FactSheet

Understanding Risk

All investing comes with a level of risk. Understanding potential risks helps you to make better investment decisions.

We offer a range of different investment options to suit your goals, your timeframe and your required level of risk. You should consider all risks, as well as your own personal circumstances, before making decisions about your super investments. Asset classes like Australian and international shares, property and private equity typically offer higher potential long term returns but also come with a wider range of possible outcomes, including the possibility of negative returns. Cash and fixed interest investments generally have stable but lower returns over the long term.

You can manage your risk

While investment risk can't be completely removed, there are actions you can take to manage it. You can reduce your risk by spreading your super across different asset classes, which is also called diversifying your investments, and choosing an investment option that best suits your investment timeframe.

Diversification can reduce your investment risk because historically not all asset classes perform the same way at the same time – when one investment is performing poorly, another may be performing well.

To find out more about our investment options, visit **cbussuper.com.au/investment-options** and read the *Cbus Investment Handbook.*

Important information

This information is about Cbus Super. It doesn't account for your specific needs. Please consider your financial position, objectives and requirements before making financial decisions. Read the relevant Product Disclosure Statement (PDS) and Target Market Determination to decide if Cbus Super is right for you. Call **1300 361 784** or visit **cbussuper.com.au**

Insurance is issued under a group policy with our insurer, TAL Life Limited ABN 70 050 109 450 AFSL 237848.

United Super Pty Ltd ABN 46 006 261 623 AFSL 233792 as Trustee for the Construction and Building Unions Superannuation Fund ABN 75 493 363 262 (Cbus and/or Cbus Super).

CB135 03-24

Here are some risks that can impact your super, which you can take action to manage:

Markets move up and down

Because your superannuation is invested in financial markets that go up and down, your super returns will be affected by these movements. When markets are falling it's easy to take a short-term view of your investments. But remember, superannuation is there to build an income stream for your retirement in the future. So it's important not to make any sudden investment decisions or changes based on short-term movements as this could significantly impact the long-term value of your super. You should only change your investment options in line with changes to your investment objectives and personal circumstances.

Consider your investment timeframe

Different investment options come with different risk levels. The amount of risk depends on how long you're invested for:

- If you still have many years until retirement (so your investment time frame ranges from 10 to 30+ years), your investments will have more time to ride the short-term ups and downs of financial markets.
- If your timeframe is short, for example you're planning to retire in the next few years, the main risk to your superannuation is a short-term fall in financial markets that leaves you with less time to recover, impacting the value of your retirement savings.

Don't forget that even once you retire, you may need to take some investment risk to help your savings continue to grow and keep ahead of the rising costs of living.

We can't guarantee future returns

You choose how your super is invested from a range of investment options. While all our investment options have a history of strong long-term performance, no investment option offered by Cbus guarantees future returns on members' account balances. This is why you'll hear us say: 'past performance is no guarantee of future performance'.

Make sure your super lasts

Over the long term, your superannuation balance might not be enough to last for your retirement, or it may not keep up with the rising costs of living, which is also called inflation. Make sure you are invested in an investment option that considers your goals, your time frame and your preferred level of risk. To help ensure your super keeps up with the rising costs of living, all our pre-mixed investment options aim to deliver a return of inflation plus a few extra percentage points above this over the long term.

If you're unsure, always seek financial advice. You can check if you're invested in the right option for you by contacting our Advice Services team. You can also make voluntary contributions to help your superannuation grow. Even small contributions add up over time, and voluntary contributions can reduce the amount of tax you pay.

I'm ready to retire

For members who are close to or already in retirement, depending on the timing of a market fall, your balance may not have time to fully recover before you begin drawing down on your super. Depending on the order and magnitude of these events it can have a negative impact on how long your retirement savings last. You can also check if you're invested in the right option for you by contacting our Advice Services team.

Keep up to date with government regulations

Government regulations are subject to change. This could impact the tax effectiveness or value of your investment, or your ability to access your superannuation money.

Make sure you have enough insurance

Many of our members work in the building and construction industry. Cbus offers tailored insurance to cover these employees. If you choose not to be insured, or are under-insured, there's a risk that if you are no longer able to work, you could lose your income, and you won't be contributing to your superannuation balance. This loss of contribution could mean that you may not have enough super to support you in retirement.

Remember …

When choosing your investment options, it is important to consider:

- Your current age and how long you plan to invest
- How much risk is appropriate for you and your personal circumstances
- Whether you have other investments outside of super
- Whether you have the right/enough insurance cover.

It's your retirement, so it pays to understand how it's invested. Our friendly Advice Services team can assist you with any questions about our investment options.

Other investment risks

Below are some of the more common investment risks that may affect your super. The impact of these risks can be short or long-term depending on when and why they occur. These risks are managed on your behalf.

Investment management risks	
Market Risk	The risk that an investor loses money due to factors that affect investment markets, such as local and international economic conditions, interest rates, exchange rates, inflation, government policy, current valuation levels and market outlook.
Climate Change Risk	There are three main risks associated with climate change: **Transition Risk –** The risk that as the world transitions to a low carbon future, businesses may experience changes in the value of their assets or their cost of doing business because of changes in policy, technology, or consumer preferences. **Physical Risk –** The risk that changes in climate conditions and extreme weather events cause physical damage to assets and their value, increases in insurance claims, lost productivity, and impacts to food and water security. **Liability Risk –** The risk that businesses and their value may be impacted by litigation or penalties resulting from businesses responding inadequately to climate change or misrepresenting their response.
Company Risk	The risk that unexpected changes in a company's actions, operations or business environment affects the value of an investment in that company.
Counterparty Risk	The risk that the other party in an investment, credit or trading transaction may default or not meet their contractual obligations.
Country Risk	Investment markets outside Australia may be exposed to risks not typically associated with Australian investments, such as different economic conditions and foreign currency exposures, different political and regulatory environments, and interest rates.
Credit Risk	The risk that a lender loses money because the borrower fails to pay back the loan and/or the required interest payments. This is a risk associated with fixed interest investments.
Currency Risk	The risk that changes in exchange rates may negatively affect the value of investments held outside Australia in other currencies.

Investment management risks (continued)	
Concentration Risk	The risk of a high exposure to any single asset or asset class having a significant impact on the portfolio or investment option performance. We manage this risk by spreading your super across different assets and asset classes to limit any potential negative impacts caused by exposure to any one investment.
Environmental, Social and Governance (ESG) Risk	The risk that companies do not manage material ESG risks and opportunities in their operations and supply chains such as those that impact employees, suppliers, customers, communities and the environment. Material ESG risks and opportunities are those that are likely to affect business or investment performance.
Inflation Risk	The risk that the return generated by investments doesn't keep up with increases in the cost of living. This risk can be managed by investing in assets that are expected to generate returns higher than inflation over the long term.
Interest Rate Risk	The risk that unexpected changes in interest rates negatively affect the value of an investment. This risk is particularly important for fixed income investments, but company share prices can also be affected by interest rate changes that may reduce profitability.
Leverage Risk	Leverage is the use of debt (borrowed capital) to undertake an investment. Leverage multiplies the potential returns from an investment. At the same time, leverage also multiplies the potential losses if valuations fall.
Liquidity Risk	The risk that a particular asset can't be easily or quickly converted to cash. This can lead to a delay in receiving the cash and/or an asset being sold at a loss when cash is required quickly.
Volatility Risk	The potential uncertainty or risk associated with an investment market's future performance. An investment that is very volatile can change in value (both up and down) over a short period of time. Members with their super account balances allocated to higher risk investment options will generally see larger ups and downs in their short-term returns as they have greater exposure to shares that can experience volatile share price movements.

Investment Operational Risks	
Investment Manager Risk	The risk that an investment manager underperforms compared to other managers with similar objectives or doesn't manage the investment in accordance with the mandate agreed between the manager and Cbus Super. To manage this risk, our investment management team regularly monitors our investment managers, their performance and their investment processes.
Legal Risk	The potential financial or reputational loss resulting from a lack of knowledge (or misunderstanding) of how the law applies to a business, or disregarding the law and how it applies.
Operational Risk	The risk of a change in the value of an asset due to inadequate or failed internal processes, people and/or systems, or from external events.
Regulatory Risk	The risk of financial or reputational loss resulting from non-compliance of rules and regulations applicable to an investment.
Tax Risk	The risk of paying or accounting for an incorrect amount of tax, or that the tax positions adopted with respect to an investment are incorrect.
Valuation Risk	The financial risk that an asset is overvalued and is worth less than expected when it matures or is sold.

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Details: **cbussuper.com.au/contact**