

Table 7: Individual asset class option descriptions

This table gives a description of the individual asset class options. This is a general description and does not limit the assets we may buy or hold for any investment option.

Asset class option
<p><b>Cash</b></p> <p>The Cash Investment Option invests in: cash (deposits with a bank), Australian-dollar-denominated money market securities that are issued or guaranteed by a government, bank or corporate entity. These securities must have a minimum credit rating of A1+ (or its floating rate equivalent) for short-term securities and a minimum credit rating of AA for long-term securities. Standard &amp; Poor's (or the equivalent from Moody's or Fitch if no Standard &amp; Poor's rating is available) determine these ratings. Interest rate futures, swaps and repurchase agreements are also investible securities in this sector.</p>
<p><b>Government bonds</b></p> <p>Investing in government bonds means you are lending money to governments wishing to raise capital. In return, you receive a fixed rate of interest, until the bond matures. ARIA invests in those government bonds listed on the Citigroup World Government Bond Index (WGBI). The WGBI is a comprehensive government bond index made up of more than 750 bond series issued by governments with relatively well-developed, liquid bond markets. If a government issues a new bond that satisfies the requirements of the index, this bond will be included in the index. This is generally considered a relatively low risk investment as the predominant exposure is to sovereign risk.</p>
<p><b>Australian shares</b></p> <p>Investing in Australian shares means you are investing in companies listed on the Australian Stock Exchange. The return on your share investments is your part of the companies' profit which is paid to shareholders in the form of dividends, and any capital gains or losses from share price fluctuations. Australian companies are exposed to both local and global market fluctuations and as the companies' fortunes fluctuate, so will the value of any shares. Share prices are affected by market forces and are considered to be one of the more risky investments, but over the longer term may offer relatively higher returns.</p>
<p><b>International shares (unhedged)</b></p> <p>Investing in international shares (unhedged) is like investing in Australian shares except that the companies are selected from those listed on international stock markets rather than the Australia stock market. In addition to being exposed to global stock market fluctuations, investment returns can also be influenced by currency movements, as investments are not hedged to Australian dollars.</p>
<p><b>International shares</b></p> <p>Investing in international shares is like investing in Australian shares except that the companies are selected from those listed on international stock markets rather than the Australian stock market. The level of foreign currency exposure is determined by the Trustee and may vary from time to time. This option will usually be less exposed to currency fluctuations than the international shares (unhedged) option, although a portion of your investment will still be subject to currency risk.</p>
<p><b>Property</b></p> <p>Property includes investments in established buildings and properties, for example shopping centres, or buildings under construction. We also invest money in trusts and property companies, which means we pool your money together with that of other investors, in order to have the scale to purchase a share of very large properties. The investment returns on property come from rent and changes to property values over time. Our property portfolio generally has lower returns than Australian shares as its risk profile is more moderate.</p>
<p><b>Sustainable</b></p> <p>Investing in the Sustainable option means you are passively investing in companies that lead their industry peers in terms of sustainable business practice ('Sustainable Leaders'). The option seeks to capture the performance of Australia's Sustainability Leaders with a well-diversified portfolio that has expected risk and return characteristics similar to the broader Australian share market (as represented by the S&amp;P/ASX 200 Index). The portfolio holds securities included in the Australian Sustainable Asset Management (SAM) Sustainability Index (the AuSSI). SAM selects approximately 70 stocks for inclusion in the AuSSI from a universe of 200 of Australia's largest listed companies. Most of these companies have a primary listing on the Australian Securities Exchange (ASX). This universe may also include other selected stocks that trade with adequate liquidity on the ASX and have a significant part of their business operations in Australia. Be aware that ARIA's sustainable option returns may deviate from Vanguard's underlying returns due to members' investing in and out of the option and ARIA's costs associated with administering this option.</p>