Investing your super

Important information

30 September 2011

This information should be read in conjunction with the First Super Product Disclosure Statement (PDS) dated 30 September 2011. You should consider this information and the information in the 2011 First Super PDS before making a decision to invest in First Super.

First Super offers members a choice of five investment options: Shares Plus, Growth, Balanced, Conservative Balanced and Cash.

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

Before you make your investment choice you should read the following information on investment basics including investment risks.

Issued by First Super Pty Ltd ABN 42 053 498 472 AFSL 223988
Trustee of First Super ABN 56 286 625 181 RSER No. R1067385
Level 3, 200 Arden Street North Melbourne Vic 3051

Growth versus defensive investments

The five 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 International shares. These are likely to go up and down in terms of performance from year to year, but have the potential to grow in real terms 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.

First Super's property investments can be classified as partly defensive and partly growth assets. This is due to the structure of the underlying investments, which are chosen for their strong income yield from leasing, wide diversification across different types of property investment, geographic location and solid weighted-average lease duration.

Except for the Cash investment option, each investment option has a target allocation to different types of investments. This helps determine the risk of each investment option. Each investment option also has a range of exposures to different types of investment, which is used to adjust the makeup of the investment options as economic conditions change. Because investment options are managed with a view to achieving the stated investment objectives, investments can be held outside of the range of exposures shown, though this is not usual.

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.

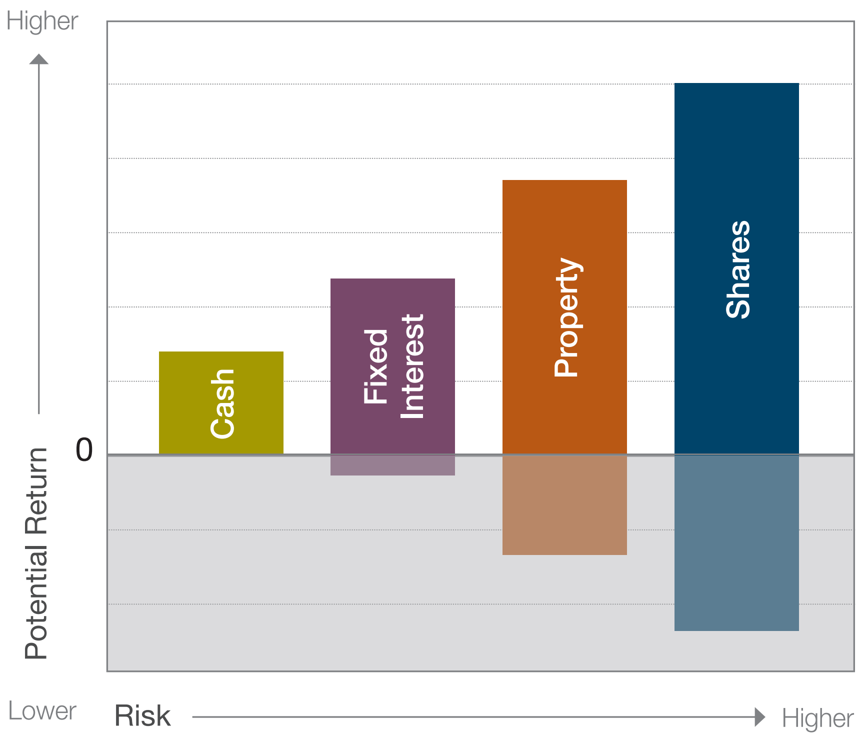
The risk/return profile of the main asset classes

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

The link between risk and return

Generally, investment in high risk assets will produce higher returns over the long term, with a greater chance of a negative return over the short term.

Each of the four main asset classes – shares, property, fixed interest and cash – has different levels of risk and different potential for returns.



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 investments 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 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 entering into derivative contracts only 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 and 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 five First Super investment options on pages 4 to 6. Details of the latest asset allocation are available in the Annual Report each year.

What is Hedging?

Currency hedging is an investment or contract that reduces the impact of adverse currency movements on investment returns. For example, international shares might perform well but the gains could be lost by changes in the value of the Australian dollar. First Super may hedge its international investments to reduce the impact of adverse currency movements. First Super's currency exposure is reviewed frequently to ensure that it remains appropriate from a risk management perspective. Please contact us for further information about current hedging.

Understanding asset classes

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

> **Shares (Australian and International)**
Provide part ownership of a company. Earnings are derived from dividends and profits (or losses) gained through changes in the 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 International)**
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 such as 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. Members can choose to invest in any one or a combination of the following five investment options:

1 Shares Plus

2 Growth

3 Balanced (default option)

4 Conservative Balanced

5 Cash

Members can change their investment option provided they have an account balance of at least $1,000.

Split to make up your own mix

You can split your super in any percentage across the five investment options to more closely fit your investment risk/reward profile.

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

If you would like help, financial planning advice is available to First Super members. Call **1300 360 988** for more information or to arrange for a financial planner to contact you.

Investment options

Shares Plus

Objectives

> 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;

> To confine the chance of the rate credited to members falling below zero in any financial year to less than one in five; and

> Achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings High Growth (91-100) Option Survey over rolling five year periods.

Investor profile

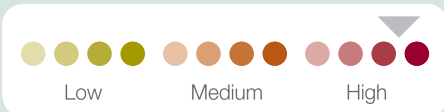
This investment option is likely to appeal to members with a long-term view of their superannuation savings and/or who are prepared to accept higher risk in the search for higher returns.

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.

Risk classification

High risk
Returns can fluctuate from year to year, either moderately or considerably.



Asset allocation and ranges

Asset Class	Target %	Range %
Australian Equities	42.0	32 – 52
International Equities	32.0	22 – 42
Australian Private Equity	5.0	0 – 10
International Private Equity	1.0	0 – 5
Australian Infrastructure	5.0	0 – 10
International Infrastructure	5.0	0 – 10
Property	10.0	0 – 20

Growth

Objectives

- > Achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by the Consumer Price Index, by at least 3.75% per annum over rolling five year periods;
- > To confine the chance of the rate credited to members falling below zero in any financial year to less than one in seven; and
- > Achieve an investment return (after tax and investment expenses) that exceeds the median of the Super Ratings Default Option Survey over rolling five year periods.

Investor profile

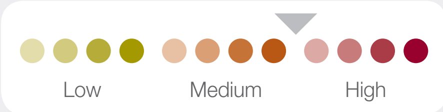
This option is likely to appeal to members who are prepared to accept higher investment risk in the search for higher returns, but also wish to reduce the risk of very large investment losses by diversifying into some defensive assets.

Risk profile

The Growth option is likely to provide a high degree of volatility and fluctuations in returns. It has a lower investment risk/return profile than the Shares Plus option because it has a higher exposure to defensive assets. Over the long term it is likely to outperform the other investment options except for Shares Plus.

Risk classification

Medium to High risk
Returns can fluctuate from year to year, either moderately or considerably.



Asset allocation and ranges

Asset Class	Target %	Range %
Australian Equities	33.0	23 – 43
International Equities	26.0	16 – 36
Australian Private Equity	5.0	0 – 10
International Private Equity	1.0	0 – 5
Australian Infrastructure	5.0	0 – 10
International Infrastructure	5.0	0 – 10
Property	10.0	5 – 15
Fixed Interest	13.0	5 – 15
Cash	2.0	0 – 5

Balanced (default option)

Objectives

- > 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; and
- > To confine the chance of the rate credited to members falling below zero in any financial year to less than one in ten.

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

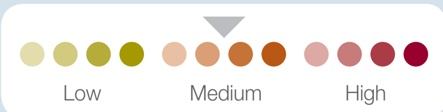
Designed to provide good growth over the mid to longer term while reducing risk through diversification. Likely to slightly under-perform against the First Super Shares Plus and Growth options over the long term.

Risk classification

Medium risk
Returns can fluctuate from year to year, either moderately or considerably.

Asset allocation and ranges

Asset Class	Target %	Range %
Australian Equities	24.0	14 – 34
International Equities	18.0	8 – 28
Australian Private Equity	5.0	0 – 10
International Private Equity	1.0	0 – 5
Timber, Furniture and Pulp & Paper investments	2.0	0 – 5
Australian Infrastructure	5.0	0 – 10
International Infrastructure	5.0	0 – 10
Property	10.0	0 – 20
Fixed Interest	28.0	16 – 36
Cash	2.0	0 – 10



Conservative Balanced

Objectives

- 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;
- To confine the chance of the rate credited to members falling below zero in any financial year to less than one in fifteen; and
- 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

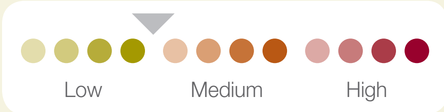
Members investing for the short to medium term who want a more secure option with less chance of fluctuations than the Shares Plus, Growth or Balanced options and/or members looking for lower risk options for their superannuation savings.

Risk profile

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

Risk classification

Low to Medium risk
Returns can fluctuate from year to year, either moderately or considerably.



Asset allocation and ranges

Asset Class	Target %	Range %
Australian Equities	17.0	10 – 24
International Equities	13.0	6 – 20
Australian Infrastructure	5.0	0 – 10
International Infrastructure	5.0	0 – 10
Property	10.0	0 – 20
Fixed Interest	30.0	25 – 45
Cash	20.0	2 – 25

Cash

Objectives

- 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;
- To confine the chance of the rate credited to members falling below zero in any financial year being negligible; and
- 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

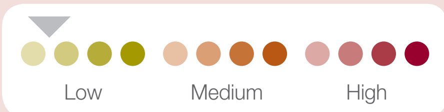
Members investing for the short term and/or those who want a secure option with a low chance of investment fluctuations. May be suitable for members intending to realise or reorganise their investments in the near future who want to avoid the possibility of a loss over that period.

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.

Risk classification

Very Low risk
Returns can fluctuate from year to year, either moderately or considerably.



Asset allocation and ranges

Asset Class	Target %
Cash	100.0

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.

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

First Super also determines interim rates of earnings that 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 withdrawal plus the estimated investment returns for any part month up to the date of exit or withdrawal. If you leave the Fund or withdraw part of your benefit from the Fund between monthly earning rate declarations, an interim crediting rate is applied to your entire account balance.

History of investment performance

The long term crediting rates of the Fund to 30 June 2011 are shown in the table below.

First Super commenced on 1 July 2008 with four investment options. Three of these (Balanced, Shares Plus and Cash) 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. The Growth option commenced on 1 July 2011.

Until 31 October 2009:

> The Balanced option was called the Growth investment option;

> The Shares Plus option was called the High Growth investment option;

> The Conservative Balanced option was called the Conservative Growth option; and

> The Cash investment option was called the Capital Stable option.

Investment returns % p.a. to 30 June 2011

Option	1 year	2 years	3 years	5 years	10 years
Balanced (default)	6.7%	8.8%	0.4%	2.0%	5.0%
Shares Plus	9.0%	11.4%	-0.1%	0.3%	3.1%
Conservative Balanced	7.3%	8.8%	2.3%	NA	NA
Cash	4.5%	3.9%	3.7%	4.1%	4.5%

Past performance is not a reliable indicator for future investment performance. Investment returns for 4 years or more were earned inside the former TISS fund.

Liquidity

Liquidity requirements are met through a combination of cash holdings in the investment options and cash flow from net contributions. A significant portion of 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. When this document was prepared the Fund was growing and remains in a positive cash-flow position.

Socially responsible investing

When making investment decisions, the Trustee and the Fund's investment managers 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.

Payments may be delayed in special circumstances

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

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

2 Consider your time horizon

3 Balance your objectives with your risk profile and time horizon

4 To make an investment choice download an *Investment Choice Form* from **www.firstsuper.com.au** or call us and we'll send one to you

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 is available to members of First Super. Call 1300 368 988 if you would like to arrange for a licensed professional to contact you.*

* Financial planning is supplied by Industry Fund Financial Planning (IFFP), a division of Industry Fund Services Pty Ltd ABN 54 007 016 195 AFSL 232514.

ENVI Carbon Neutral paper is made by First Super members

NATIONAL CARBON OFFSET STANDARD CONSUMER

First Super uses National Carbon Offset Standard Certified ENVI Carbon Neutral Paper

An Australian Government Initiative

Contacting First Super is easy

Our friendly administration staff are ready to help you.

Call: 1300 360 988

Fax: 1300 362 899

Email: mail@firstsuper.com.au

Write to: First Super, PO Box 666 Carlton South VIC 3053

Website: www.firstsuper.com.au

FIRST SUPER

An Industry SuperFund

Keep in touch

It's important that you tell us if you change address so that you continue to get all the information issued by First Super. You can do this via online access or you can contact us using any of the ways set out above.