

INVESTMENTS

1 JANUARY 2019

MERCER SUPER TRUST
CORPORATE SUPERANNUATION DIVISION

MERCER SMARTSUPER PLAN
INDIVIDUAL SECTION



MAKE TOMORROW, TODAY



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The information in this document forms part of the Product Disclosure Statement for the Individual Section of the Mercer SmartSuper Plan in the Corporate Superannuation Division of the Mercer Super Trust dated 1 January 2019.

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ABOUT THIS BOOKLET

This *Investments* booklet (Booklet) provides important information about the Individual Section of the Mercer SmartSuper Plan in the Corporate Superannuation Division (CSD) of the Mercer Super Trust and forms part of the Product Disclosure Statement (PDS).

You should consider the information in this Booklet and the PDS and any other important information booklets referred to in this Booklet and the PDS before making any decision about your super.

This Booklet contains general information only and does not take into account your individual objectives, financial situation or needs. Before acting on any of this information, you should consider whether it is appropriate to your objectives, financial situation and needs. You should get financial advice tailored to your personal circumstances.

Mercer Superannuation (Australia) Limited (MSAL) ABN 79 004 717 533 Australian Financial Services Licence 235906 is the trustee of the Mercer Super Trust. In this Booklet, MSAL is called trustee, we or us.

Mercer Investments (Australia) Limited (MIAL) ABN 66 008 612 397 AFSL 244385 advises the trustee about the selection, appointment, replacement and ongoing evaluation of investment managers. MIAL is named in this Booklet and has consented to being so named.

MSAL and MIAL are wholly owned subsidiaries of Mercer (Australia) Pty Ltd (Mercer) ABN 32 005 315 917.

References to 'your Plan' throughout the PDS and this Booklet mean the Individual Section of the Mercer SmartSuper Plan in the CSD of the Mercer Super Trust.

MSAL is responsible for the contents of this Booklet and is the issuer of this Booklet. MIAL and Mercer are not responsible for the issue of, or any statements in this Booklet, the PDS or any of the other important information booklets referred to in this Booklet or the PDS. They do not make any recommendation or provide any opinion regarding your Plan in the Mercer Super Trust or an investment in it.

The value of the investments in your Plan may rise and fall. MIAL, MSAL or Mercer do not guarantee the investment performance, earnings, or the return of any capital invested in your Plan.



Updated information

The information in this Booklet, the PDS and the other booklets (that are part of the PDS) may change. You can obtain updated information that is not materially adverse at mercersuper.com or call the Helpline to request a copy of the information free of charge. Changes that are materially adverse will be advised to you as required by law.



MERCER DIRECT INVESTMENT OPTION

See the *Mercer Direct Member Guide* for more details about the Mercer Direct investment option. This guide is available at mercersuper.com/documents. The Mercer Direct investment option will be available from mid-February 2019.

HOW TO CONTACT US

Helpline

Call the Helpline on **1800 682 525** or if calling from outside Australia on **61 3 8687 1823** from 8am to 7pm AEST Monday to Friday.

Online

[mercersuper.com](https://www.mercersuper.com)

After you join the Plan, we will send you your personal login. You will then be able to access your Plan Guide and other information about your super in the Mercer Super Trust and other relevant information, including annual reports.

Our online tools include:

- up to date information on investment options
- information from our wealth education experts
- financial planning tools
- ability to update your contact details

Our website is available 24 hours per day, seven days per week; however, the website may not be available when we need to carry out scheduled updates or maintenance.

Call the Helpline if you need more information about accessing the website.

By mail

General correspondence and forms

Mercer Super Trust
GPO Box 4303
Melbourne VIC 3001

To write to the trustee

Mercer Superannuation (Australia) Limited
GPO Box 4303
Melbourne VIC 3001



Keep your contact details up to date

We can only send you information if we have your current contact details. You can update your details at [mercersuper.com](https://www.mercersuper.com) (sign in using your personal login) or call the Helpline.

We may send member communications to you (including member statements and significant event notices that the law permits) by:

- email (where we have an email address for you including any email address provided by you or any other person on your behalf including your Employer), and/or
- SMS (where we have a mobile number provided by you), and/or
- a link to a website so you can download them.

We can also post any documents to you. When you receive your personal login details, simply update your communication preferences online under 'Personal Details' or call the Helpline.



HOW TO CHOOSE YOUR INVESTMENTS

MEMBERS JOINING THE INDIVIDUAL SECTION DIRECTLY

We provide a diverse range of investment options to help meet your needs. This gives you the flexibility to tailor your investment strategy if you choose.

As a new member of your Plan, you can choose your investments by selecting up to ten investment options from our investment menu, which you can find on page 5 of this Booklet. If you don't make a choice, we will automatically invest your super in the default investment option Mercer SmartPath®, which is the MySuper product for your Plan.

See the investment option tables later on in this Booklet for more details about each investment option.

Making an investment choice

Once you have received your personal login, you can select or change investment options online at mercersuper.com or by calling the Helpline.

Different rules apply to investing in the Mercer Direct investment option. Refer to the 'About the Mercer Direct investment option' section later in this Booklet.

You should seek advice from a licensed, or appropriately authorised, financial adviser before you choose investment options. It is important to review your investment selection regularly.

Investment strategy for future contributions

On joining your Plan your investment strategy for future contributions will be the Mercer SmartPath investment option unless you select a different option(s).

Your investment strategy for future contributions will apply to all future contributions, including rollovers from other super funds and all other cashflows including distributions and rebates.

MEMBERS WHO HAVE BEEN AUTOMATICALLY TRANSFERRED FROM AN EMPLOYER PLAN IN THE CSD

If you were transferred from an employer plan in the CSD you may have been an accumulation member or a defined benefit member. You should refer to your Product Disclosure Statement and the other member material you received since joining your employer plan in the CSD for details of what type of member you were in your employer plan.

Amounts for which you had choice as to how this money was invested, either as a defined benefit or accumulation member, will be invested in the same investment options that you were invested in at the time of the transfer to the Individual Section. Where this is not possible you will be invested in options which most closely correspond* to the investment options that you were invested in.

If at the time of your transfer you were a defined benefit member, then the part of your super for which you did not have a choice as to how it was invested (including the defined benefit portion), will be invested in the Mercer Cash investment option until you elect otherwise or are advised otherwise in a separate communication from the trustee.

Further, if you were a defined benefit member with choice as to how to invest part of your super and 100% of this part of your super was invested in:

- the Fairfax Media Super investment option (if you transferred from Fairfax Media Super)
- the Ford Select investment option (if you transferred from the Ford Employees Superannuation Plan or the Ford Management Superannuation Plan), or
- the Mercer Growth investment option (if you transferred from any other CSD plan)

then this part of your super will be invested in the Mercer SmartPath investment option until you elect otherwise.

If at the time of your transfer you were an accumulation member who received investment earnings on all or part of your super based on a crediting rate declared by the trustee, then that part of your super will be invested in the Mercer Cash investment option until you elect otherwise or are advised otherwise in a separate communication from the trustee.

Investment strategy for future contributions

If at the time of your transfer, you were:

- a defined benefit member, or
- an accumulation member where your future contributions would have received investment earnings on all or part of your super based on a crediting rate declared by the trustee

your investment strategy for future contributions will be the Mercer SmartPath investment option unless you select a different option(s).

For all other members the investment strategy for future contributions will be the same investment option(s) that applied to your future contributions at the time of your transfer.

Where this is not possible you will be invested in options which most closely correspond* to the investment options that applied to your future contributions at the time of your transfer.

Your investment strategy for future contributions will apply to all future contributions, including rollovers from other super funds and all other cashflows including distributions and rebates.

* Most of the investment options in the CSD are the same as in the Individual section except for the Fairfax Media Super investment option and the Ford Select investment option. These investment options do not have an exact Individual Section equivalent and hence will be matched to the Mercer Growth investment option in the Individual section.

Changing (switching) investment options

You can change your investment option(s) at any time. A switch is a sale of units in one investment option and a purchase of units in another investment option. If you change (switch) options, it's important to specify whether the change will apply to:

- your current super account balance,
- your investment strategy for future contributions, or
- both of the above.

You can make a switch online at mercersuper.com (sign in using your personal login) or call our Helpline.

See 'Units and unit pricing' for details on which unit price applies when changing or switching investment options.

MERCER INVESTMENT MENU

The trustee may add, remove or alter investment options. We will advise you about any changes.

READY-MADE OPTIONS	SELECT-YOUR-OWN OPTIONS				Mercer Direct
	Mercer Socially Responsible options	Diversified Plus options	Mercer Sector options	Indexed options	
These options provide access to a combination of asset classes to target a specific investment objective	These options incorporate principles of social responsibility	These options offer extra choices in addition to the Ready-Made options	These options offer exposure to mainly one major asset class.	These options aim to perform in line with the overall market, some may have exposure to active management	
Mercer Smartpath [^]	Mercer Socially Responsible Shares	Mercer Select Growth	Mercer Australian Shares	Indexed Diversified Shares	
Mercer Diversified Shares	Mercer Socially Responsible Australia Shares	Mercer Income Plus	Mercer Australian Small Companies	Indexed Australian Shares	
Mercer High Growth	Mercer Socially Responsible Global Shares (Unhedged)		Mercer Overseas Shares (Unhedged)	Indexed Overseas Shares	
Mercer Growth	Mercer Socially Responsible Growth		Mercer Hedged Overseas Shares	Indexed Australian Listed Property	
Mercer Moderate Growth			Mercer Overseas Small Companies	Enhanced Indexed Growth	
Mercer Conservative Growth			Mercer Emerging Markets	Enhanced Indexed Conservative Growth	
Mercer Cash			Mercer Property		
			Mercer Overseas Listed Property		
			Mercer Global Listed Infrastructure		
			Mercer Diversified Alternatives		
			Mercer Fixed Interest		
			Mercer Australia Sovereign Bonds		
			Mercer Overseas Sovereign Bonds		
			Mercer Term Deposit		

[^] The default investment option.

READY-MADE INVESTMENT OPTIONS

The Ready-made investment options combine a mix of asset classes and management styles to target a stated investment objective.

The trustee chooses and monitors the investment managers and decides how to allocate across the different asset classes, which may be growth, defensive oriented, or a mix of both.

The Ready-made investment options are:

- Mercer SmartPath (the default investment option)
- Mercer Diversified Shares
- Mercer High Growth
- Mercer Growth
- Mercer Moderate Growth
- Mercer Conservative Growth, and
- Mercer Cash.

SELECT-YOUR-OWN INVESTMENT OPTIONS

Mercer Socially Responsible Investment options

The Mercer Socially Responsible Investment (SRI) options incorporate principles of social responsibility into investment decisions. The SRI options use a multi-manager investment approach, with different investment managers selected to implement investment strategies in each asset class.

Diversified Plus options

The Mercer Select Growth and Mercer Income Plus options are designed to offer extra choices for members in addition to the Ready-made options. The Mercer Select Growth option has a slightly higher risk and return profile than the Mercer Growth option. The Mercer Income Plus option is designed for members wanting a diversified portfolio with a focus on income generating assets, such as fixed interest, shares and real assets.

Mercer Sector options

These options offer exposure mainly to one major asset class. They are designed for investors who want to invest in a particular asset class, or multiple asset classes, to tailor their own portfolio.

Indexed options

These options aim to perform in line with the overall market in which they invest. They may also have some exposure to active management.

Mercer Direct option

The Mercer Direct investment option allows you to take greater control of your investments, by choosing from a range of:

- Shares
- Term deposits
- Exchange Traded Funds (ETFs).

Refer to the 'Mercer Direct investment option' section later in this Booklet for more information.

NO GUARANTEES

There are no guarantees investment returns will be positive or you will be able to maintain the value of original capital. Your super account balance is dependent on movements in the value of the underlying investments in your investment option(s).

You should see a licensed, or appropriately authorised, financial adviser if you are unsure about your investment choices.

Low or negative investment returns will affect your super payout. That means your super payout may be less than the amount of contributions paid into your super account if you leave the Mercer Super Trust. Tax, fees and charges will also reduce your payout.

You can obtain up to date returns for your Plan's Ready-made and Select-your-own investment options, at mercersuper.com

Refer to the 'Understanding Investment Risks' section in this Booklet for more information.



HOW WE INVEST YOUR SUPER

Your Plan provides you with access to a diverse range of investments.

Your super can be invested in various asset classes, depending on your investment option(s). Refer to the 'Investment options in detail' section for details of the assets each investment option invests in (referred to as the asset allocation), and their percentage of growth investments and defensive investments. Growth and defensive investments are explained in the Glossary of Key Terms.

An explanation of the asset classes is provided in the table below.

Asset class	Description
Australian Shares	Investments in Australian companies listed on the Australian Stock Exchange (ASX) or equity based trusts, derivatives or unlisted Australian based equity type investments. It may include a small exposure to companies listed outside the ASX.
International Shares	Investments in companies listed on securities exchanges around the world. These investments may be hedged or unhedged to manage movements in exchange rates, which can have an impact on the value of investments (up or down). Investments in international shares may be in: <ul style="list-style-type: none"> • developed markets, which are those countries that are among the most sophisticated in terms of economy and capital markets. • emerging markets, which includes countries that typically have a lower standard of living and less developed infrastructure and financial markets.
Real Assets	Real assets include investments in property, infrastructure and natural resources such as timber. These assets may be Australian or international and listed or unlisted. Property investments include, but are not limited to, office buildings, shopping centres, and industrial estates. Infrastructure investments are investments in long-term assets required for major economic and social needs such as airports, tunnels, bridges, toll roads, pipelines and utilities.
Alternative Assets	Alternative assets comprise of investments that do not fit within other asset classes. They may include investments in hedge funds, private equity, mezzanine debt and insurance linked strategies. Alternative investments may have growth and/or defensive characteristics.
Growth Fixed Interest	Growth fixed interest investments target a higher return by investing in issuers that may carry a higher degree of credit risk or illiquidity relative to defensive fixed interest and cash investments. Generally the exposures will be to non-investment grade corporate bond issuers, or sovereign bond issuers in emerging markets, which may also carry emerging market currency risks.
Defensive Fixed Interest and Cash	Defensive fixed interest investments generally provide a regular income stream with the repayment of capital expected at the end of the term. These investments are generally considered defensive as they are predominantly invested in highly rated sovereign bond issuers in developed markets or highly rated investment grade corporate issuers. Cash includes short-term interest bearing investments and fixed term interest bearing investments.

INVESTMENT PHILOSOPHY AND APPROACH

Investment objectives and strategy

Each investment option has a specific performance objective and investment strategy shown within the 'Investment options in detail' section later in this booklet. Our investment options are reasonably likely to meet their objectives; however, there is no guarantee that a particular objective will be met over a particular time period.

Our approach for each option's investment strategy is to select a mix of investments that support the option's objective. We may change the investment objective and strategy for each investment option to ensure there is a reasonable probability we deliver on the objective. The actual asset allocation may fall outside the stated ranges for an option during material transactions, or due to other factors such as extreme market conditions.

We use formal quarterly analysis to monitor the performance of investment options against their objectives and an annual investment health check to help us assess whether we need to make any changes. We will provide you with information about any significant changes to the features of the investment options.

Manager research and selection

The trustee has appointed Mercer Investments (Australia) Limited (MIAL) as an investment consultant. MIAL advises the trustee on the selection, appointment, replacement and ongoing evaluation of investment managers.

MIAL has access to some of the best ideas from more than 5,900 investment managers around the world. MIAL leverages a global research network to establish optimal combinations of specialist managers for each asset class, selecting managers for their strength in idea generation, portfolio construction, implementation and business management.

The Ready-made options and many of the Select-Your-Own investment options adopt an actively managed, multi-manager approach. This involves selecting optimal combinations of investment managers to achieve exposure to a range of investment management styles. Our intent is to maximise the potential of the options to produce consistent performance throughout market cycles.

Indexed options are typically invested via a single investment manager. They are designed to offer lower cost access to a particular asset class, by investing in line with the relevant index.

The trustee may remove, replace, or appoint investment managers for the investment options at its discretion at any time.

HOW MERCER SUPER TRUST'S ASSETS ARE INVESTED

The trustee may invest the Mercer Super Trust's assets in:

- funds managed by investment managers
- a range of investments such as securities, derivatives and cash managed via mandates held with investment managers, and
- funds managed by MIAL, including but not limited to the Mercer Multi-Manager Funds (MMFs) and the Mercer Investment Funds (MIFs). The assets may also be invested in funds or investment vehicles managed by other Mercer related entities.

MIAL is the responsible entity of the MMFs and MIFs and appoints investment managers to manage the assets of the MMFs and MIFs either directly or via external investment vehicles.

The external investments for the Mercer Super Trust including the underlying investments of the MMFs and MIFs are generally held by an independent custodian.

UNITS AND UNIT PRICING

This is applicable for all investment options other than the Mercer Direct investment option.

What are units?

You are allocated a number of units, which represent the assets of each investment option. The assets of each investment option are divided into units of equal value. Each unit has a regularly changing price allocated to it.

The unit price of a whole unit (one unit), reflects the asset value of the investment option divided by the number of units on issue for that investment option at the relevant time. We make allowances for any transaction and operational costs (see 'Transactional and operational costs' in 'Additional explanation of fees and costs' section of the How Your Super Works booklet for more details).

Each time there is a contribution to the Mercer Super Trust, the trustee allocates units in the relevant option at the entry price. Similarly, when there are payments made, the trustee redeems units from the relevant investment option at the exit price. Payments include super payouts, fees, insurance premiums or tax.

The entry price for contributions, rollovers or transfers will generally be calculated after your transaction is received and validated (which may be different to the last available unit price at the time of your transaction). The exit price used for super payouts, fees, premiums, tax and expenses is generally the price available at the time the relevant transaction is processed.

Units are not transferrable. You can see the number of units you hold in your investment options by using your personal login at mercersuper.com or by checking your statements.

We allocate units after we receive all the necessary information to invest.

The issue (or redemption) of units may be suspended if the trustee believes the entry (or exit) price of the units cannot be calculated in a manner fair to all members holding those units. Also the redemption of units may be suspended if we are unable to realise sufficient funds to satisfy a redemption request from the sale of the underlying assets.

What is Unit Pricing?

Each unit has a regularly changing price allocated to it, which is generally calculated daily (except on weekends and Melbourne public holidays). Unit prices may rise or fall depending on fluctuations in the underlying value of investments in each investment option. We have a Unit Pricing Policy governing the calculation of unit prices, and our unit prices are independently verifiable.

Investment returns based on unit prices are likely to differ from the underlying manager's actual return due to timing differences and differences in fees and costs.

Unit pricing and changes to investment options

If you change investment options, the unit price for the switch will generally be calculated after your request is received and validated, which may be different to the last available unit price at the time of your transaction.

How assets are valued?

Unless the trustee determines otherwise, the value of the underlying assets of the investment options will be based on market values determined by an external custodian or investment manager.

When valuing assets, we make an estimate of the tax liability due that has not yet been paid on investment income and capital gains, both realised and unrealised.

For the Mercer Direct investment option only

The *Mercer Direct Member Guide* provides details about transactions and how your assets within the Mercer Direct investment option are valued.

You can get a copy of the *Mercer Direct Member Guide* at mercersuper.com

SUSTAINABLE INVESTMENT AND ESG CONSIDERATIONS

For all investment options except Mercer Direct

We build sustainability principles into our investment options to help protect and enhance the value of your super. We look beyond traditional financial factors to consider the potential investment impacts of corporate governance as well as environmental and social issues – such as an aging population, energy and resource constraints and climate change.

We believe a sustainable investment approach is more likely to create and preserve long-term investment capital and more specifically that:

- Environmental, Social and Corporate Governance (ESG) factors, including labour standards can have a material impact on long-term risk and return outcomes and these should be integrated into the investment process.
- Taking a broader perspective on risk, including identifying longer-term sustainability themes and trends, is likely to lead to improved risk management and new investment opportunities.
- Climate change poses a systemic risk and investors should consider the potential financial impacts associated with the transition to a low-carbon economy and the physical impacts.

- Active ownership (or stewardship) helps the realisation of long-term value by providing investors with an opportunity to enhance the value of companies and markets.
- Accessing long-term streams of returns, rather than focusing on short-term price movements, can add value

This combined approach to the integration of ESG considerations and investment stewardship is captured as a sustainable investment approach. We believe sustainable investment principles can be applied across asset classes. The investment managers appointed for these options are:

- Encouraged to consider ESG factors, such as those listed in the table below, in assessing investment risk and opportunities, as relevant to the type of investment; and
- Required to exclude investments in companies that manufacture tobacco products and controversial weapons.

For more information refer to the trustee's *Sustainable Investment Policy*, available at mercersuper.com/documents or call the Helpline.

ESG integration

Investment managers are encouraged to consider the following relevant ESG factors, among others, when assessing investment risk and opportunities.

Environmental	Social	Governance
<ul style="list-style-type: none"> • Climate change • Water • Waste and pollution • Biodiversity 	<ul style="list-style-type: none"> • Health and safety • Labour standards (including in the supply chain) • Human rights and community impacts • Demographics / consumption 	<ul style="list-style-type: none"> • Board structure, diversity and independence • Remuneration that is aligned with performance • Accounting and audit quality • Anti-bribery and corruption

We believe that principles of active ownership and investment stewardship are also of value in the investment process. For that reason, proxy voting and engagement around material ESG issues are incorporated throughout our investment decision making and ownership practices.

For Mercer Direct investment options

The trustee does not impose any specific ESG requirements for these investment options.

Mercer Socially Responsible investment options only

We have four socially responsible investment options, for which we consider ethical issues **in addition** to the ESG considerations and exclusions outlined on the previous page. Socially Responsible Investing (SRI) in the context of these investment options means appointing managers who must take ethical issues into account when making investment decisions.

The SRI options will therefore not invest in companies with a material exposure* to:

- Adult entertainment
- Alcohol
- Carbon intensive fossil fuels, defined as thermal and tar/oil sands
- Gambling.

*Material exposure is defined as 10% of revenue or greater in the last financial year apart from thermal coal and tar/oil sands where materiality is defined as 20% of revenue or greater.

The SRI exclusions only apply to the Australian and international shares asset classes within each SRI options. These exclusions are not typically relevant to most other asset classes.

SRI risk and return considerations

Applying SRI principles may affect investment risks and returns. Some SRI options, for example, may exclude investments in sectors considered unethical, such as adult entertainment. These options may have less diversified investment opportunities and may forgo some potentially profitable investments on ethical grounds.

ABOUT THE MERCER SMARTPATH INVESTMENT OPTION

The Mercer SmartPath investment option takes a whole of life approach to investing your super. This means we actively manage your investment in Mercer SmartPath to help ensure your asset mix is in line with your life stage, based on your age.

Your super will be placed in the relevant path for your year of birth (you cannot choose the path) and you will remain in that path as long as you invest in Mercer SmartPath.

If we are advised of an incorrect date of birth, you will be moved into your correct path (effective from the time your correct date of birth is confirmed) for the investment of any future contributions and other cashflows. Your super account balance will also be switched to the correct path at that time.

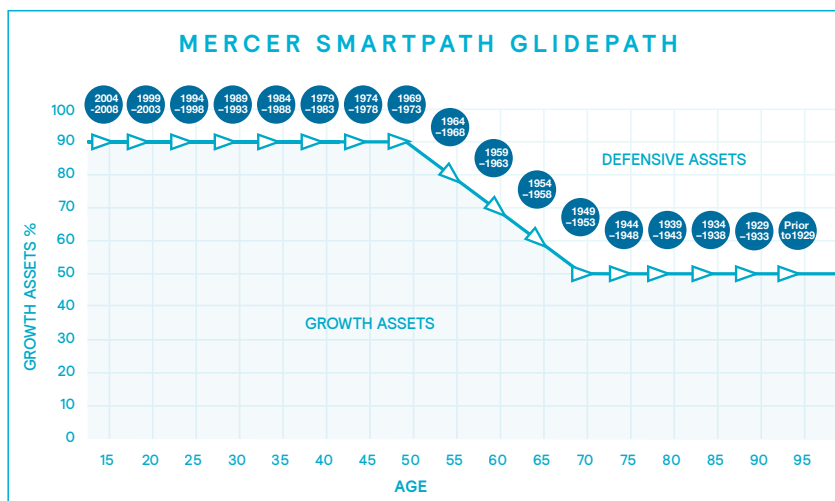
For example, if you were born between 1 January 1964 and 31 December 1968, your investment strategy is based on 79% growth assets at 1 January 2019 and will move along the Glidepath. By 1 January 2024 it is expected you will have 69% growth assets moving gradually to approximately 50% growth assets and asset allocation by 2034.

Refer to the 'Investment options in detail' section on page 12, for more details on the investment strategy, objectives and asset allocation for each path as at 1 January 2019.

Your Annual Report will include details of the actual asset allocation for each path at 30 June each year.

How Mercer SmartPath changes over time

When you're younger Mercer SmartPath starts with a higher allocation of growth assets (approximately 90% growth and 10% defensive). As you get older, your exposure to growth assets will gradually reduce to ensure the investment returns are less volatile. This gradual adjustment continues until the allocation reaches approximately 50% growth and 50% defensive at ages 66-70. This gradual adjustment to the asset allocation is called the Glidepath, which is shown in the diagram to the right.





UNDERSTANDING INVESTMENT RISKS

All investments, including super, carry some risks. Investment options each have different levels and types of risks, depending on the assets they invest in. You can help balance risk by choosing investment options across different asset classes, regions and investment managers.

Investment risk is generally used to describe the risk of an investor getting back less than they put in. Taxes, expenses and low or negative investment returns can also have an impact on investment risk in super.

Generally, assets with the highest long-term return also carry the highest level of short-term risk. Returns for each investment option will vary and future returns may be different to past returns.

Your investment could rise or fall in value or produce a return that is less than expected. Rises and falls in value can happen quickly and for many reasons.

The types of investment risks that may affect investments in your Plan include:

Counterparty risk – the risk that a counterparty does not meet its contractual obligations, for example, defaulting on financial obligations under a total return swap or a foreign currency forward contract.

Credit risk – the risk that a debt issuer may default on payment of interest or principal.

Currency risk – the risk that overseas investments may be affected as a result of foreign currencies falling or rising in value relative to the Australian dollar.

Derivatives risk – the risk that while derivatives are often used to manage risks in a portfolio, exposure to derivative instruments may increase the risks in a portfolio or expose a portfolio to additional risks. These risks include the possibility a position is difficult or costly to reverse or there is an adverse movement in the asset, interest rate, exchange rate or index underlying the derivative. Refer to the 'Use of derivatives' section on page 11 of this Booklet.

Individual asset risk – the risk associated with individual assets within a particular asset class.

Inflation risk – the risk that an investment may not maintain its purchasing power due to increases in the price of goods and services.

Investment manager risk – the risk that a particular investment manager may underperform (e.g. their view on markets could be wrong, their investment style could be out of favour or they could lose key investment personnel).

Liquidity risk – the risk you will be unable to redeem your investment at the time you choose.

Market risk – the risk of adverse moves in the financial markets negatively impacting the value of an investment.

Political risk – the risk that domestic and international political events negatively impact the value of an investment.

Securities Lending Risk – the risks associated with a securities lending program, in which securities are loaned to third parties in order to provide greater returns. Some of the investment options may be indirectly exposed to this risk via their underlying investment vehicles. Where an investment option is indirectly exposed to securities lending, there is a risk that the borrower may become insolvent or otherwise become unable to meet its loan obligations.

Timing risk – the risk that money is invested at higher market prices than those available soon after. Alternatively, it can also mean the risk, at the date of redemption, your investments are redeemed at lower prices than those recently available or may have been available soon after.

Managing risks

The trustee aims to appropriately manage investment risks using a number of approaches. This includes offering you a diverse range of investment options, allowing you to select an option, or combination of options, to suit the time you expect to hold your investment in your Plan. If you don't make an investment choice, the Mercer SmartPath default will provide you with diversification across asset classes, investment managers and investment styles.

The trustee and its investment consultants consider investment risks in constructing the investment options and aim to help manage those risks primarily through diversification and by using some or all of the following:

- investing with a number of different investment managers (to reduce investment manager risk)
- investing in a number of individual securities within each asset class (to reduce individual asset risk, liquidity risk and credit risk)
- where applicable, investing across different asset classes (to reduce market risk, inflation risk and liquidity risk)
- where applicable, investing across different countries (to reduce political risk, inflation risk, liquidity risk and currency risk)
- securities lending risk is managed by full collateralisation of loans and the appointment of an experienced Securities Lending Agent and Oversight and Monitoring Agent to administer and monitor the program.

For additional risks that apply to the Mercer Direct investment option, refer to the 'Mercer Direct investment option' information later in this Booklet.

We strongly recommend you speak to a licensed, or appropriately authorised, financial adviser before making an investment decision.

Use of derivatives

The investment managers appointed by the trustee may use derivatives to help manage risk (e.g. to hedge part of an international currency exposure).

Derivatives, such as futures or options, are investment products whose value is derived from one or more underlying assets. The value of a share option, for example, is linked to the value of the underlying share.

Derivatives are used to assist in the efficient management of the portfolios (e.g. to quickly and effectively adjust asset class exposures and for rebalancing purposes) and to manage risk (e.g. for currency hedging). Losses from derivatives can occur (e.g. due to market movements).

Derivative risk is managed by considering the risks and controls set out in the investment managers' Derivative Risk Statements, where applicable and adherence to the Derivatives Policy for Mercer Funds.

STANDARD RISK MEASURE

The Standard Risk Measure (SRM) is the estimated number of negative annual returns in any 20 year period. It is a tool to help you compare investment risk across investment options. The SRM is based on industry guidance and is not a complete assessment of investment risk. It does not take into account:

- what the size of a negative return could be
- if the size of a positive return will be enough to meet your objectives, or
- the impact of administration fees and tax on the likelihood of a negative return.

You should check you are comfortable with the risks and potential losses associated with your chosen investment option(s).

The seven risk labels of a standard risk measure are listed below.

Risk labels	Estimated number of negative annual returns over any 20 year period
Very high	6 or more
High	Between 4 and 6
Medium to high	Between 3 and 4
Medium	Between 2 and 3
Low to medium	Between 1 and 2
Low	Between 0.5 and 1
Very low	Less than 0.5

Risk labels are not a guarantee of the number or frequency of negative annual returns for an investment option.

INVESTMENT OPTIONS IN DETAIL

READY-MADE INVESTMENT OPTIONS

MERCER SMARTPATH

MERCER SMARTPATH	BORN PRIOR TO 1954*		BORN 1954-1958		BORN 1959-1963		BORN 1964 - 1968		BORN 1969-1973		BORN AFTER 1973**	
Description	For members born on or before 31 December 1953. You may be retired or about to retire so your money is invested in a balance of growth and defensive assets.		For members born between 1 January 1954 and 31 December 1958. You are beginning to approach retirement; therefore we are gradually reducing your allocation to growth assets.		For members born between 1 January 1959 and 31 December 1963. You may have many years left to retirement and time to see through the ups and downs of a more aggressive investment approach, so your money is still invested in mainly growth assets.		For members born between 1 January 1964 and 31 December 1968. You have many years left to retirement and time to see through the ups and downs of a more aggressive investment approach, so your money is invested in mainly growth assets.		For members born between 1 January 1969 and 31 December 1973. You have many years left to retirement and time to see through the ups and downs of a more aggressive investment approach, so your money is invested in mainly growth assets.		For members born after 31 December 1973. You have many years left to retirement and time to see through the ups and downs of a more aggressive investment approach, so your money is invested in mainly growth assets.	
Objectives	To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 2.0% per annum over rolling four year periods.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 2.50% per annum over rolling five year periods.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 3.25% per annum over rolling six year periods.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 3.75% per annum over rolling seven year periods.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 4.25% per annum over rolling seven year periods.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 4.5% per annum over rolling seven year periods.	
Standard Risk Measure / Minimum Suggested Timeframe	Medium	Four years	Medium to high	Five years	Medium to high	Six years	High	Seven years	High	Seven years	High	Seven years
Asset Allocation	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive
Asset Allocation Ranges %	30 - 70	30 - 70	40 - 80	20 - 60	50 - 90	10 - 50	60 - 100	0 - 40	70 - 100	0 - 30	70 - 100	0 - 30
Total Asset Allocation %	49	51	59	41	69	31	79	21	89	11	89	11
Asset Class	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%
Australian Shares	0-30	16	5-35	21	10-40	26	15-45	31	20-50	35	20-50	35
International Shares	0-30	17	5-35	22	10-40	27	20-50	33	25-55	38	25-55	38
Real Assets	0-30	10	0-30	12	0-35	14	0-35	14	0-35	16	0-35	16
Alternative Assets	0-20	10	0-20	8	0-15	6	0-15	6	0-15	5	0-15	5
Growth Fixed Interest	0-20	10	0-20	8	0-20	8	0-15	6	0-15	5	0-15	5
Defensive Fixed Interest & Cash	20-50	37	15-45	29	5-35	19	0-25	10	0-15	1	0-15	1

* The reference 'Born prior to 1954' includes the following paths - Born prior to 1929, Born 1929 to 1933, Born 1934 to 1938, Born 1939 to 1943, Born 1944 to 1948 and Born 1949 to 1953.

**The reference 'Born after 1973' includes the following paths - Born 1974 to 1978, Born 1979 to 1983, Born 1984 to 1988, Born 1989 to 1993, Born 1994 to 1998, Born 1999 to 2003 and Born 2004 to 2008.

READY-MADE INVESTMENT OPTIONS

READY-MADE	MERCER DIVERSIFIED SHARES		MERCER HIGH GROWTH		MERCER GROWTH		MERCER MODERATE GROWTH		MERCER CONSERVATIVE GROWTH		MERCER CASH	
Description	Invests mainly in Australian and International Shares. International currency exposure may be hedged. It is designed for members who want exposure to growth assets and can tolerate a high level of risk over ten years.		Invests across most asset classes but mainly in growth assets. It is designed for members who want exposure to mainly growth assets and can tolerate a high level of risk over seven years.		Invests across most asset classes but mainly in growth assets. It is designed for members who want exposure to mainly growth assets and can tolerate a medium to high level of risk over five years.		Invests across most asset classes, but with a slightly higher exposure to growth assets than defensive assets. It is designed for members who want exposure to growth and defensive assets and can tolerate a medium level of risk over four years.		Invests across most asset classes but mostly in defensive assets. It is designed for members who want exposure to mainly defensive assets and can tolerate a low to medium level of risk over three years.		Invests mainly in cash. It is designed for members who want no exposure to growth assets and can tolerate a very low level of risk over one year or less.	
Objectives	To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 4% per annum over rolling ten year periods.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 4% per annum over rolling seven year periods.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 3.5% per annum over rolling five year periods.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 2.5% per annum over rolling four year periods.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 1.5% per annum over rolling three year periods.		To maintain the invested capital and to achieve a return above that available on bank bills as measured by the Bloomberg AusBond Bank Bill Index on an annual basis.	
Standard Risk Measure / Minimum Suggested Timeframe	High	Ten years	High	Seven years	Medium to high	Five years	Medium	Four years	Low to medium	Three years	Very low	One year or less
Asset Allocation	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive
Asset Allocation Ranges %	80-100	0-20	65-100	0-35	55-95	5-45	35-75	25-65	15-55	45-85	n/a	n/a
Total Asset Allocation %	100	0	85	15	76	24	55	45	35	65	0	100
Asset Class	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%
Australian Shares	30-60	47	20-50	34	15-45	28	5-35	19	0-25	12		
International Shares	40-70	53	20-50	36	15-45	32	5-35	21	0-25	12		
Real Assets			0-35	16.5	0-35	15	0-35	13	0-30	10		
Alternative Assets			0-15	6	0-20	10	0-15	6	0-15	4		
Growth Fixed Interest			0-10	0	0-15	4	0-15	5	0-15	5		
Defensive Fixed Interest & Cash	0-15	0	0-25	7.5	0-25	11	20-50	36	40-70	57		

SELECT-YOUR-OWN INVESTMENT OPTIONS
SOCIALLY RESPONSIBLE OPTIONS

SOCIALLY RESPONSIBLE	MERCER SOCIALLY RESPONSIBLE SHARES		MERCER SOCIALLY RESPONSIBLE AUSTRALIAN SHARES		MERCER SOCIALLY RESPONSIBLE GLOBAL SHARES (UNHEDGED)		MERCER SOCIALLY RESPONSIBLE GROWTH	
Description	Invests mainly in Australian and International Shares. International currency exposure may be hedged. It is designed for members who want exposure to growth assets and can tolerate a high level of risk over ten years. Socially responsible (i.e. ethical) considerations are taken into account when making investment decisions for this option.		Invests in Australian shares. It is designed for members who want exposure to growth assets and can tolerate a high level of risk over ten years. Socially responsible (i.e. ethical) considerations are taken into account when making investment decisions for this option.		Invests in Global Shares. International currency exposure is not hedged. It is designed for members who want exposure to growth assets and can tolerate a high level of risk over ten years. Socially responsible (i.e. ethical) considerations are taken into account when making investment decisions for this option.		Invests across most asset classes but mainly in growth assets. It is designed for members who want exposure to mainly growth assets and can tolerate a medium to high level of risk over five years. Socially responsible (i.e. ethical) considerations are taken into account when making investment decisions for this option.	
Objectives	To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 4% per annum over rolling ten year periods.		To exceed the benchmark, after investment fees, over the medium to long term.		To exceed the benchmark by 1.5% p.a. (before investment fees) on a rolling five year basis.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 3.5% per annum over rolling five year periods.	
Standard Risk Measure / Minimum Suggested Timeframe	High	Ten years	High	Ten years	High	Ten years	Medium to high	Five years
Asset Allocation	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive
Asset Allocation Ranges %	80-100	0-20	90-100	0-10	90-100	0-10	50-90	10-50
Total Asset Allocation %	100	0	100	0	100	0	71	29
Asset Class	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%
Australian Shares	30-60	47	90-100	100			10-40	27
International Shares	40-70	53			90-100	100	15-45	28
Real Assets							0-35	15
Alternative Assets							0-15	6
Growth Fixed Interest							0-15	5
Defensive Fixed Interest & Cash							5-35	19
Cash	0-20	0	0-10	0	0-10	0		

SELECT-YOUR-OWN INVESTMENT OPTIONS
DIVERSIFIED PLUS OPTIONS

DIVERSIFIED PLUS	MERCER SELECT GROWTH		MERCER INCOME PLUS	
Description	Invests across most asset classes but mainly in growth assets. It is designed for members who want exposure to mainly growth assets and can tolerate a medium to high level of risk over six years.		Seeks to invest across a range of higher yielding asset classes, with a defensive orientation. It is designed for members who are predominantly seeking income from a diversified multi-sector portfolio and can tolerate a medium level of risk over five years.	
Objectives	To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 3.75% per annum over rolling six year periods.		To achieve a return, (after tax and investment fees), of 1% to 3% per annum above the RBA cash rate over rolling five year periods.	
Standard Risk Measure / Minimum Suggested Timeframe	Medium to high	Six years	Medium	Five years
Asset Allocation	Growth	Defensive	Growth	Defensive
Asset Allocation Ranges %	55-95	5-45	20-60	40-80
Total Asset Allocation %	76	24	41	59
Asset Class	Range %	Benchmark%	Range %	Benchmark%
Australian Shares	10-40	26	5-35	18
International Shares	15-45	29	0-15	0
Real Assets	0-40	20	0-35	14
Alternative Assets	0-20	10	0-10	0
Growth Fixed Interest	0-15	3	15-35	24
Defensive Fixed Interest & Cash	0-25	12	30-60	44

SELECT-YOUR-OWN INVESTMENT OPTIONS
MERCER SECTOR OPTIONS

AUSTRALIAN / OVERSEAS	MERCER AUSTRALIAN SHARES		MERCER AUSTRALIAN SMALL COMPANIES		MERCER OVERSEAS SHARES (UNHEDGED)		MERCER HEDGED OVERSEAS SHARES		MERCER OVERSEAS SMALL COMPANIES		MERCER EMERGING MARKETS	
Description	Invests mainly in Australian Shares but from time to time may have a small exposure to companies listed outside the Australian Exchange. It is designed for members who want exposure to growth assets and can tolerate a high level of risk over ten years.		Invests mainly in Australian Small Company Shares. From time to time the option may have a small exposure to companies listed outside the Australian Exchange. It is designed for members who want exposure to growth assets and can tolerate a very high level of risk over ten years.		Invests mainly in Global Shares in developed markets but may also have some exposure in Emerging Markets. International currency exposure is generally unhedged. It is designed for members who want exposure to growth assets and can tolerate a high level of risk over ten years.		Invests in Global Shares mainly in developed markets but may also have some exposure in Emerging Markets. International currency exposure is generally hedged. It is designed for members who want exposure to growth assets and can tolerate a high level of risk over ten years.		Invests in Global Small Company Shares, mainly in developed markets but may also have some exposure in Emerging Markets. International currency exposure is generally unhedged. It is designed for members who want exposure to growth assets and can tolerate a very high level of risk over ten years.		Invests mainly in Emerging Markets Shares. International currency exposure is generally unhedged. It is designed for members who want exposure to growth assets and can tolerate a very high level of risk over ten years.	
Objectives	To exceed the benchmark, after investment fees, over the medium to long term.		To exceed the benchmark, after investment fees, over the medium to long term.		To exceed the benchmark, after investment fees, over the medium to long term.		To exceed the benchmark, after investment fees, over the medium to long term.		To exceed the benchmark, after investment fees, over the medium to long term.		To exceed the benchmark, after investment fees, over the medium to long term.	
Standard Risk Measure / Minimum Suggested Timeframe	High	Ten years	Very high	Ten years	High	Ten years	High	Ten years	Very high	Ten years	Very high	Ten years
Asset Allocation	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive
Asset Allocation Ranges %	90-100	0-10	90-100	0-10	90-100	0-10	90-100	0-10	90-100	0-10	80-100	0-20
Total Asset Allocation %	100	0	100	0	100	0	100	0	100	0	100	0
Asset Class	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%
Australian Shares	90-100	100	90-100	100								
Global Shares					90-100	100	90-100	100	90-100	100		
Emerging Markets											80-100	100
Cash	0-10	0	0-10	0	0-10	0	0-10	0	0-10	0	0-20	0

SELECT-YOUR-OWN INVESTMENT OPTIONS
MERCER SECTOR OPTIONS

REAL / ALTERNATIVE ASSETS	MERCER PROPERTY		MERCER OVERSEAS LISTED PROPERTY		MERCER GLOBAL LISTED INFRASTRUCTURE		MERCER DIVERSIFIED ALTERNATIVES	
Description	Invests in Global Property, through a combination of Australian Direct Property (unlisted) and Global Listed Property. International currency exposure is generally hedged. It is designed for members who want exposure to mainly growth assets and can tolerate a medium to high level of risk over ten years.		Invests mainly in Global Listed Property. International currency exposure is generally hedged. It is designed for members who want exposure to growth assets and can tolerate a very high level of risk over ten years.		Invests mainly in Global Listed Infrastructure Securities. International currency exposure is generally hedged. It is designed for members who want exposure to mainly growth assets and can tolerate a high level of risk over ten years.		Invests in growth and defensive assets mainly in alternative assets. International currency exposure is generally hedged. It is designed for members who want exposure to growth and defensive assets and can tolerate a high level of risk over five years.	
Objectives	To exceed the benchmark, after investment fees, over the medium to long term.		To exceed the benchmark, after investment fees, over the medium to long term.		To exceed the benchmark, after investment fees, over the medium to long term.		To achieve a return (after tax and investment fees) of at least 3% per annum above the return on bank bills as measured by the Bloomberg AusBond Bank Bill Index over rolling five year periods.	
Standard Risk Measure / Minimum Suggested Timeframe	Medium to high	Ten years	Very high	Ten years	Very high	Ten years	High	Five years
Asset Allocation	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive
Asset Allocation Ranges %	50-100	0-50	90-100	0-10	90-100	0-10	0-70	30-100
Total Asset Allocation %	75	25	100	0	100	0	50	50
Asset Class	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%
Emerging Markets								
Australian Direct Property	0-100	50						
Australian Listed Property								
Global Listed Infrastructure					90-100	100		
Global Listed Property	0-100	50	90-100	100				
Alternative Assets							70-100	100
Cash	0-10	0	0-10	0	0-10	0	0-30	0

SELECT-YOUR-OWN INVESTMENT OPTIONS
MERCER SECTOR OPTIONS

FIXED INTEREST/CASH	MERCER FIXED INTEREST		MERCER AUSTRALIAN SOVEREIGN BONDS		MERCER OVERSEAS SOVEREIGN BONDS		MERCER TERM DEPOSIT	
Description	Invests mainly in defensive fixed interest assets. International currency exposure is generally hedged. It is designed for members who want exposure to mainly defensive assets and can tolerate a low level of risk over three years.		Invests mainly in Australian Sovereign Bonds. It is designed for members who want exposure to defensive assets and can tolerate a low to medium level of risk over three years.		Invests mainly in Global Sovereign Bonds. International currency exposure is generally hedged. It is designed for members who want exposure to defensive assets and can tolerate a medium level of risk over five years.		Invests mainly in Australian Bank Term Deposits of maturity less than one year. It is designed for members who want no exposure to growth assets and can tolerate a very low level of risk over one year or less.	
Objectives	To exceed the benchmark, after investment fees, over the medium term.		To exceed the benchmark, after investment fees, over the medium term.		To exceed the benchmark, after investment fees, over the medium term.		To maintain the invested capital and to achieve a return (before tax and investment fees) above that available on bank bills as measured by the Bloomberg AusBond Bank Bill Index on an annual basis.	
Standard Risk Measure / Minimum Suggested Timeframe	Low to medium	Three years	Medium	Three years	Medium to high	Five years	Very low	One year or less
Asset Allocation	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive
Asset Allocation Ranges %	0-10	90-100	0-10	90-100	0-10	90-100	n/a	n/a
Total Asset Allocation %	0	100	0	100	0	100	0	100
Asset Class	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%
Growth Fixed Interest	0-10	0						
Defensive Fixed Interest	70-100	100	70-100	100	70-100	100		
Cash	0-30	0	0-30	0	0-30	0	n/a	100

SELECT-YOUR-OWN INVESTMENT OPTIONS
INDEXED OPTIONS

INDEXED/ ENHANCED INDEXED	INDEXED DIVERSIFIED SHARES		INDEXED AUSTRALIAN SHARES		INDEXED OVERSEAS SHARES		INDEXED AUSTRALIAN LISTED PROPERTY		ENHANCED INDEXED GROWTH		ENHANCED INDEXED CONSERVATIVE GROWTH	
Description	Invests mainly in Australian and International Shares. International currency exposure may be hedged. The option takes an indexed investment approach. It is designed for members who want exposure to growth assets and can tolerate a high level of risk over ten years.		Invests mainly in Australian Shares. The option takes an indexed investment approach. It is designed for members who want exposure to growth assets and can tolerate a high level of risk over ten years.		Invests mainly in International Shares. International currency exposure is generally unhedged. The option takes an indexed investment approach. It is designed for members who want exposure to growth assets and can tolerate a high level of risk over ten years.		Invests mainly in Australian Listed Property. It is designed for members who want exposure to growth assets and can tolerate a very high level of risk over ten years.		Invests across most asset classes but mainly in growth assets. The option predominantly takes an indexed investment approach, but with a small amount of active management. It is designed for members who want exposure to mainly growth assets and can tolerate a high level of risk over five years.		Invests across most asset classes but mainly in defensive assets. The option predominantly takes an indexed investment approach, but with a small amount of active management. It is designed for members who want exposure to mainly defensive assets and can tolerate a medium level of risk over three years.	
Objectives	To meet the benchmark return over the medium to long term.		To meet the benchmark return over the medium to long term.		To meet the benchmark return over the medium to long term.		To meet the benchmark return over the medium to long term.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 3% per annum over rolling five year periods.		To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 1.0% per annum over rolling three year periods.	
Standard Risk Measure / Minimum Suggested Timeframe	High	Ten years	High	Ten years	High	Ten years	Very high	Ten years	High	Five years	Medium	Three years
Asset Allocation	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive	Growth	Defensive
Asset Allocation Ranges %	90-100	0-10	90-100	0-10	90-100	0-10	90-100	0-10	50-90	10-50	15-55	45-85
Total Asset Allocation %	100	0	100	0	100	0	100	0	72	28	34	66
Asset Class	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%	Range %	Benchmark%
Australian Shares	40-70	50	90-100	100					15-45	30	0-30	14
International Shares	40-70	50			90-100	100			20-50	34	0-30	16
Real Assets									0-30	8	0-25	4
Alternative Assets									0-10	0	0-10	0
Australian Listed Property							90-100	100				
Growth Fixed Interest									0-10	0	0-10	0
Defensive Fixed Interest & Cash									15-45	28	50-80	66
Cash	0-10	0	0-10	0	0-10	0	0-10	0				

MERCER DIRECT INVESTMENT OPTION

The Mercer Direct investment option allows you to take control of your investments. You can choose from a range of shares and a selection of Exchange Traded Funds (ETFs) listed on the Australian Stock Exchange (ASX), as well as a range of term deposits.

The Mercer Direct investment option offers extra investment choice and control, combined with the convenience of maintaining a single super account within the Mercer Super Trust, with easy online access and one consolidated annual statement.

Mercer Direct uses an online trading platform where you can trade in real time (during ASX trading hours), monitor your account, generate reports and access information. Where applicable, Investment profiles may be available on the Mercer Direct section of the secure website[^] and the Product Disclosure Statements for ETFs are available on the ETF provider's website.

Please note that any Investment Profiles are from a third party source and the trustee does not endorse the contents. While we believe the profiles are reliable, the trustee accepts no responsibility for any errors or omissions.

Shares, ETFs and term deposits available within the Mercer Direct investment option may change due to changes in the composition of the ASX, the addition of new ETFs, listed investment companies, other ASX traded products or trustee decisions.

How you can invest in Mercer Direct

It is important to note that unlike other investment options, the Mercer Direct investment option cannot accept direct contributions nor can you make partial withdrawals without first transferring funds into a Ready-made and/or Select-your-own investment option(s) of your choice.

To be eligible to invest in Mercer Direct, you must initially have a minimum super account balance of \$20,000. You can invest a maximum of 80% of your super account balance in the Mercer Direct investment option, as long as you have at least \$5,000 in other investment options.

To invest in the Mercer Direct investment option, go online at mercersuper.com (sign in using your personal login) and transfer a dollar amount from a Ready-made and/or Select-your-own investment option into the Mercer Direct investment option. The minimum amount you may transfer to the Mercer Direct investment option in one transaction is \$500. Once you have transferred a dollar amount into the Mercer Direct cash account, you can use those funds to purchase shares, ETFs and/or term deposits via the online trading platform.

There are other investment limits that may apply to investments made in the Mercer Direct investment option. In addition, the features, fees and risks for the Mercer Direct investment option are very different to the Ready-made and Select-your-own investment options.

For more details about the Mercer Direct investment option, please refer to the *How Your Super Works* booklet (for fee details) and the *Mercer Direct Member Guide* available at mercersuper.com

Mercer Direct – Risks and objectives

Investing in the Mercer Direct investment option is different from the other investment options available through your Plan in the Mercer Super Trust. This is because you choose your own investments and your portfolio is likely to be unique. With this greater degree of control comes a greater responsibility to understand the nature of your investments and their ability to generate your intended return and satisfy your desired level of risk.

You should consider the following before investing in the Mercer Direct investment option:

- Your current age and expected retirement age (typically members will reduce their investment risk as they approach retirement and will consider how they will meet their income needs);
- Whether you have adequate diversification across different asset classes, countries and investment managers;
- Superannuation is a long-term investment and Mercer Direct should not be used to time the market;
- The need to monitor your investments and maintain an appropriate mix and diversification of investments as the market changes; and
- Your investments outside super and how they will contribute to your income in retirement.

There may also be risks with transacting online. We accept no responsibility (to the extent permitted by law) if the secure member website[^] or the Mercer Direct section of the secure member website are unavailable. The Mercer Super Trust reserves the right to temporarily change, suspend or cancel operations in the secure member website or the Mercer Direct section of the secure member website without prior notice.

Other risks can include, if you cancel a term deposit before the maturity date, the term deposit provider may withhold some or all of the earnings that would have been due had you held the term deposit to maturity. Refer to the terms and conditions of the term deposit provider for further information on any break fees, available on the Mercer Direct section of the secure member website.

If you do not keep your registered email address up to date, you will miss being advised of and participating in any applicable corporate actions. If you do not respond by the due date, the corporate action will expire and this may have an impact on your investments in the Mercer Direct investment option.

The investment objectives below are general in nature and offered as a guide to the way investments of this type will typically behave. The characteristics of your chosen investments may be quite different and you or your financial adviser will need to research your individual investments.

[^] The Mercer Direct section of the secure member website allows you to transact and includes information that you will need to monitor and manage your Mercer Direct investments.

MERCER DIRECT INVESTMENT OPTION

Shares

Description – This option is designed for members who want to invest a proportion of their super in specific shares listed on the S&P/ASX 300 Index and who can tolerate a very high level of risk over seven years or longer.

Objective

To provide long-term capital growth with some income.

Standard risk measure

Very high

Minimum suggested timeframe

Seven years

ETFs

Description – This option is designed for members who want to invest a proportion of their super in a wide choice of ETFs and can tolerate a high level of risk over seven years or longer.

Objective

To provide market performance, before fees and charges, of a particular group of assets.

Standard risk measure

High*

Minimum suggested timeframe

Seven years

Term deposits

Description – This option is designed for members who want to invest a proportion of their super in term deposits (typically ranging from a one to 12 month period) and can tolerate a very low level of risk over one year or less.

Objective

To provide an income stream with a very low risk of capital loss.

Standard risk measure

Very low

Minimum suggested timeframe

One year or less

* The levels of risk for ETFs will vary depending on the ETF chosen. Risks for ETFs are categorised as 'High' or 'High to Medium'. The expected frequency of negative returns will depend on the risk profile of the individual ETF and the underlying investment mix. ETFs are traded on the ASX, so the expected frequency of a negative annual return may be similar to shares, however diversification within an ETF may reduce volatility.



GLOSSARY OF KEY TERMS

Active investment approach

Managers of investment options with an active approach aim to perform better than the market overall.

Asset allocation

This refers to the allocation between the various asset classes (e.g. shares, fixed interest, property) of an investment option. It also includes the growth/defensive benchmark of the investment option.

Benchmark and ranges

The benchmark is the target and long-term asset allocation of the investment option. Factors such as the trustee's assessment of market valuations may cause the actual asset allocation mix to vary from the benchmark, but it will generally stay within the asset allocation ranges.

Capital markets

The part of the financial markets concerned with raising capital by dealing in shares, bonds and other long term investments.

Consumer Price Index (CPI)

CPI is a measure of the rate of inflation. In Australia, it is based on a selection of household goods and services.

Corporate Bonds

A corporate bond is a debt security issued by a corporation. Corporate bonds are typically classified into two main groups, investment grade and non-investment grade depending on their credit rating and likely risk of default. Non-investment grade corporate bonds have a lower credit rating than investment grade bonds and as such are considered to be of higher risk than investment grade bonds.

Defensive Investments

Defensive investments tend to produce lower but more stable long-term returns than growth investments. Defensive investments include:

- Cash
- Defensive fixed interest
- Growth fixed interest – 50% of any allocation to growth fixed interest is classified as a defensive investment
- Real assets –
 - Direct property – 50% of any allocation to direct property is classified as a defensive investment
 - Unlisted infrastructure – 30% of any allocation to unlisted infrastructure is classified as a defensive investment.
- Alternative Assets – 50% of the allocation to multi-asset funds and hedge funds is classified as a defensive investment.

Exchange Traded Funds (ETFs)

ETFs are a listed basket of securities that track a market or sector index and aim to provide the same returns as that market or sector index. ETFs are traded like normal stocks on a stock exchange.

Futures

Contracts for assets (especially commodities or shares) bought at agreed prices but delivered and paid for later.

Global

Global generally means Australian and international. For example, investments may be made in Australian and international shares where an investment option invests in Global shares.

GLOSSARY OF KEY TERMS

Growth Investments

Growth Investments have the potential to produce higher returns over the long-term (when compared to defensive investments) but are also likely to experience higher volatility (ups and downs) in performance from year to year. Growth investments include:

- Australian Shares
- International Shares
- Growth fixed interest – 50% of any allocation to growth fixed interest is classified as a growth investment
- Real Assets – including property, infrastructure and unlisted real assets (50% of unlisted (direct) property and 70% of unlisted infrastructure is classified as growth)
- Alternative Assets, including private equity, multi-asset funds and hedge funds (50% of the allocation to multi-asset funds and hedge funds is classified as a growth investment).

Hedging

Hedging generally refers to the process of protecting investments or reducing the risk of a loss. For example, the value of international investments is affected by changes in the value of a foreign currency relative to the Australian dollar. If the foreign currency falls in value relative to Australian dollar rises in value, then international investments reduce in value. Currency hedging is where investment managers use various techniques to minimise the effect of currency movements on international investments.

Indexed investment approach

Investment options with an indexed approach (sometimes called a passive approach) aim to perform in line with the overall market but may have some exposure to active management.

International

Investments in countries other than Australia.

Minimum suggested timeframe

This is the minimum time you should consider holding your investment in an investment option. This is a guide only.

Multi-manager investment approach

More than one specialist manager may be appointed to manage assets in each asset class, sector or investment style within the investment options.

Objectives

These identify the type of return the option aims to achieve for investors. The objectives are sometimes stated in terms of a particular named index, e.g. the Bloomberg AusBond Bank Bill Index, or a target that relates to CPI.

Please note the objectives of any particular investment option should not be treated, or relied upon as a forecast, indicator or guarantee of any future returns or performance for that option. The value of investments may rise and fall, in any of the options.

Objective Time Horizon

Refers to the time horizons used in the investment objectives for particular options:

- Short term – Less than three years
- Medium term – Three to seven years
- Long term – Greater than seven years

Options

Contract that gives the investor the right, but not the obligation, to buy or sell an underlying asset at an agreed price.

RBA Cash Rate

The RBA Cash Rate is the rate of interest which the Reserve Bank of Australia (RBA) charges on overnight loans to commercial banks.

Shares

A share is an investment that represents part ownership of a company. The Mercer Direct investment option gives you access to securities listed on the S&P/ASX 300 Index.

Sovereign Bonds

A sovereign bond is a debt security issued by a national government.

Term deposits

A term deposit is a deposit held with a financial institution for a fixed term with a fixed rate of interest payable at the end of the term. These are generally short-term with maturities ranging anywhere from one month to 12 months.



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