

Accountants Super

Risks Incorporated Information

14 November 2011

The information in this document forms part of the Accountants Super Product Disclosure Statement dated 14 November 2011.

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You should consider this information and the information in the PDS before making a decision to invest in Accountants Super.

The information in this document is general information only and does not take into account your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances before making an investment decision.

This document was prepared and issued by Professional Associations Superannuation Limited ('PASL' or 'Trustee') (ABN 14 056 917 303 AFSL 222590 RSE L0000352) as trustee for Professional Associations Superannuation Fund (PASF) (ABN 78 984 178 687 RSE R1000429). Accountants Super is a division of PASF.

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Things you should know:

- All investments carry risk.
- Different investment options may carry different levels of risk depending on the assets that each investment option is invested in, and
- Assets with the highest expected long-term returns (such as shares and property) may also carry the highest level of short-term risk.

1. General risks

Some general risks associated with joining Accountants Super (but common to all super funds) include the risk that:

- We may close Accountants Super or wind up PASF (from which Accountants Super is offered) in the future. The Trust Deed determines how we must act if this happens.
- PASF could lose its complying fund status and as a result its tax concessions. We manage this risk by ensuring that PASF is administered professionally and operates in accordance with the requirements of the Trust Deed and the law.
- There could be changes to PASFs' key staff, investment professionals or internal operations. We have a risk management plan which is available on request to members or employer-sponsors.
- Changes to super legislation could affect your ability to access your super benefits or the amount of benefits.
- Changes to the taxation of super may affect the value of your super benefits, and
- When you withdraw your super, you could get back less than what you contributed as a result of investment fluctuations, tax deductions, applicable fees and insurance costs.

2. Some basics about investing

To help you make the best investment choice, it is important to understand some relevant principles about investing, in particular, the link between risk and return.

Risk and return

Risk generally indicates the likely variation in investment returns or the chance of a negative return. Low risk indicates that the investment return is likely to vary within a small range over time. High risk means that the return may differ significantly from year-to-year and could be negative.

Return is the change in value of an investment. Returns may comprise income and/or capital growth and may be positive or negative from time-to-time.

For information about the investment performance of each of the investment options, go to www.accountants-super.com. However, it is important to keep in mind past performance is not an indicator of future performance.

Different ways to invest your super

The types of investments we invest in, depending on each investment options objectives and strategy, are outlined below. Each of these investments may have a different risk and return profile.

Cash

Cash refers to money invested in bank accounts, term deposits or bank bills. The return on cash is from interest earned.

Cash-like assets

Cash-like assets include term deposits, commercial paper and floating rate notes. The return on cash-like assets is generally from interest earned. Cash-like assets are subject to variability in investment returns and there is some potential for loss of income or capital value depending on the nature of the cash-like asset.

Bonds

A bond is a debt security issued for a fixed time period, usually by a government or corporation and pays a fixed interest rate each year to the investor in the bond. Effectively the investor is lending money to the government or corporation. The return from a bond is from the interest earned and changes in the value of the bond.

Property

Property is land and any building on it and may include real estate in Australia or overseas (retail, industrial or commercial). Returns from property come from rental income earned and through changes in the value of the property.

Alternative assets

Alternative assets may include hedge funds, structured diversified products and a range of investments such as emerging market and high yield debt, investment grade credit and bank loans. These types of alternative assets are generally regarded as being more liquid than other types of alternative investments, such as private capital. Returns from alternative assets come from interest income and changes in the value of the underlying assets.

Private capital

Private capital refers to assets like infrastructure (e.g. roads, bridges and utilities) or companies which are not publicly listed on a stock exchange. Returns from private capital come from rental income (infrastructure assets) and dividends (from unlisted shares) and changes in the value of the underlying assets.

Shares

Shares represent part ownership of a company and maybe purchased in publicly listed Australian or overseas companies or those in emerging markets. Returns from shares come from dividends (being a share of the company's profits) and changes in the value of the company. If the company or share market performs well, the value of the shares may increase. If the company or market does poorly, the value of the shares may decrease.

What type of investor are you?

How you feel about risk and return will determine the type of investor you are – and which investment option may suit you best.

The Risk Profiler questionnaire, located in the Investments section of the website at www.accountants-super.com, is designed to help you feel more comfortable in making an investment choice. It can help you identify how comfortable you are with different levels of risk. Using this information, you can choose an investment option with the same or a similar risk aspect.

To view or download the Risk Profiler questionnaire, go to the Investments section at www.accountants-super.com.

Investment risk

As different assets perform differently over time, there are a number of different risks associated with our investment options. The risks of investing vary with each option, depending on the underlying investments or assets that the option is invested in. Refer to the Accountants Super Investments Incorporated Information for an indication of the risk profile of each investment option.

The main investment risks are:

Inflation risk

Inflation is measured by changes in the Consumer Price Index (CPI) and is a measure of changes in the cost of living. As the cost of living changes so too does the real value of money. Inflation results in money having less purchasing power. The rate of inflation may exceed the rate of return achieved on your investment and hence your investment may not retain its purchasing power. This risk is relevant to all investment options.

Individual investment risk

Individual investments can (and do) fall in value. There are varying degrees of risk associated with each of the investments held in the various investment options.

Market risk

The value of an investment can be affected by changes in market sentiment or as a consequence of changing economic, technological, political and legal conditions. These risks can affect investments made by any super fund and is a relevant risk for all investment options.

Interest rate risk

Changes in interest rates can have a positive or a negative impact directly or indirectly on investment value(s) and return(s). This risk affects all investments and therefore is relevant to all investment options.

Currency risk

Some of the investment options involve investments in other countries. If foreign currencies change in value relative to the Australian dollar, the value of an investment can change.

This risk affects only overseas investments so it can only be considered a significant risk for options where a proportion of the assets are invested overseas. However, some currency exposure is removed through currency hedging.

Currency risk can potentially affect all investment options except the Cash and Australian Shares options.

Derivatives risk

There are a number of risks associated with investing in derivatives contracts, including:

- The value of the derivative failing to move in line with the underlying asset
- The risk that the derivative may not readily be converted to cash
- The risk that an investor cannot meet payment obligations as they arise, and
- Counterparty risk whereby the other party to the derivative contract cannot meet its obligations under the contract.

3. Derivatives

Some of the underlying investment managers in our investment options invest directly in derivative investments such as futures, options and swaps. From time to time, we may also invest directly in derivatives for risk management and/or performance enhancement purposes. This activity is undertaken as part of a strategy to manage investment risk or to take advantage of investment opportunities arising from investment market inefficiencies or asset class mispricing. We have a detailed policy in place to ensure any direct investment in derivatives undergoes careful research, analysis and review.

All direct derivatives investments are monitored to ensure proper controls are in place to protect against improper use and to ensure the investment is consistent with the strategic asset allocations applicable to each investment option. All investment options may have derivatives exposure.

4. Insurance risks

All insurance benefits are subject to the terms and conditions of an insurance policy or policies issued by an insurer.

The terms and conditions of these policies, including the level of cover and the premiums, may be varied in the future.

As with any insurance policy, there are a number of risks associated with insurance. These include the risk that:

- You may suffer an injury or illness such that you cannot work but your condition does not satisfy the relevant definition of disablement. In this case, an insured benefit (as applicable) may not be paid.
- Even if your insurance claim is ultimately accepted, it may be some time before payment can be made to you. For example, it can take some time to obtain all the required information to assess your claim.
- The insurer may refuse to provide cover in certain circumstances, for example, if a restriction or exclusion in the insurance policy applies.
- The amount of insurance cover you have selected or the maximum amount available under the policy may be insufficient for your needs.
- The insurer may decline your application for cover (or extra cover) which may affect your ability to obtain insurance cover in the future, and
- If you choose to opt out of insurance cover you will not be able to reinstate cover without undergoing a health assessment.

Refer to the Accountants Super Insurance Incorporated Information for more information.

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