01. Introduction

Breaking down the areas of investment that make up my**super**.

Welcome to an insider's guide to investing with my**super**. As a member, it's worth knowing the ins and outs of how your money is working for you. Not that you have to do anything, but to achieve your goals it helps to understand how your investment lives and breathes.

Guide 01. is an introduction to investing.

Here we break down the areas that your my**super** money gets invested and the difference between them.

What is investing?

Investing is a way of putting money into things that will make you money, (assets that generate profit). That money can come from income like interest or dividends, or capital growth where the value of what you put in goes up, in-line with inflation.

If you put money in a bank you are saving. If you use savings to buy investments you are investing. As a member of the my**super** superannuation scheme, you are investing.

Why invest?

Investing is a way to work towards a goal. That goal might be to maintain a standard of living when you retire, or to be able to pay off your mortgage. Your goals and where you're at in life are unique, and the way you'll get there is too.

How does my**super** invest?

my**super** isn't like a bank, where you simply put money in and take money out. my**super** is very much a living and breathing investment product, that uses your capital (what you and your employer contribute) to invest in a mix of investment areas.

Depending on your goals and comfort levels of risk and reward (your fund type), our speciality investment managers invest your money in four different investment areas where money can be made either from interest, dividends or capital growth.

What are the three my**super** areas of investment?

1. **Shares (equities and stocks)**
2. **Fixed income or interest**
3. **Cash**

Investing in shares

Shares are one area your my**super** money is invested, to make you money. They can be high risk, but high reward.

Shares (also known as stocks or equities) are about owning parts of a company. There are private companies (like family businesses) or public companies (like Air New Zealand) which are owned by a number of investors. These investors are called shareholders.

In return for investing in a company, shareholders receive dividends and other income from the profits that the company makes each year. Investors also share in any increase in value of a company as it becomes more successful (**capital growth**).

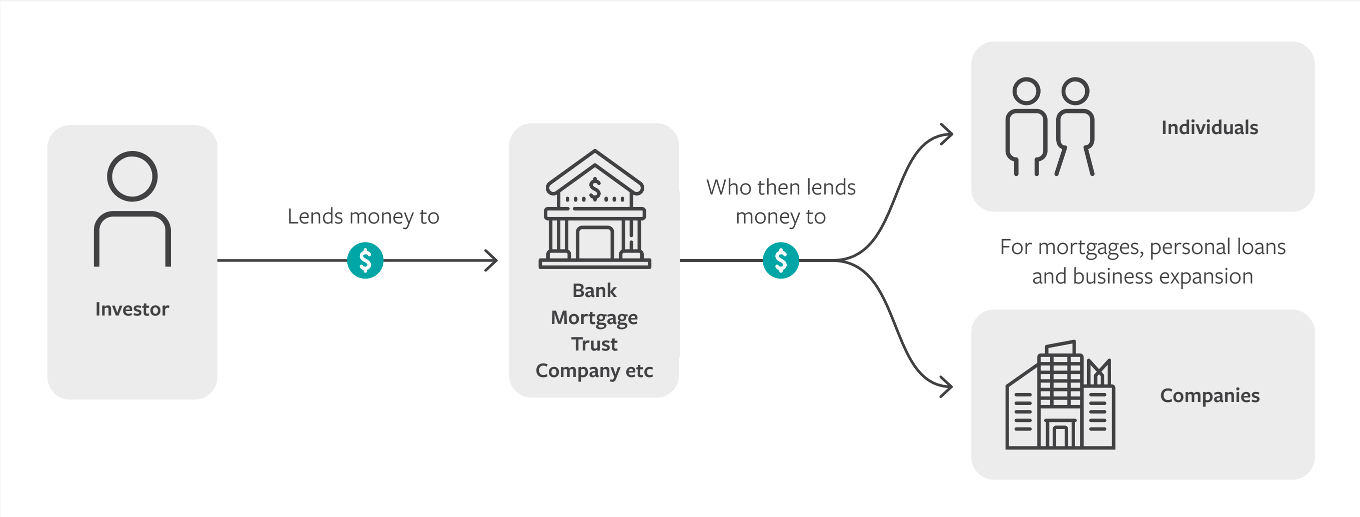
Public companies can be bought and sold through a stock market exchange and are called listed companies. Investors can also invest in unlisted companies, which are smaller and not on an exchange. Unlisted companies are not regulated in the same way and are less liquid. Liquidity means how easily you can sell your investment.

Investing through fixed income

Fixed income, also called bonds, is another way my**super** can make you money. A bond is a fixed-income way of representing a loan made by an investor to a borrower (usually corporate or government).

A bond could be thought of as an I.O.U. between the lender and borrower that includes the details of the loan and its payments. Bonds are used by companies, municipalities, states, and sovereign governments to finance projects and operations. Owners of bonds are debtholders (or creditors) of the issuer.

Bond details include the end date when the principal of the loan is due to be paid to the bond owner and usually include the terms for variable or fixed interest payments made by the borrower.



Investing in cash

Cash is another area my**super** invests in to make you money. This is a comparatively stable form of investing with conservative risks and returns.

Cash refers to the physical holding of notes and coins, as well as on-call accounts and term deposits of less than 90 days.

How do my**super** investment managers allocate and diversify your money?

A key to investing is to diversify your allocation of money across different investment areas. That means never putting all your eggs in one basket, so when one area goes down, another goes up, and over time the risk evens out.

my**super**'s investment managers diversify where your money is allocated across shares, property, cash and fixed income. Peace of mind that if one or two of your investments are performing poorly, you have others which may do better and provide a return. Smoothing out your returns and spreading out the risk.

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