REI Super Investment Guide

1 November 2019

The information in this document forms part of the REI Super Product Disclosure Statement (PDS) dated 1 November 2019.

MySuper Authorised

SUPER RATINGS

SUPERRATINGS GOLD 2019 MYCHOICE SUPER

SELECTING SUPER AAA QUALITY
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REISuper

An Industry SuperFund

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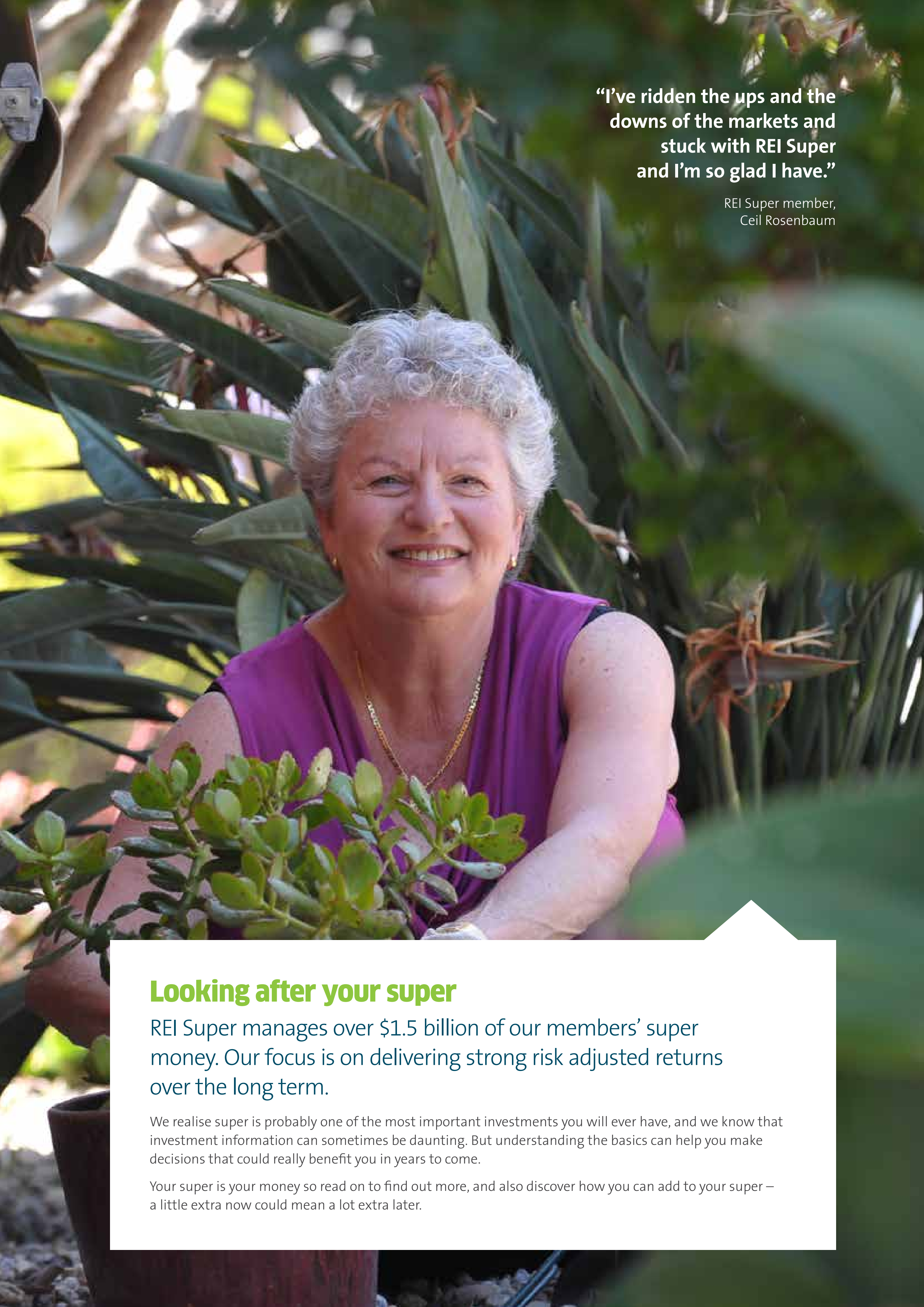
To access the other parts of the relevant PDS visit **reisuper.com.au** or call 1300 13 44 33. This document does not relate to the REI Super Pension. Refer to the REI Super Pension PDS for information about that product. The information provided in this Statement is of a general nature only and does not take into account your personal financial situation or needs. You may wish to consult a licensed financial adviser to obtain advice that is tailored to your personal circumstances.

This Product Disclosure Statement for REI Super has been prepared and issued on 1 November 2019 by the Trustee of the Fund, REI Superannuation Fund Pty Limited (ABN 68 056 044 770), AFSL. 240569, SPIN REI0001AU RSE L0000314. REI Super ABN 76 641 658 449 RSE R1000412. MySuper unique identifier 76641658449129



"I've ridden the ups and the downs of the markets and stuck with REI Super and I'm so glad I have."

REI Super member,
Ceil Rosenbaum

Looking after your super

REI Super manages over $1.5 billion of our members' super money. Our focus is on delivering strong risk adjusted returns over the long term.

We realise super is probably one of the most important investments you will ever have, and we know that investment information can sometimes be daunting. But understanding the basics can help you make decisions that could really benefit you in years to come.

Your super is your money so read on to find out more, and also discover how you can add to your super – a little extra now could mean a lot extra later.

1. Choosing an investment that's right for you: Balancing risk and return

Choosing an investment option that's right for you is key to getting the investment outcomes that you want.

You need to balance the return you hope to achieve with the level of risk you're comfortable taking. Risk is the chance an investment won't give you the outcomes you want. This could mean your investment falls in value, or you don't achieve your financial goals.

All investments carry some risk and, in general, the more risk you take the higher the potential for higher returns. The important thing is to understand such risks, and make sure the investments you choose, carry a level of risk that you're comfortable with. This is known as your risk profile. For more information regarding the risks of investing, please refer to our **Risks of Super** fact sheet.

Your risk profile

Your risk profile will depend on many factors, such as your investment time frame and personal circumstances. The **REI Super Risk Profile Quiz** can help you work this out and suggest which investment option may be right for you. Remember, the quiz is a guide only and may not accurately reflect your particular circumstances: **reisuper.com.au/risk-profile-quiz.**

Which investment option is my super invested in?

If you do not choose an investment option, your account balance and all future contributions and rollovers will be invested in the Balanced option, which is our MySuper option. MySuper is an investment product providing low-cost administration and default insurance cover.

You can choose how to invest your:

- Contributions;
- Rollovers; and
- Existing account balance.

How we define risk

We define risk as losing money that can't be made back. For most investors, that's the risk of not having enough money in time to retire. Or having to change your lifestyle so that your savings last throughout retirement. We have the flexibility and expertise to invest in an asset class (e.g. shares, cash, fixed income and property) only if it makes sense to do so. To ensure we're investing your super savings where there's most potential for reward, and avoiding those areas where there's most potential for loss we use an investment approach called Dynamic Asset Allocation.

How we manage your investments

Strategic Asset Allocation

The Strategic Asset Allocation (SAA) of a diversified portfolio is the predetermined fixed mixture of growth and defensive assets, which the investment manager believes will achieve the investment objective of the portfolio, over a full economic cycle, for a given level of risk.

The SAA is a longer term measure and does not take into account shorter term market events.

A strategic asset allocation approach involves managing investments within tight asset class ranges.

This approach:

- provides little flexibility to move away from overvalued asset classes and towards those presenting good value.
- may result in buying asset classes when they're expensive and offering a low reward for risk.
- little flexibility to move when market conditions change

Dynamic Asset Allocation

To achieve more consistent returns, we use an approach known as Dynamic Asset Allocation.

Unlike a traditional approach to constructing investment portfolios, Dynamic Asset Allocation gives us the flexibility to avoid those asset classes which aren't presenting a good investment opportunity.

Many investment portfolios are constrained by a strategic asset allocation approach, where they have to remain within certain limits of an index. Even if it doesn't make sense to do so.

As opposed to being constrained by an index which can increase risk and reduce returns, dynamic asset allocation gives us the ability to focus on more consistent returns for our investors.

The Dynamic Asset Allocation approach involves removing the tight asset allocation constraints so we're able to focus on investing where the best opportunities can be found.

This approach provides significant flexibility to move when market conditions change.

2. Introducing the REI Super investment options

REI Super has a number of different investment options to suit most investors. You can choose to invest in one option or a mixture of them. There are ten investment options available, each one with a different investment goal and a different risk and return profile as highlighted by the chart below.

What's in the different investment options?

We have four pre-mixed or multi-sector investment options and six single sector options; which are made up of different investment types such as shares, property, fixed interest and cash. These investment types are known as asset classes. Changing the allocation to these asset classes determines where they sit in the risk and return chart below.

These investment options allow you to design an investment portfolio from amongst the investment options offered that suits your individual circumstances. Importantly, as your circumstances and investment goals change, so too can your investment portfolio.

Introducing the asset classes within the investment options

There are two main categories of investment types, or asset categories; growth assets and defensive assets. Growth assets have the potential to grow in value, whilst defensive assets are typically stable in price and pay an income, like a term deposit for example. Growth assets are used to grow the value of your super savings, whilst defensive assets are used to preserve the savings that you've already built up.

Growth assets

Australian shares are the part ownership of a company generally listed on the Australian stock exchange. Shareholders have the potential to benefit from any increase in the share price. In addition, shareholders may also be paid dividends, which is the company's profit being distributed to shareholders.

International shares are the part ownership of a company generally listed on an exchange outside of Australia. Shareholders have the potential to benefit from any increase in the share price. In addition, shareholders may also be paid dividends, which is the company's profit being distributed to shareholders.

Australian listed property is also known as Australian Real Estate Investment Trusts (A-REITs). An A-REIT generally invests in retail, industrial or commercial properties on behalf of a group of investors. You own shares in an A-REIT, just like you would Australian shares and similarly may benefit from increases in the value of the share price as well as the receipt of dividends.

International listed property is also known as Real Estate Investment Trusts (REITs). An international REIT generally invests in residential, industrial or commercial properties outside of Australia on behalf of a group of investors. You own shares in a REIT, just like you would international shares and similarly may benefit from increases in the value of the share price as well as the receipt of dividends.

Listed infrastructure are assets such as airports, railways or electricity and gas transmission and distribution networks. Shares in some infrastructure companies are listed on a stock exchange, such as the Australian Stock Exchange. You own shares in an infrastructure asset, just like you would Australian shares and similarly may benefit from increases in the value of the share price as well as the receipt of dividends.

Unlisted investments are investments that are not listed on a stock exchange, such as the Australian Stock Exchange. An example could be direct property investments, for example a shopping centre. Investors have the potential to benefit from an increase in value of their investment and similarly to property may receive ongoing income from these investments. Unlisted investments may take longer to sell than shares because they are not bought and sold on an exchange. Rather the investment manager has to find a buyer for the assets. Such assets are said to be 'illiquid' (refer to Liquidity Risk in our **Risks of Super** fact sheet). In general you should expect unlisted assets to generate a good return commensurate with an acceptable level of risk, and ease of liquidity would also be an important factor, to similar listed assets in order to justify investing in them.

Defensive assets

Cash investments are short-term, interest-paying investments. Investing in a Bank Bill is an example of a cash investment.

Fixed income, or bonds are where investors lend money to a government or a company in return for a fixed interest payment. The investment can be held until maturity or traded beforehand. When the bond matures, you are paid back your initial investment. The agreed interest payments are generally paid in installments during the life of the bond.

Alternative assets

Alternative investments are investments whose returns behave differently to shares, bonds and cash. Examples of alternative assets are hedge funds. What drives their returns is independent of what drives sharemarket returns which is why they are classed as an alternative asset. Other examples include futures contracts, which are agreements to buy or sell assets at predetermined future dates and prices.

3. Benefits of REI Super's investment options

REI Super's multi-sector investment options give you access to a professionally managed and diversified investment portfolio, providing you with a range of benefits:

- **Professionally managed:** a team of investment professionals are entrusted with managing your super savings. So whatever's happening in the share markets, your super is actively managed to make sure it's invested to provide returns and manage risk.
- **A focus on managing risk:** we see risk as losing money that can't be made back. We want you to rest assured that we aim to deliver smoother long term returns, helping mitigate some of the ups and downs that can be associated with investing in share markets.
- **Investing when the reward is worth the risk:** using a Dynamic Asset Allocation approach allows us to invest if the reward is worth the risk. We're able to avoid asset classes that we believe are too expensive or not worth the risk. That's why when we invest your super savings, we only invest if the reward is worth the risk.
- **Diversification:** your super savings are generally invested in a diversified investment option. So whatever the economic environment, you'll be invested in a mixture of growth and defensive assets. Growth assets such as shares aim to grow the value of your super, whilst defensive assets such as cash and bonds aim to preserve the savings you've already built up. A well-diversified option can reduce risk and increase the potential for returns.
- **Increase your purchasing power:** by using a CPI + benchmark, we aim to increase the value of your savings above that of inflation. This way, you can stay a step ahead of the cost of living, increasing your purchasing power over the course of your investment time-frame.
- **Cost effective:** by investing with REI Super, you gain access to a range of assets and leading global fund managers not normally available to individual investors.
- **Control and customisation:** you can also use the REI Super Sector investment options to create an investment portfolio specific to your investment needs. As your circumstances change, so too can your investment portfolio.

4. Your REI Super investment options in detail

REI Super offers you ten investment options. Each investment option has a different composition of growth and defensive assets. Before making a decision on which investment option to choose, please ensure that you understand the objectives and composition of each option.

Investment goals

We focus on growing and preserving your savings. To determine each pre-mixed (or multi-sector) investment option's investment goal, or objective, we start with the rate of inflation and add to that an additional amount.

This is known as a CPI+ objective. The additional amount alters the risk return profile, so those investment options with a higher investment objective will generally carry a greater level of risk than those with a lower investment objective.

The table below summarises the risk and return characteristics of each investment option.

The Risk Profiles shown in the tables on the following pages are based on the Risk labels in the Standard Risk Measure (SRM), based on industry guidance.

For further information about the SRM, refer to the **Risks of Super** fact sheet, which also provides information about the Risk Band and the Estimated number of negative annual returns over any 20 year period attributable to each Risk label. The Risk Band ranges from 1 (Very Low risk) – 7 (Very High risk) depending on the risk level.

CPI+ objective aligning our investment objective to your financial goals:

Consumer Price Index or CPI is a measure of inflation. Inflation is the increase in the average level of prices, or in other words, the cost of living.

It makes sense to define an investment objective that starts with keeping up with inflation, then adding an additional amount = a CPI+ objective. The additional amount should be based on your investment goals and risk tolerance.

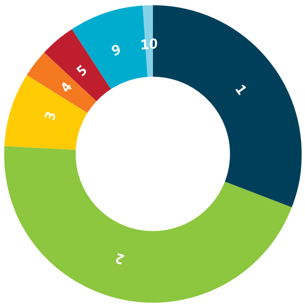
PRE-MIXED INVESTMENT OPTIONS

For the pre-mixed (or multi-sector) options, the proportion invested across the various asset classes also known as the strategic asset allocation is predetermined by REI Super acting on the advice of its professional investment adviser.

The strategic asset allocation of these investment options is shown below.

	Growth	Balanced (MySuper option)	Stable	Premium Income
Members looking for...	... the potential for the highest return over the long term, comfortable with taking on a higher level of risk.	... a higher return than from investing in defensive assets.	... a stable investment with a higher rate of return than cash.	... regular income and a higher rate of return than cash.
Investment Objectives	This Option aims to provide net (after investment fees and tax) investment returns of CPI + 4.0% per annum over rolling 10 year periods.	This Option aims to provide net (after investment fees and tax) investment returns of CPI + 3.0% per annum over rolling 10 year periods.	This Option aims to provide net (after investment fees and tax) investment returns of CPI + 1.0% per annum over rolling 3 year periods.	This Option aims to provide net (after investment fees and tax) investment returns of CPI + 1.0% per annum over rolling 3 year periods primarily through income producing assets.
Members with a minimum time horizon of...	Seven years plus.	Three years plus.	Three years plus.	Three years plus.
Members that can accept a negative return...	... 5 years in every 20 years.	... 4 years in every 20 years.	... 2 years in every 20 years.	... 2 years in every 20 years.
Risk Profile	High	Medium to high	Low to medium	Low to medium
This option invests in...	... predominantly growth assets and has the potential for the highest return over its investment horizon. However, returns will vary and are expected in some years to be low or negative.	... mainly growth assets with some interest bearing defensive assets. It has potential for high returns over time due to the significant proportion of growth assets. However, returns will vary and are expected in some years to be low or negative, although to a lesser degree than the Super Growth option.	.... mainly defensive assets (cash and bonds), with some growth assets also. Returns have the potential to be higher than just investing in cash investments. Returns will vary and there is a still a slight possibility of delivering a negative return in any one year, but are likely to be more stable than options with a higher proportion to growth assets.	... mainly income-producing assets – with the remainder of the portfolio comprised of growth assets. As this investment option invests in shares and property the value of your investment may fall in value.

GROWTH
Strategic Asset Allocation

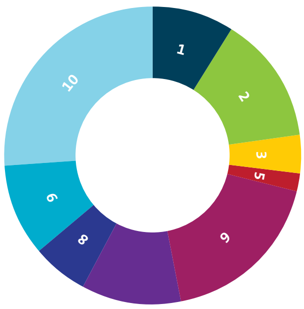


1.	Australian shares	31%	7.	International bonds	0%
2.	International shares	45%	8.	Global inflation linked bonds	0%
3.	International listed property (hedged)	8%	9.	Alternatives	8%
4.	Unlisted property	3%	10.	Cash	1%
5.	Global Infrastructure	4%			
6.	Australian bonds	0%			

BALANCED
Strategic Asset Allocation

1.	Australian shares	20%	7.	International bonds hedged	5%
2.	International shares	33%	8.	Global inflation linked securities	3%
3.	International listed property (hedged)	7%	9.	Alternatives	12%
4.	Unlisted property	4%	10.	Cash	5%
5.	Global Infrastructure	3%			
6.	Australian bonds	8%			

STABLE
Strategic Asset Allocation



1.	Australian shares	9%	7.	International bonds	11%
2.	International shares	14%	8.	Global inflation linked bonds	6%
3.	International listed property (hedged)	4%	9.	Alternatives	10%
4.	Unlisted property	0%	10.	Cash	26%
5.	Global Infrastructure	2%			
6.	Australian bonds	18%			

PREMIUM INCOME
Strategic Asset Allocation

1.	Australian shares	10%	7.	International bonds	15%
2.	International shares	5%	8.	Global inflation linked bonds	5%
3.	International listed property (hedged)	7%	9.	Alternatives	0%
4.	Unlisted property	0%	10.	Cash	30%
5.	Global Infrastructure	4%			
6.	Australian bonds	24%			

Allocations shown may vary by up to +/- 15%.

Performance and updates

Keeping up to date with how your super savings are tracking is as important as choosing the right option. We send you a Member Statement annually, but if you'd like to review your super's performance on a more regular basis, you can access performance and updates on all of the investment options at **reisuper.com.au/investment-performance.**

Important notes: Future investment performance can vary from past performance, and you should not base your decision to invest simply on past performance. The investment returns are not guaranteed, and the value of an investment may rise or fall.

SECTOR INVESTMENT OPTIONS

	Australian Shares*	International Shares*	Australian Property*	Global Property*	Bonds *	Cash
Members looking for...	... high-quality, professionally managed, diversified Australian shares investment.	... high-quality, professionally managed, diversified international shares investment.	... high-quality, professionally managed, diversified domestic property securities investment.	... high-quality, professionally managed, diversified global property securities investment.	... high-quality, professionally managed, diversified bond and fixed interest investment.	... a low risk investment and are therefore happy with a lower rate of return.
Investment Objectives	This option aims to grow the value of your super savings above the S&P/ ASX 300 Accumulation Index over rolling five year periods.	This option aims to grow the value of your super savings above the benchmark^ over rolling five year periods. ^ Weighted average benchmark comprising 50% MSCI All Country World Ex-Australia with Net Dividends Reinvested (Unhedged) Index; 50% MSCI All Country World Ex-Australia with Net Dividends Reinvested ($A hedged) Index	This option aims to grow the value of your super savings above the S&P/ASX 300 Property Accumulation Index over rolling five year periods.	This option aims to grow the value of your super savings above the FTSE/ NAREIT Developed Markets Real Estate ($A Hedged) over rolling five year periods.	This option aims to grow the value of your super savings above the benchmark^ over rolling three year periods. ^ Weighted average benchmark comprising 50% Bloomberg AusBond Composite Bond Index and 50% Barclays Global Aggregate A$ Hedged Index.	This Option aims to provide net (after investment fees and tax) investment returns matching the CPI rate over rolling 3 year periods.
Members with a minimum time horizon of...	5 years	5 years	5 years	5 years	3 years	No minimum.
Members that can accept a negative return...	... 6 years in every 20 years.	... 5 years in every 20 years.	... 6 years in every 20 years.	... 6 years in every 20 years.	... 3 years in every 20 years.	... no likelihood of a negative return in a 20-year period.
Risk Profile	High	High	High	High	Medium	Very Low
Strategic Asset Allocation	100% Australian Shares	50% International Shares (Hedged) 50% International Shares (Unhedged)	100% Listed Australian Property Securities	100% International Property Securities (Hedged)	50% Australian Bonds 50% International Bonds (Hedged)	100% Cash

* May include exposure to cash of up to 10%.

For information on the fees and costs related to the Balanced (MySuper) Option as well as other investment options, see our **Fees and costs** fact sheet at **reisuper.com.au**.

5. Who manages your money?

REI Superannuation Fund Pty Ltd ‘the Trustee’ is responsible for determining the investment options (including the strategic asset allocation and asset ranges) offered to its members.

The Trustee works with its investment consultant, Morningstar Investment Management Australia Limited (ABN 54 071 808 501; AFSL 228986), who provides ‘implemented investment consulting’ services to REI Super and takes responsibility for selecting and monitoring specialist investment managers. Implemented investment consulting places responsibility for the day-to-day investment decision making in the hands of full-time investment professionals, experienced in managing investments.

The Trustee continuously and rigorously monitors the investment consultant to ensure that all aspects of the implemented investment consulting agreement are fulfilled.

How we invest in underlying funds

Each of the investment options may invest directly in one or more of the investment consultant’s managed investment products or schemes known as the ‘Investment trusts’. These trusts are managed in various ways:

- within a multi-manager framework; and/or
- by investment in registered managed investment schemes with similar asset classes; and/or
- by investment in mandates with similar asset classes; and/or
- through the use of derivatives to gain exposure to similar asset classes; and/or
- in foreign currencies and exchange traded funds for dynamic asset allocation and hedging purposes.

The Trustee may also invest in investment products not managed by Morningstar.

Changes to investment options

Changes to investment options which the investment consultant may make at any time without prior notice to REI Super (where permitted by law) are as follows:

- Remove or replace any trusts on the list, or its underlying funds;
- Change the name or other features of any trusts on the list;
- Change the terms of any product or trusts offered to the Trustee, and as a direct consequence, to REI Super’s members; or
- Change or remove underlying fund managers.

However, if you are affected by the changes, REI Super will notify you in accordance with the Trustee’s disclosure documents. Should the investment consultant remove or replace any Trusts, it is required to advise the Trustee but in any case, deal with REI Super members’ interests (or notional interests) in accordance with each Trust’s constitution, its contractual requirements and the law.

Investment managers

The underlying investment managers appointed by the investment consultant and the Trustee may change from time to time. The latest up-to-date list of investment managers is always made available on our website, **reisuper.com.au.**

You can obtain current disclosure document(s) free of charge and on request from your adviser or REI Super. We recommend that you consult your financial adviser before making any decision about your investment choices.

Custodian

The Trustee has appointed a custodian for certain investment operational activities. The custodian’s key activities include calculating the unit prices of each investment option in accordance with the Trustee’s requirements, implementing transactions and maintaining investment records.

How are unit prices determined?

The assets of the Fund invested within each investment option are reported on a unitised basis, and members effectively buy units when a contribution is received, or sell units when they are paid a benefit. For example, if a contribution of $100.00 is received and at that time, the application (buy) price of the unit is $1.00, 100 units are credited to the member’s account.

Units in a member’s account are held at their redemption (or sell) value, and this is the value:

- shown on the REI Super website,
- provided in benefit estimates; and
- shown on the annual benefit statements.

Unit prices are calculated weekly by the Fund’s custodian, and vary according to the underlying value of the assets in each investment option.

The Trustee reserves the right not to switch investments or pay benefits if a weekly unit price cannot be determined because of market failure.

Labour and ethical standards

Our investment consultants’ research and investment processes do not take into account labour standards, environmental, social or ethical considerations when deciding to select, retain or dispose of managers or the sector-specialist investment options offered to the Trustee. However, the various underlying investment managers may have their own policy relating to these considerations and whether or not such considerations are taken into account when making investment decisions.

REIS 55771

Need help?

1300 13 44 33
reisuper.com.au

Between 8.30am and 7.00pm AEST. (Local call cost within Australia, calls from mobile phones may cost more.)

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