mysuper

23 September 2016

Risks

my**super** Superannuation Scheme

This document provides additional information about the risks associated with investing in my**super** Superannuation Scheme (**mysuper**). It should be read in conjunction with the Product Disclosure Statement for my**super**, which is available at **mysuper.co.nz/disclose**

Interests in my**super** are issued by the Trustee of my**super**, Shamrock Superannuation Limited.

my**super** is governed by the my**super** Trust Deed and the KiwiSaver Act 2006 (**KSA**) (amongst other laws). The provisions in the my**super** Trust Deed and the KSA prevail over anything to the contrary in any other document. The provisions of the **mysuper** Trust Deed and the KSA may change in the future.

Some terms used in this document are defined in the my**super** Trust Deed or the KSA.

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1. Risks and your investment

There are risks associated with investing. The risks associated with an investment could affect your level of return or ability to recover the total amount of your contributions.

It is important to realise that no-one can predict every event that may affect investments. The underlying assets of the my**super** Investment Funds (**Funds**) will rise and fall in value, and returns may be negative from time to time. Market volatility may affect the investment performance of some of the Funds.

Returns are not guaranteed and you may get more or less than the total amount contributed when you leave my**super**.

The following pages provide more detail on general investment risks applying to my**super** that could impact the level of return from your investment or the ability to recover the full amount of your investment in my**super**.

The information below doesn't cover everything, but does cover the risks that Shamrock Superannuation Limited (**Shamrock**), as Trustee of my**super**, believes to be the most important. It is recommended that you seek advice from a financial adviser for further information.

2. General investment risks

Investment risk is the risk of negative or lower than expected returns from the Funds. It is also possible that the returns for a particular Fund will be insufficient to meet expenses.

Returns and risk vary, depending on the type of asset invested in. This is because assets perform differently through market cycles, and every asset type carries a different type of risk. Generally, the level of risk is related to the potential return from the investment. Lower-risk investments, such as cash and fixed interest (known as 'income assets'), typically provide more consistent yet lower returns. Higher-risk investments, such as property and equities (known as 'growth assets'), have the potential to fluctuate significantly in value with a greater possibility of negative return. Generally, a Fund with a higher allocation to growth assets has the potential for higher returns over the long term than a Fund with a higher allocation to income assets, but has a higher risk element as well.

The main risk of receiving less than you invested or a lower return than expected from the chosen Fund or Funds is adverse market performance. The value of your investment may fall, depending on how the other type of investments in that Fund have performed. Underlying assets held by the Fund will rise and fall in value, and returns will, with exceptions, be negative from time to time. Depending on market movements and the length of time that you have invested, it is possible that you may receive less than your initial investment on withdrawal.

As set out in Section 4 of the PDS, different types of risk contribute to investment risk. The examples that follow are believed to be the investment risks that apply to my**super**.

Risks	Description of the risk
Asset allocation risk	As mentioned in the PDS and above, each investment sector has risks that are typical of that sector. Shamrock mitigates the risks set out below by spreading the investments across markets and diversifying investment across a range of investment types. Shamrock also uses investment research and other tools to provide recommendations on underlying fund managers, when applicable. The detail below outlines the key risks of each investment sector. **Cash** The main risk with cash is that inflation will erode value. Where cash assets included in a Fund are placed on bank deposit, there is also a small risk of the bank defaulting, meaning that some or all of the cash may be lost. Funds with greater exposure to cash assets will be more affected by this risk. **Fixed interest** For any particular fixed-interest security, changes to interest rates in the market affect its value and there is a risk of the borrower not making the interest payment and/or not repaying the loan. Funds with greater exposure to fixed-interest assets will be more affected by this risk. **Equities** The value of an individual share is influenced by many factors, including the performance of the relevant company, market opinion, and the economic performance of the sector or country. Funds with a greater exposure to shares will be more affected by this risk.
Market risk	Market risk is the risk that a Fund's investment return will fluctuate as a result of changes in market conditions. These conditions include, but are not limited to, economic and regulatory conditions, political events, and environmental and technological issues.

Risks	Description of the risk
Currency risk	Currency risk is the risk that the value of a financial investment will fluctuate as a result of changes in foreign exchange rates. Investments denominated in foreign currencies will fall if the New Zealand (**NZ**) Dollar strengthens against those currencies, all else being equal. The Funds have no direct investment subject to currency risk although some of their underlying investments may be subject to this risk (the funds placed with an investment manager are in NZ Dollars, but the investment manager may select investments that are in another currency).
Active investment approach (Excluding global equities)	An active investment-management approach may lead Shamrock to choosing investment managers that underperform or mistime the market changes, resulting in lower returns. Active management involves making choices constantly about which assets to invest in and when. See the Statement of Investment Policy and Objectives (**SIPO**) for more about when a passive or active investment-management approach is used. The SIPO is available free of charge at **mysuper.co.nz/disclose**
Interest-rate risk	Interest-rate risk is the risk that the return on a Fund's investment will fluctuate as a result of changes in interest rates. A Fund's exposure to interest-rate risk primarily arises from changes in the interest rate that applies to cash, cash equivalents and fixed interest.
Credit risk	Credit risk is the risk that a borrower may default on, or be unable to meet, their financial obligations, whether in whole or part, under a contract. The impact of this will be a reduction in the level of returns or the full amount of the investment not being recovered.
Liquidity risk	Liquidity risk is the risk that a Fund experiences difficulty in realising, and will have to liquidate assets at a time of duress. This means that a suboptimal price is realised, or raising sufficient funds to satisfy financial obligations is difficult. Low liquidity means it may not be possible to sell assets at the desired time at a fair value. This will impact on a Fund's ability to make payments as required, such as paying benefits.
Counterparty risk	Counterparty risk is the risk that a party to a financial contract (including an investment contract) defaults or is unable to fulfil their obligations. If this occurs, the full amount of the investment may not be recovered. The underlying fund managers analyse counterparty creditworthiness by undergoing a due diligence process when selecting counterparties to transact with.