

VicSuper News

SEPTEMBER 2020

VicSuper FutureSaver



Making changes for the better
for members and communities



VicSuper

This document is issued by FSS Trustee Corporation ABN 11 118 202 672 AFSL 293340 as trustee of the First State Superannuation Scheme ABN 53 226 460 365 (name changing to Aware Super Pty Ltd as trustee of Aware Super effective 14 September 2020) (the 'Trustee', 'we', 'us', 'our', 'Aware Super'). Following the successor fund transfer on 1 July 2020, VicSuper FutureSaver is now offered as part of the VicSuper division of the First State Superannuation Scheme. This document includes references to products, performance and awards issued or earned prior to the successor fund transfer when VicSuper Pty Ltd ('VicSuper') was the Trustee of the VicSuper Fund.

Welcome to the first edition of *VicSuper News*; our new six-monthly update for VicSuper members

A message for members

The past few months have been an exciting time in the history of our fund. We've completed the merger between VicSuper and First State Super (now called Aware Super) making us the second largest super fund in Australia. As a profit-to-member fund, Aware Super is proud to be managing more than \$125 billion¹ on behalf of more than 1.1 million Australians. Our VicSuper members are a very important part of our fund, with overall members from Victoria making up close to half our total membership.

Our newly combined team has been getting on with doing exactly what we're here to do – providing you with great value super and retirement products and services. And we've got plenty of news to share with you already.

Making a positive difference

This edition of *VicSuper News* showcases some of the positive impacts we've been making within the fund and how they're designed to benefit our members and our communities. For example, we're taking stronger action across the fund on climate change, and we're strengthening our Socially Conscious investment option. Turn to pages 4 and 5 to learn more.

Fee reductions for FutureSaver accounts

From 1 November, we're also aligning the fee structure of VicSuper's products with Aware Super's products. Turn to pages 4 and 8 to 11 to see how it's reducing costs for the vast majority of our members.

Strong results in challenging times

On page 5 you'll find an update on the VicSuper product's investment performance for the 2019/20 financial year. It's been a deeply challenging time for investments generally, but Aware Super is continuing to deliver strong long-term investment returns² for our VicSuper members.

Thank you

There's no denying that 2020 has been an incredibly difficult year across the board, from the devastation wrought by fires and floods, and now the widespread impacts of the global COVID-19 pandemic. It's been a year of unprecedented challenge and uncertainty and all our lives have been touched.

To all our members – the health care workers, the teachers, those continuing to provide essential services, and those who are making sacrifices to stay at home – thank you for your resilience and strength.



Committed to Victoria

As we've said many times throughout this merger, our commitment to Victoria remains as strong as ever. Our existing Victorian-based member services, employer service and advice teams continue to be at your service. This commitment is also reflected in the way we're investing further in Victorian communities. We're supporting jobs growth with a co-investment in the \$200m Victorian Business Growth Fund and investing in key community and urban regeneration projects including Bendigo Hospital and Two Melbourne Quarter. For more information on how we are continuing to invest in Victoria, head to vicsuper.com.au/communityinvestment.

And remember, we're always here to help

We know that getting expert guidance and advice has the potential to make a big difference to your lifestyle in retirement. And it can give you a much-needed sense of control and peace of mind simply to know that you have a plan. On page 6 we take a look at the expanded range of advice services we provide for members, and invite you to explore a fantastic new resource hub on our website – Discover & Learn – vicsuper.com.au/learn.

As always, if you'd like more information, or if we can help, don't hesitate to give us a call on **1300 366 216**. In the meantime, we hope you enjoy our first edition of *VicSuper News* and learning more about how we're helping you achieve the future you're planning for.

Warm regards

Deanne Stewart
CEO

Michael Dundon
Former CEO, VicSuper

1. As at 1 July 2020.

2. Returns for the VicSuper FutureSaver Growth (MySuper) investment option were in the top 10 for the 1, 3, 7 and 10 year periods, and in the top quartile for the 1, 3, 7 and 10 year periods, as published in the SuperRatings Fund Crediting Rate Survey (SR50 MySuper Index) for 30 June 2020. This option is representative because it contains over half of total of the VicSuper division's funds under management. Note that past performance is not a reliable indicator of future performance. These results were produced when VicSuper FutureSaver was offered by VicSuper Pty Ltd as the Trustee of the VicSuper Fund prior to the successor fund transfer to on 1 July 2020 when it became part of the VicSuper division of the First State Superannuation Scheme. Chart can be found at vicsuper.com.au/investments. Past performance is not a reliable indicator of future performance.

Inside this booklet

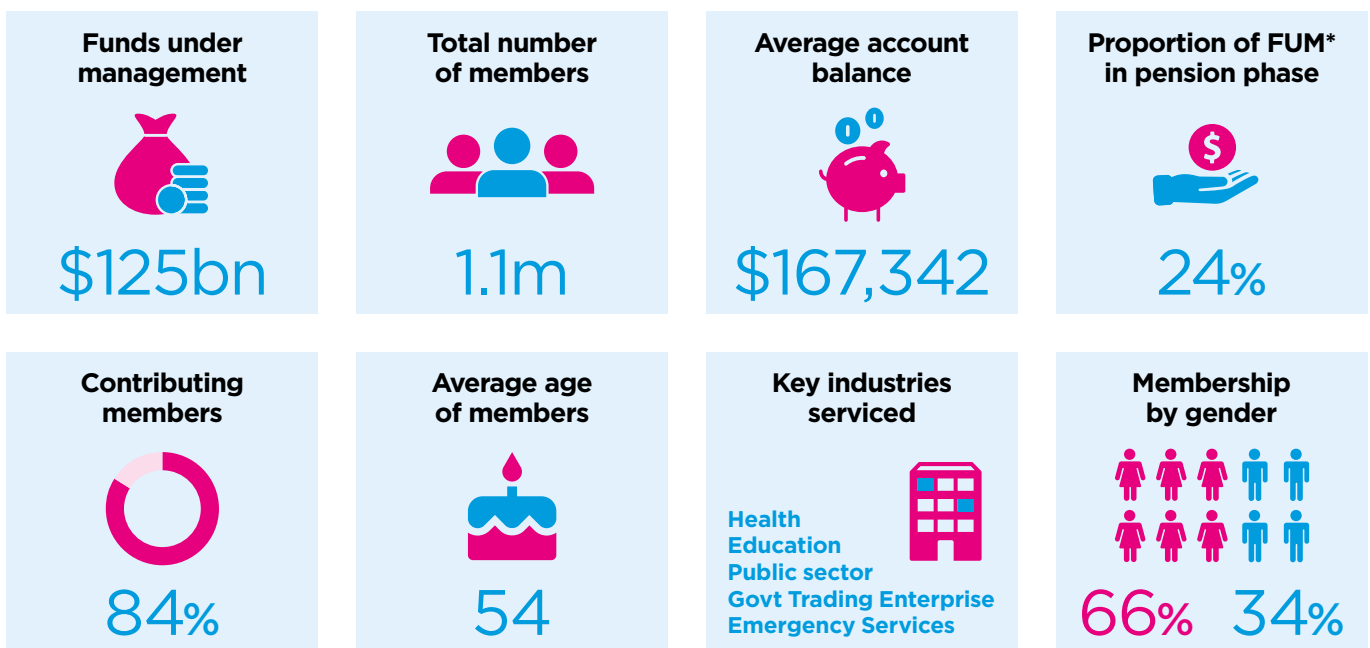
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What's in a name?

After many months of planning and consultation, First State Super is changing its name to Aware Super effective 14 September 2020. It's a name that reflects the fund's continuing commitment to taking action and creating positive impact - and being an even greater force for good in our communities. Our VicSuper brand continues to sit alongside Aware Super, and you will continue to be part of the VicSuper division of Aware Super. If you'd like to learn more, head to: aware.com.au/awaresuper.



Fund snapshot



* Funds under management
As at July 2020 (Post Merger)

Fee reductions for FutureSaver accounts

VicSuper has always endeavoured to keep fees as low as possible. That's because we know that keeping fees low can help you maximise the overall returns on your investment. Indeed, one of the key considerations behind the decision to merge VicSuper with Aware Super (previously First State Super), was the potential benefits that greater size and scale could bring, including opportunities for fee and cost savings.

We're pleased to announce that from 1 November 2020, we'll be reducing the account keeping fee by 34%, reducing the administration fee by 21%, and nearly halving the overall administration fee cap for FutureSaver

accounts. That's great news for our FutureSaver members, and a great example of how you're set to benefit from our recent merger.

We'll also be changing the way we structure our investment fees and indirect cost ratio to align with the fee structure of Aware Super's other products. We expect this to result in a reduction in investment fees and indirect costs for most investment options.

[Find out more about the changes to fees and costs on pages 8 to 11.](#)

Strengthening our commitment to responsible investing

When it comes to how we manage investments, we incorporate environmental, social and governance (ESG) considerations as part of our investment decision-making process. This is known as responsible investing. Responsible investment is a well-established part of our overall investment approach. In 2018 both VicSuper and First State Super were recognised as leaders in responsible investing by the Responsible Investment Association Australasia (RIAA, Super Fund Responsible Investment Benchmark Report 2018).

Not only does responsible investing give us an opportunity to optimise our members' retirement savings, it also allows us to positively contribute to the world in which our members live and retire. The end result is an investment portfolio that aims to do well for members, while doing good for others. And we think that's something we can all feel good about.

Our recent merger is helping to further strengthen and embed this commitment to responsible investing. From 1 October 2020, we'll be excluding direct investments in:

- companies deriving 10% or more of their revenues directly from mining thermal or energy coal
- companies deriving revenue from the manufacture and/or production of controversial weapons including chemical weapons, cluster munitions, land mines and depleted uranium.

We note that due to liquidity constraints, unlisted thermal coal mining assets may take time to divest from and there may be a small residual exposure. Such assets will be sold at fair value as soon as reasonably practicable, but by no later than 30 June 2023.

[Our updated Responsible Investment policy will be published on \[vicsuper.com.au/responsibleinvesting\]\(https://vicsuper.com.au/responsibleinvesting\) on 1 October 2020.](#)

Taking bold action on climate change

We believe climate change is a significant long-term risk to the planet, our investment portfolio, and ultimately our members' retirement outcomes. Through our Climate Change Portfolio Transition Plan, we're transitioning our portfolio to a low carbon economy with bold action and clear targets. In addition to the thermal coal mining divestment outlined above, we are:

- targeting a 30% reduction in the emissions associated with our listed equities portfolio by 2023
- advocating for an economy-wide 45% reduction in emissions by 2030.

[Head to \[vicsuper.com.au/responsibleinvesting\]\(https://vicsuper.com.au/responsibleinvesting\) for more information.](https://vicsuper.com.au/responsibleinvesting)



Broadening the impact of the VicSuper Socially Conscious option

We've long believed that investing in your future shouldn't be at the expense of the world we live in – because that's one thing all our futures are depending on. That's why we're broadening the impact of our Socially Conscious investment option, by expanding the exclusions we apply to incorporate *all* the asset classes the option invests in (not just equities and fixed interest).

Our Socially Conscious investment option has always allowed you to make an investment choice driven by your beliefs and values. It provides a suitable investment choice for members wanting to:

- take action on climate change
- minimise social harm
- protect human rights, labour rights and the environment.

In order to achieve this, we apply a number of exclusions when selecting companies to invest in (for example we won't invest in companies that are materially involved in tobacco, gambling or nuclear energy). Previously, these exclusions have only applied to the equities and fixed interest asset classes of the Socially Conscious investment option, but going forward, they'll apply across all asset classes.

Turn to page 14 to see how the VicSuper Socially Conscious investment option will be invested from 1 November 2020. And if you'd like to know more about the exclusions we apply, please refer to our website: vicsuper.com.au/sociallyconscious

Investment performance update

Delivering good investment outcomes in a challenging year

The financial year to 30 June 2020 saw unprecedented and challenging market conditions. COVID-19 disrupted the optimistic market outlook and saw share markets fall by around a third from late-February to mid-March. But share markets recovered these losses through the final quarter, buoyed by supportive monetary and fiscal policies globally.

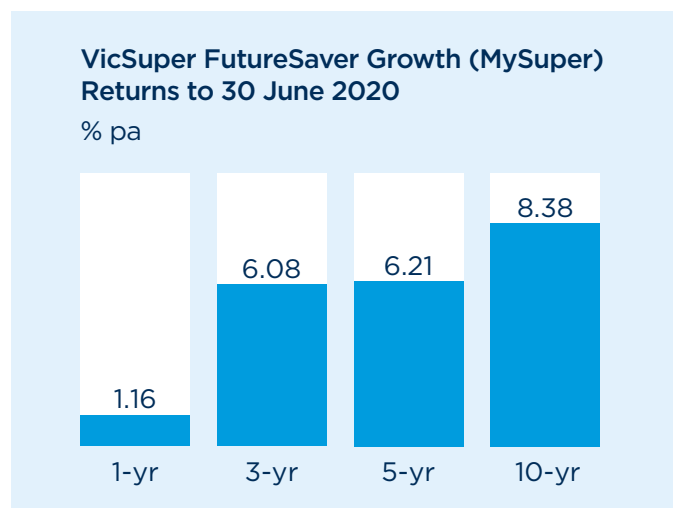
Despite the volatile market conditions, most VicSuper FutureSaver investment options delivered positive 1-year returns to 30 June 2020. This supported continued, solid long-term returns. Notably, the default VicSuper FutureSaver Growth (MySuper) investment option ranked in the top ten performers against peers for the rolling 1, 3, 7 and 10-year periods to 30 June 2020*. This is a great result for our members given the challenging environment.

Importantly, our diversified investment approach – spreading money across a range of quality investments – continued to help moderate the fluctuations in the investment returns of our diversified options.

Looking ahead, we believe we'll continue to see heightened volatility as markets grapple with the risk of a second wave of COVID-19 infections, rising geopolitical tensions with China and the implications of the US election.

Despite this continued volatility, we remain well placed to manage your superannuation and grow your retirement savings. Our overarching approach of investing with the aims of sustainable long-term returns, and only taking on investment risk that will be adequately rewarded, supports our goal of continuing to deliver strong long-term returns for members.

Find out more about our investment performance at vicsuper.com.au/investments



*Returns for the VicSuper FutureSaver Growth (MySuper) investment option were in the top 10 for the 1, 3, 7 and 10 year periods, and in the top quartile for the 1, 3, 7 and 10 year periods, as published in the SuperRatings Fund Crediting Rate Survey (SR50 MySuper Index) for 30 June 2020. This option is representative because it contains over half of total of the VicSuper division's funds under management. Note that past performance is not a reliable indicator of future performance. These results were produced when VicSuper FutureSaver was offered by VicSuper Pty Ltd as the Trustee of the VicSuper Fund prior to the successor fund transfer to on 1 July 2020 when it became part of the VicSuper division of the First State Superannuation Scheme. Chart can be found at vicsuper.com.au/investments

Expanded guidance and advice for members

We know expert guidance and advice can play a valuable role in helping you get more of the future you want. That's why we provide you with the type of advice you need, when and where you need it.

The value of expert advice

For many of our members, the benefits of receiving expert financial planning advice go beyond simply making the most of their nest eggs. Just as beneficial is the sense of relief and peace of mind they feel from knowing they're more in control and have a plan – especially during periods of economic uncertainty.

Our newly combined fund has financial planners working across the country to deliver quality financial advice to members – advice that can make a genuine difference to your future. What's more, you can now access an expanded range of financial planning expertise and capability.

This service is split into two key forms of advice: simple advice, limited to your account; and comprehensive advice. Comprehensive advice includes new services for VicSuper members such as advice on budgeting, cash flow management, and investments outside of super. More topics are outlined in the table below. Additionally, you can access specialist aged care advice, insurance and estate planning. If you'd like to learn more, head to our website:

vicsuper.com.au/advice

Advice offering	
Simple Advice	Comprehensive Advice
<p><i>Personal advice on the following topics:</i></p> <ul style="list-style-type: none"> • Lump sum contributions • Deductible contributions including salary sacrifice • Government co-contribution • Investment choice • Insurance gap analysis • Retirement health check • Advice in relation to the commencement of a Transition to Retirement income stream for the purpose of reducing your work hours • Advice to commence an account-based retirement income stream <p>Provided at no additional cost to members.</p>	<p><i>Personal advice on the following topics:</i></p> <ul style="list-style-type: none"> • Goal setting and tracking • Downsizer super contributions • Advice in relation to using a Transition to Retirement income stream to maximise super • Advice in relation to using a Transition to Retirement income stream to meet future capital requirements • Commencement of an account-based retirement income stream • Commencement of a non-account based retirement income stream • Super consolidation advice • Centrelink (Age Pension entitlements & concession cards) • Intergenerational wealth transfer • Budgeting/cash flow • Investment of assets outside of super <p>Costs vary depending on the type of advice required, and may be paid directly via EFTPOS from a bank or credit union account, or paid by credit card. The cost of any advice relating to your super may also be deducted from your super account.</p>

Financial planning services are provided by Aware Super's wholly owned financial planning business, State Super Financial Services Australia Limited, trading as StatePlus (name changing to Aware Financial Services Australia Limited effective 14 September 2020).

It's never too soon or too late to get some expert advice

From a simple 30-minute chat with one of our team, through to a more detailed consultation with one of our financial planners, we can help you understand how to grow your super faster, or how to maximise your retirement benefits and minimise your tax.

Call us for a chat today on **1300 366 216**, or book an appointment online at vicsuper.com.au/advice



Save the date

Our 2020 Annual Members' Meeting is coming.

The meeting will be a virtual event broadcast from Melbourne on **Monday 30 November 2020** from 6pm - 7:30pm (AEDT).

The Annual Members' Meeting is your opportunity to meet our leaders and hear how we are managing your investment.

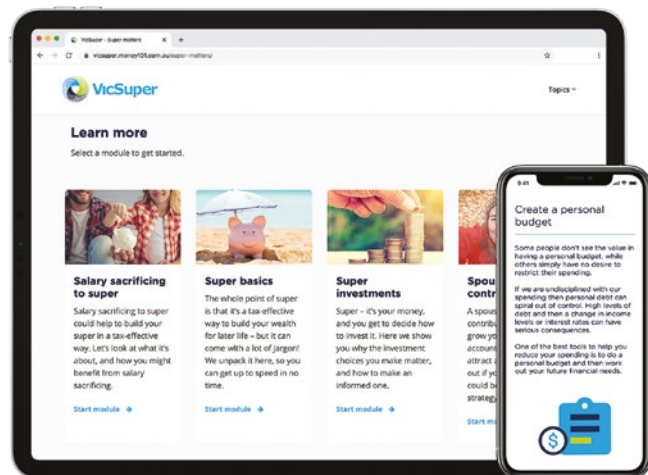
Registrations will be open from 17 September 2020 at vicsuper.com.au/amm



Discover and learn

*New to super? Already retired?
Somewhere in between?*

At VicSuper, our online learning hub provides information and tools to help you take control and get more of the future you want. No time limits, no tests, just practical information to help you make informed decisions and get it sorted.



Step inside our Discover and Learn hub and get started:
vicsuper.com.au/learn

Additional information on changes to your fees

Reduced administration fees and fee cap

From 1 November 2020, your administration fees and your fee cap will reduce as follows:

- **Account keeping fee:** will go down by 34% from \$78.21 per year (\$1.50 per week) to \$52.00 per year (\$1.00 per week)
- **Administration fee:** will go down by 21% from 0.19% per year to 0.15% per year
- **Administration fee cap:** will reduce to \$750 per year from \$1,500 per year
- **Cap calculation change:** the \$52.00 per year account keeping fee **will be excluded** from the fee cap of \$750 per year. Therefore, the maximum total administration fees we can charge you will be:

An account keeping fee of \$52 + a maximum of \$750 in administration fees = \$802 per year

Changes to investment fees

From 1 November 2020, we're aligning our investment fee structure and the way we disclose these fees with Aware Super:

- **Removal of the indirect cost ratio (ICR):** We will show all investment-related fees and costs under the heading "investment fee" instead of showing indirect costs as a separate ICR (as we've done previously). As a result, our investment fees in some options will appear to have increased, but this change simply reflects the reclassification of the ICR, which will be shown as zero in future.
- **Inclusion of a trustee charge:** The investment fees for each of our diversified investment options (i.e. the Equity Growth, Growth, Socially Conscious, Balanced, Capital Stable and Capital Secure investment options) also include a new charge: the trustee's charge of 0.04% per year. This is a component of 'Other fees and costs'. It will not be charged on the Australian Shares, Term Deposit or Cash investment options.

A comparison of all estimated old and new investment fees and costs for each investment option is shown on page 11.

Understanding the fee changes

The table on page 9 shows you the **projected** investment fees and costs for 2020/21. And remember, as explained above, while it may look like the investment fees for 2020/21 have increased, these figures now *include* indirect costs (which used to be shown separately). So in fact, the total investment fees and costs for all of our options have either gone down or stayed the same.

The difference in the fees and costs you'll pay will depend on which investment option(s) your superannuation is invested in. Please refer to the table on page 11 for the change in investment fees and costs for each investment option.

Fees and other costs

VicSuper FutureSaver from 1 November 2020

Type of fee	Estimated 2020/21 amount (projected)	How and when the fees will be paid
Investment fee¹	<p><i>For 2020/21, ranges between 0.00% per year to 0.64% per year (\$0 to \$320 per \$50,000) (estimated)²</i></p> <p><i>An estimated percentage, depending on your investment option. Estimations for each investment option are shown on page 11.</i></p>	<p>Deducted from the assets of the option or the assets of underlying investment vehicles before the unit price for an investment option is determined. This means that the investment earnings credited to your account already have these investment fees deducted beforehand.</p> <p>These fees are not deducted directly from your account.</p>
Administration fee	<p><i>For 2020/21, an account keeping fee of \$52.00 per year (\$1.00 per week) plus an administration fee of 0.15% per year (\$75 per year per \$50,000).</i></p> <p>The percentage-based administration fee is capped at \$750 per year (\$62.50 per month) excluding the account keeping fee.</p>	<p>The account keeping fee is calculated daily and deducted from your account monthly, or on exit.</p> <p>The administration fee is calculated and deducted monthly based on the account balance at the end of the month and prorated for the number of days in the fund. On exit, the fee is calculated based on the previous month end balance and prorated for the number of days in the fund.</p>
Buy-sell spread	Nil	The fund does not charge a buy-sell spread.
Switching fee	Nil	The fund does not charge a switching fee.
Advice fee relating to all members investing in a particular MySuper product or investment option	Nil	No advice fee is charged for providing general and simple advice limited to your account.
Other fees and costs	Comprehensive financial advice	<p>If you require comprehensive financial advice of a more complex nature, additional fees may be paid to a financial adviser. The fees will depend on the complexity of the advice you are seeking.</p> <p>If you obtain complex financial advice from a planner in our financial planning business, you will be informed of the fee before you proceed. If you are issued with a Statement of Advice, it will contain details of the fees, which may be deducted from your account when the advice is received (or you may need to pay the fee directly).</p>
Indirect cost ratio	<i>For 2020/21, nil²</i>	<i>From 1 November 2020, all indirect costs are included in investment fees.</i>

1. If your account balance for a product offered by the superannuation entity is less than \$6,000 at the end of the entity's income year, the total combined amount of administration fees, investment fees and indirect costs charged to you is capped at 3% of the account balance. Any amount charged in excess of that cap must be refunded.
2. The Investment fees for 2020/21 are a forecast of the expected fees and costs. The forecast is based on actual fee arrangements with investment managers where these are known. For fees and costs that are not fixed, such as performance fees, we have forecast the amounts based on expected outcomes. Savings are expected to be derived from reducing the number of external managers where it made sense to do so and renegotiating fees with retained managers, increasing the amount of assets managed internally, and fee savings from moving to a new custodian. **These estimates are predictive in nature, may be affected by inaccurate assumptions or by unforeseen events, and may differ materially from the actual fees and costs for the period.**

An example of annual fees and costs from 1 November 2020 based on 2020/21 estimates

We've used the Growth (MySuper) Investment option in the example below. You can also find the investment fee and cost changes for *all* the investment options on page 11.

VicSuper FutureSaver – Growth (MySuper) option (based on 2020/21 ¹ estimates)		Balance of \$50,000
Investment fee¹	0.56% per year	For every \$50,000 you have in the superannuation product it is estimated you will be charged \$280 each year.
PLUS Administration Fees	\$52.00 per year (\$1.00 per week) + 0.15% per year	And, you will be charged \$127 in administration fees.
PLUS Indirect cost²	0.00% per year	And, indirect costs of \$0 each year will be deducted from your investment.
EQUALS Cost of product³		If your balance was \$50,000, then for 2020/21 it is estimated you will be charged fees of \$407 for the superannuation product.

1. The Investment fees for 2020/21 are a forecast of the expected fees and costs. The forecast is based on actual fee arrangements with investment managers where these are known. For fees and costs that are not fixed, such as performance fees, we have forecast the amounts based on expected outcomes. Savings are expected to be derived from reducing the number of external managers where it made sense to do so and renegotiating fees with retained managers, increasing the amount of assets managed internally, and fee savings from moving to a new custodian. **These estimates are predictive in nature, may be affected by inaccurate assumptions or by unforeseen events, and may differ materially from the actual fees and costs for the period.**
2. From 1 November 2020, all indirect costs are included in the investment fee.
3. Additional fees may apply.

 **For a side-by-side comparison of the estimated investment fees and costs you paid in 2019/20 and the projected fees you are expected to pay in 2020/21, visit vicsuper.com.au/investmentcosts.**

Estimated investment fees and costs by investment option (% per year)

At 30 June 2020, all the investment assets of VicSuper were combined with the investment assets of First State Super (now Aware Super). This means that the overall investment fees and costs have come down for all VicSuper FutureSaver members. The table below shows the estimated investment fees and costs for each investment option from 1 November 2020 based on both estimated 2019/20 amounts and **projected 2020/21** amounts.

VicSuper FutureSaver investment option	Estimated 2019/20 investment fees and costs ¹			Projected 2020/21 investment fees and costs ^{2,3}	
	Investment fee % per year	Indirect cost ratio (ICR) % per year	Total investment fees and costs % per year	Investment fee (now includes ICR) % per year	Total investment fees and costs \$ per year for \$50,000 balance
Diversified investment option					
Equity Growth	0.30	0.42	0.72	0.64	320
Growth (MySuper)	0.23	0.54	0.77	0.56	280
Socially Conscious	0.15	0.45	0.60	0.55	275
Balanced	0.21	0.45	0.66	0.58	290
Capital Stable	0.18	0.39	0.57	0.48	240
Capital Secure	0.14	0.23	0.37	0.32	160
Single asset class investment option					
Australian Shares	0.32	0.00	0.32	0.07	35
Term Deposit	0.00	0.00	0.00	0.00	0
Cash	0.02	0.00	0.02	0.02	10

1. The investment fee and ICR for 2019/20 are based on the estimated investment related costs that these investment options incurred in the Victorian Superannuation Fund for the 12 months ended 30 June 2020. The figures disclosed are based on historical information provided by the former trustee of the Victorian Superannuation Fund. If it becomes apparent that actual costs will differ materially the estimates will be updated. **It is important to note that past costs are not a reliable indicator of future costs.**
2. The Investment fees for 2020/21 are a forecast of the expected fees and costs. The forecast is based on actual fee arrangements with investment managers where these are known. For fees and costs that are not fixed, such as performance fees, we have forecast the amounts based on expected outcomes. Savings are expected to be derived from reducing the number of external managers where it made sense to do so and renegotiating fees with retained managers, increasing the amount of assets managed internally, and fee savings from moving to a new custodian. **These estimates are predictive in nature, may be affected by inaccurate assumptions or by unforeseen events, and may differ materially from the actual fees and costs for the period.**
3. From 1 November 2020, all indirect costs are included in the investment fee.

Additional information on changes to your investments

Following our merger 1 July 2020, we've reviewed our investment options and, effective 1 November 2020, we'll be making some changes to how we invest.

- **Changes to our investment objectives:** The downward revisions in the investment objectives for some investment options reflect a more conservative approach to estimating returns. For the Australian Shares option, the new investment objective reflects the change from an 'active' to a 'passive' investment approach.
- **A more detailed approach to showing what we invest in:** Going forward, we'll show a more detailed breakdown of the Equities, Alternatives and Real Assets asset classes to give you a better understanding of how your savings are invested. Descriptions of these asset classes are included in the following section.
- **Revised strategic asset allocations (SAAs):** Just as we normally do from time to time, we've reviewed and changed the SAAs (the medium to longer-term target allocation to the various asset classes) and target asset allocation ranges (the minimum and maximum amounts we can invest in each asset class) for our investment options, consistent with each option's investment objective. Our revisions will bring these into line with the investment approach of Aware Super.
- **Changes to Standard Risk Measures (SRMs):** For our Socially Conscious and Growth (MySuper) options, we've increased the strategic weighting to growth assets. This has resulted in an increase to the Standard Risk Measure (SRM), a measure that allows investors to compare risk within and across super funds for different investment options.

Check your investment option(s)

To see which option(s) you're invested in, refer to your latest member statement or log in to MembersOnline at vicsuper.com.au.

➤ **For more information on changes in your investment options, including side-by-side comparisons of old and new characteristics, please visit vicsuper.com.au/investmentcosts.**

Asset class descriptions

To help you better understand where your superannuation is invested, from 1 November 2020 we'll show Equities, Alternatives and Real Assets broken down in more detail. Brief descriptions of each of these asset classes are provided below.

Equities (shares) are a portion or share of a company that can be bought or sold on an exchange. We will break this asset class down into **Australian Equities**, for those companies listed on the Australian Stock Exchange, and **International Equities**, for any companies listed on an overseas stock exchange.

Alternatives include a wide range of investment strategies that will be split out into:

- **Private equity:** investments in Australian and overseas companies that are not listed on a stock exchange. They can range from large established companies to smaller, growing businesses.
- **Liquid alternatives:** diversified, non-traditional strategies that may use a wide range of derivatives, equities, bonds, currencies, commodities and other liquid asset classes to get exposure to markets. Within the asset class we differentiate strategies by risk/return profiles, grouping growth-oriented (Liquid alternatives (Growth)) and more defensively-oriented (Liquid alternatives (Defensive)) strategies together.
- **Credit income:** like fixed income, credit income investments involve a loan to a borrower in exchange for interest plus repayment of the principal amount at maturity. However, the loans are typically to borrowers with a lower credit rating, and as a result, may command a higher rate of return to compensate the investor for the higher risk of default. Examples of credit income investments include loans to unlisted infrastructure and real estate companies.

From 1 November, **Real assets** will be broken down into:

- **Infrastructure & Real Assets**, which include the utilities and facilities that provide essential services to communities (e.g. electricity, gas, water, communications, power, airports, roads, hospitals etc) that we either own directly or via unlisted or listed pooled funds.
- **Property**, which includes office buildings, shopping centres and industrial estates, as well as residential property such as apartment buildings and retirement villages owned either directly or indirectly (i.e. by purchasing units in a listed or unlisted property trust). Listed property investments (often known as Real Estate Investment Trusts or REITs) are investments in their own right and their returns also reflect changes in securities prices on listed markets, which will be different (and more volatile) than the returns earned from owning direct or unlisted property investments.

➤ **For more explanations of the investment characteristics of each asset class, please visit vicsuper.com.au/investmentcosts.**





Changes to diversified investment options from 1 November 2020

Equity Growth option

The investment return objective, growth/defensive split and strategic asset allocations will change. Note that we have added further diversification to this option by including small allocations to infrastructure, property and credit income.

Growth (MySuper) option

The investment return objective, growth/defensive split, strategic asset allocations and Standard Risk Measure will change. Note that the Standard Risk Measure has been elevated to align the risk assessment with the equivalent Aware Super option.

Investment return objective¹	CPI + 4.00% p.a. over rolling 10-year periods after taking into account fees, costs and tax.	CPI + 3.75% p.a. over rolling 10-year periods after taking into account fees, costs and tax.																																																																								
Growth/defensive asset split²	Growth 92% Defensive 8%	Growth 75% Defensive 25%																																																																								
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Socially Conscious option

The investment return objective, growth/defensive split, strategic asset allocations and Standard Risk Measure will all change. Note in particular the material increase in the allocation to growth assets, with the risk profile of the option becoming aligned with the Growth option.

Following a recent review of the option we will also expand the negative screens from applying only to Equities and Fixed Interest, to all asset classes, and update the screening criteria. Key changes include the addition of new screens for uranium mining and live animal exports, and the removal of the screen in relation to Genetically Modified Organisms. For more information, please refer to the Product Disclosure Statement which will be issued on 1 November 2020.

Balanced option

The investment return objective, growth/defensive split and strategic asset allocations will change.

Investment return objective¹	CPI + 3.25% p.a. over rolling 10-year periods after taking into account fees, costs and tax.	CPI + 3.00% p.a. over rolling 10-year periods after taking into account fees, costs and tax.																																																																								
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Capital Stable option

The investment return objective, growth/defensive split and strategic asset allocations will change.

Capital Secure option

The investment return objective, growth/defensive split and strategic asset allocations will change.

Investment return objective ¹	CPI + 2.00% p.a. over rolling 10-year periods after taking into account fees, costs and tax.	CPI + 1.25% p.a. over rolling 10-year periods after taking into account fees, costs and tax.																																																																								
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Changes to single asset class investment options from 1 November 2020

The new investment objectives for the single asset class options are set out in the table below.

Investment option	Investment return objective
Australian Shares	To track the return of the Aware Super Custom Index on MSCI Australia 300*, before taking into account fees, costs and tax.
Term Deposit	To outperform the returns of the Bloomberg AusBond Bank Bill Index, over rolling 12-month periods, before taking into account fees, costs and tax.
Cash	To outperform the returns of the Bloomberg AusBond Bank Bill Index, over rolling 12-month periods, before taking into account fees, costs and tax.

* A custom index calculated by MSCI based on the responsible ownership criteria provided by Aware Super.

The change for the Australian Shares single-asset class option return objective reflects a new benchmark to be managed from 1 November 2020. The Aware Super Custom Index incorporates our Responsible Ownership exclusions and the investment universe for these options from this date. We have partnered with MSCI to manage this index and provide reporting.

While our other single-asset class options do not have an Aware Super Custom benchmark, the same Responsible Ownership exclusions apply.

In addition, the new investment objective for the Australian Shares investment option also reflects the change from an 'active' to a 'passive' investment approach. Passive managers (also known as index managers) choose investments to form a portfolio that closely tracks a market benchmark (or index).

➤ For more information on changes in your investment options, including side-by-side comparisons of old and new characteristics, please visit vicsuper.com.au/investmentcosts. Please call our member centre on 1300 366 216 within 7 days of receiving this document if you would like to receive this information in writing.

Find out more

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