings Conservative Balanced (41 - 59) Option Survey over rolling five year periods.

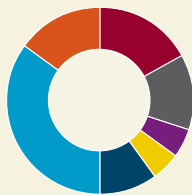
Investor profile

Members investing for the short to medium term who want a more secure option with less chance of fluctuations than the Shares Plus or Balanced options and/or members looking for lower risk options for their superannuation savings.

Risk profile

Designed to provide more stable returns than the Shares Plus or Balanced options. It is at the lower end of the risk/return range and is likely to under perform against the Shares Plus and Balanced options over the medium to long term.

Asset allocation & ranges



■ 17% (10-24%)	■ 10% (0-20%)
■ 13% (6-20%)	■ 35% (25-45%)
■ 5% (0-10%)	■ 15% (5-25%)
■ 5% (0-10%)	

Cash

Objectives

- > To achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by increases in the Consumer Price Index, by at least 1.0% per annum over rolling five year periods.
- > The chance of the rate credited to members falling below zero in any financial year being negligible.
- > To achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings Cash Option Survey over rolling five year periods.

Investor profile

Members investing for the short term and/or those who want a secure option with a low chance of investment fluctuations. May be suitable for members intending to realise or reorganise their investments in the near future who want to avoid the possibility of a loss over that period.

Risk profile

Designed to provide very stable returns at the lowest end of the risk/return range. However, it is likely to under perform all other investment options offered over all but the shortest periods.

Asset allocation & ranges



■ 100%

■ Australian Private Equity
 ■ International Private Equity
 ■ Timber, Furniture and Pulp & Paper

■ Australian Infrastructure
 ■ International Infrastructure
 ■ Property

■ Australian Fixed Interest
 ■ International Fixed Interest

■ Absolute Return Strategies
 ■ Cash

Crediting member accounts

Your super account earns investment income at the Fund's declared crediting rate*. The crediting rate used will depend on the investment option(s) you have selected.

Each month First Super will declare an investment return for each investment option based on earnings and estimated fees and tax. After the end of the financial year (30 June) First Super will adjust your account based on the accumulated monthly performance of each investment option after deducting tax and fees and allowing for reserves (see below).

At the end of the financial year, the amount applied to your account is based on your average daily account balance and the related monthly performance for your investment option.

You should take into account that returns can fluctuate up or down and may be negative in some years. The actual returns are based on the performance of the underlying investments and First Super does not guarantee or promise any specific rate of return.

*Earning rates and interim earning rates may be positive or negative. If the earning rate is positive your account earns money. If the rate is negative, the amount in your account is reduced.

Interim crediting rates

During the year First Super also determines **interim** rates of earnings which apply when members are paid a benefit during the year. These interim rates are calculated based on the declared monthly returns to the date of exit or change plus the estimated investment returns for any part month up to the date of exit or change.

History of investment performance

The long term crediting rates of the Fund are shown in the table below.

First Super commenced on 1 July 2008 with four investment options. Three of these were a continuation of pre-existing investment options within the old Timber Industry Superannuation Scheme (TISS) and one (the Conservative Balanced option) was completely new.

Except for the one year performance figures, all investment earnings that make up the figures shown below were earned inside the old TISS fund. While the investment strategies within the TISS fund were not identical to the investment strategies in First Super, the differences are similar to those that occur over time within a fund due to changes in the investment climate and investment style.

Performance of the investment strategies for the year to 30 June 2009 was affected by the merger of the three funds that came together to make up the new First Super fund. All figures are shown as percentage per annum.

Option	1 year	2 Years	3 Years	4 Years	5 Years	10 Years	Since Inception
Shares Plus	-19.81%	-17.80%	-6.50%	0.00%	2.80%	—	1.3%#
Balanced	-14.44%	-10.60%	-2.30%	2.20%	4.30%	5.10%	8.2%*
Conservative Balanced	-9.52%						
Cash	3.34%	3.90%	4.20%	3.90%	4.30%	—	5.2%#

Inception date was 1/03/2001

*Inception date is treated as 1 July 1988. Prior to this the investment philosophy was fundamentally different and can not be regarded as continuous

Past investment performance is not a reliable indicator of future investment performance. All investment returns except for year 1 were earned inside the former TISS fund.

Until 31 October 2009:

- > The Balanced investment option was called the Growth investment option;
- > The Shares Plus investment option was called the High Growth investment option;
- > The Conservative Balanced investment option was called the Conservative Growth investment option; and
- > The Cash investment option was called the Capital Stable investment option.

Liquidity

Liquidity requirements are met through a combination of cash holdings in the portfolios' cash flow from contributions and redemptions of invested funds. A significant portion of the invested funds can be withdrawn on 10 business days' notice. For less liquid investments, the Trustee will seek to negotiate a redemption process that allows the return of the funds as quickly as possible if demand requires it. The Fund is currently growing and remains in a positive cash-flow position.

Socially responsible investing

When making investment decisions, the Trustee and the Fund's investment managers may take into account the expected return and performance of investments. When making these decisions, they may consider social, ethical or environmental considerations or labour standards of companies within the portfolio (SRI Considerations) from time to time to the extent that these may materially impact on the performance objectives of the Fund. First Super has not set any specific SRI Considerations, nor timeframes and methodologies for monitoring and reviewing them.

Policy on derivatives

The Trustee has not and does not intend to invest directly in derivatives. However, the Fund's investment managers have the discretion to invest in derivatives (for example, contracts, forward transactions and options), but only in accordance with relevant regulatory requirements and then only for the purpose of better managing the Fund's investments and not for leverage purposes.

key fact

The annual amount of earnings applied to your account, together with details of your current account balance, will be shown on the benefit statement sent to you each financial year.

Special note

Payments may be delayed in special circumstances

In the event of a major change in underlying investment values (such as a sharemarket correction), the Trustee may suspend benefit payments for up to one month to prevent a run on funds and to allow time to determine an appropriate interim crediting rate.

Change your options when you want

You can choose to switch options at any time, as long as your balance is at least \$1,000. Two switches each year are free. Extra switches cost \$30. Because superannuation is a long-term investment, most members are likely to switch their investment options less frequently than twice a year.

You can:

- > Choose to invest your total super account in one or more options, or
- > Choose separate investment options for your current account balance and your future contributions.

To change your investment options, simply complete and return an Investment Change Form. We will need to receive your completed form by 5pm on the last working day before the 17th of the month. The investment switch will then become effective on the 22nd of that month (or the next working day).

How to make your investment choice

There are many factors to consider and we recommend you seek advice from a licensed professional adviser.

1

Consider your risk profile

The first step is to decide what type of investor you are. What level of risk are you comfortable with? If the daily fluctuations in the share market make you anxious, then a strategy comprising mostly shares may not be the one for you.

2

Consider your time horizon

How long do you have until retirement? Will you be drawing down all of your super then, transferring it to a First Super Pension Account or keeping some of it invested in the Fund? Knowing how long you will be investing will help you to determine your financial goals and determine which strategy is best for you.

3

Balance your objectives with your risk profile and time horizon

It is important to be realistic when setting performance expectations. If achieving a higher rate of return carries a higher risk, will you be comfortable with that? And do you have the time to ride out any ups and downs in your investment?

A financial adviser can help you to determine your risk profile and identify the return required to meet your financial goals. They can help you understand investment risk and the choices you have available to you. The adviser will also consider your personal circumstances (such as your age and dependants) when giving advice.

Financial planning advice is available to members of First Super. Call **1300 360 988** if you would like to arrange for a licensed professional to contact you.