



## **Share Market Volatility Information for Members 19 December 2011**

**Significant falls on global share markets may raise some concerns amongst members. Please find below brief answers to the most often asked questions.**

### **Will the share market falls affect my super?**

First Super's Balanced (default option), Shares Plus, Growth and Conservative Balanced investment options all have some investment in shares. Falls in the value of shares will affect investment returns for these options.

However, First Super's Balanced investment option (in which most members are invested) is less exposed to share markets than the default investment option of many other funds. This means First Super members may not be as affected as much as the members of some other funds. Indeed, according to SuperRatings, the negative returns of most other funds for the five months to the end of November 2011 were much higher than First Super's relatively small negative return for the Balanced option.\*

\*Investment earnings can change over time. Past performance is not a good indicator of future investment performance.

### **How much does First Super have invested in shares?**

In the Balanced option, in which most members are invested, about 40% is invested in shares and 60% in other assets such as corporate and government bonds, commercial loans, property, infrastructure and cash.

### **Why didn't the Fund just get out of shares when the markets started to fall?**

For most members superannuation is a long-term investment. In managing your super we avoid knee-jerk reactions to sudden volatility since experience shows this can lead to larger losses.

Over time there will be periods of strong performance and periods of poor performance in share markets. But losses are only realised if super funds actually sell assets.

## How much have I lost?

First Super calculates earnings and declares crediting rates monthly. Crediting rates for November and the financial year to date will be posted on the First Super website, and will be applied to the accounts of members who chose to switch investment options or switch funds.

So, if those rates are negative and you switched investment options or switched funds, negative earnings will be applied to your account.

If you don't switch investment options or switch funds, any negative returns for the financial year to date may be offset by positive earnings over the remainder of the financial year before final crediting rates are calculated and actually applied to your account – but of course there is no guarantee.

It is important to understand that First Super invests for the long-term, and is also invested in income-generating assets such as corporate and government bonds, commercial loans, property, infrastructure and cash.

## Can I switch my account to the Conservative Balanced or Cash options to avoid losses on share markets?

If you switch investment options or switch funds when returns for the financial year to date are negative, you will realise the investment loss.

If you do not switch investment options or switch funds, negative returns over the financial year to date may be offset by positive earnings over the rest of the financial year before final crediting rates are calculated and applied to your account – but of course there is no guarantee.

It is important to understand that First Super invests for the long-term, and is also invested in income-generating assets such as corporate and government bonds, commercial loans, property, infrastructure and cash.

ASIC suggests that if:<sup>1</sup>

- *You're worried about a negative return – stick to judging performance over 5 years or more*
- *You're chasing last year's top performing fund as it may not perform as well in coming years*

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<sup>1</sup> See the website below for more information from ASIC. <http://www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/choosing-a-super-fund>

## Why should I put extra money into my super if there are negative returns?

Tax concessions and other Government benefits currently make super an excellent way to invest for your retirement, and any losses through super that are due to market falls also affect other types of investments that don't enjoy the same advantages as super.

It's hard to beat super as a way of saving for retirement, but you should consider all your personal circumstances before making a decision.

Remember also that First Super offers a range of investment options with different investment risk - return profiles.

## How can I get help?

If you would like to talk to our Financial Planner about your super and about investment choice options call us on 1300 360 988.<sup>2</sup>

This report was prepared by First Super Pty Ltd (ABN 42 053 498 472 AFSL 223988, RSEL L0003049), Trustee of the First Super superannuation fund (Fund) ABN 56 286 625 181 RSEL 1067385. The material in this report is a summary only and was prepared without taking into account your objectives, financial situation or needs. You should consider the appropriateness of the material in light of your own objectives, financial situation or needs before making a decision. You can obtain a copy of the Product Disclosure Statement by contacting us on 1300 360 988.

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<sup>2</sup> Financial planning is supplied by Industry Fund Financial Planning (IFFP). IFFP is a division of Industry Fund Services Pty Ltd - ABN 54 007 016 195, AFSL 232514. Complex plans may incur a fee. You will be advised of any fee in writing before it is incurred.