

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 with 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; and interest rate futures options, swaps and repurchase agreements.</p>
<p><b>Government bonds</b></p> <p>Investing in government bonds means you are basically 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 generally 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 in large properties together with other investors. The investment returns on property come from rent and changes to property values over time. Property generally has lower returns than, for example, Australian shares, involves moderate risk.</p>
<p><b>Sustainable</b></p> <p>Investing in the sustainable option means you are investing within Australian 'industries of the future' which are providing solutions to social and environmental challenges, as well as 'leaders within traditional sectors' that exhibit high levels of corporate social responsibility. We regard health care, renewable energy, mass transport, education and waste and water management as industries of the future. Examples of traditional sectors include finance, property and retail. Companies in which this option is invested are subjected to in-depth financial analysis, in order to identify those offering the potential for superior investment performance. In particular, this investment option focuses on sustainable growth at a reasonable price and does not invest in companies with a material exposure to gambling, alcohol, tobacco, pornography, uranium and armaments. As this is a new option, with a relatively small asset size, a large contribution or withdrawal may cause its return to deviate significantly from the underlying manager's return.</p>