

QIEC Super's ten investment options invest across a range of asset classes. This Fact Sheet is intended to assist you to understand the different investment choice options and the various asset classes, to enable you to make an informed decision as to which investment option(s) are right for you. For more information on QIEC Super's investment options, please refer to the Product Disclosure Statements (PDS) or the website.

Different investment choice options for your existing balance / future contributions

You can nominate one investment option, or a mix of different options, separately for your Existing Account Balance and for your Future Account Balance (i.e. future contributions and roll-ins), if you wish, provided the percentage in each option is a multiple of 5% and the total adds to 100%. Any such nomination will be effective from the start of the following month as per investment switching arrangements. For example, you may elect as follows:

- Existing Account Balance Mix of 50% Balanced Growth / 50% High Growth
- Future Account Balance 100% Cash

If you make no election in relation to your Future Account Balance, your nominated investment choice percentage for your Existing Account Balance will also apply to your Future Account Balance.

The ability to nominate a different mix of investment options for your Existing Account Balance and your Future Account Balance will provide additional flexibility, and will allow you to diversify your account.

What choices do I have for changing my investment options?

If you don't nominate investment options for your Future Account Balance, your entire account balance will continue to be invested according to your previous investment option nomination (or in the Balanced Growth option if no nomination has ever been made). If you wish to have your Future Account Balance invested differently, you will need to complete the Member Investment Choice form and nominate one or more investment options for your Future Account Balance (column B on the form).

You can switch your investment options for your Existing Account Balance and your Future Account Balance at the same time, or independently, and it is important to understand how this works.

If you have previously nominated certain investment options for your Future Account Balance, then if you later elect to change the investment options applying to that account, all monies accrued in that account will then be invested according to your new nomination, **not** just future contributions from that point. The monies in your Existing Account Balance will continue to be invested according to your previous nomination, unless you also decide to change the investment options applying to that account (in which case you would complete columns A & B on the Member Investment Choice form).

The same rules will apply if you have previously nominated certain investment options for your Existing Account Balance, then if you later elect to change the investment options applying to that account, all monies accrued in that account will then be invested according to your new nomination.

If you had previously nominated different investment option(s) for your Future Account Balance, the monies in that account will continue to be invested in the investment options you previously selected, unless you request a switch to both your Existing Account Balance and Future Account Balance.

There are also a range of other scenarios which may apply, as outlined below.

- If you have never nominated any investment options, your entire account balance will be invested in the Balanced Growth option. Or, if you have previously nominated one or more options for your Existing Account Balance, that will apply to your entire account unless you complete the relevant form to advise QIEC Super of your intention to have your Future Account Balance invested differently;
- You may then elect to create a different combination of investment options for your Existing Account Balance and/or Future Account Balance. You may choose to change your nomination for only one account, and leave the other account invested as per current arrangements, or you may change your investment options for both accounts.

Examples

1. John has previously nominated for his Existing Account Balance to be invested in 80% Balanced Growth / 20% Cash and has not nominated a different combination of investment options for his Future Account Balance. John completes the Member Investment Choice form (column B) advising that he now wants his Future Account Balance invested differently (70% Australian Equities / 30% Conservative Growth). His Future Account Balance will then be invested according to this nomination, and his Existing Account Balance will continue to be invested in 80% Balanced Growth / 20% Cash.
2. David has never previously nominated any investment options to QIEC Super, so his entire account balance is invested in the default Balanced Growth option. David now wants his Existing Account Balance to be invested in 100% High Growth and wants his Future Account Balance to be invested in 50% International Equities / 50% Property. David completes the Member Investment Choice form (columns A & B), reflecting the above selections.
3. Craig has previously nominated for his Existing Account Balance to be invested in 40% Balanced Growth / 40% High Growth / 20% Cash and for his Future Account Balance to be invested 100% Cash. Craig now wants his Future Account Balance to be invested in 70% Conservative Growth / 30% Balanced Growth and so completes the Member Investment Choice form (column B), reflecting the above selections. His Future Account Balance (including all monies previously accrued in that account) will then be invested 70% Conservative Growth / 30% Balanced Growth and his Existing Account Balance will be unchanged and continue to be invested 40% Balanced Growth / 40% High Growth / 20% Cash.
4. Brian had previously nominated that he wanted his Existing Account Balance invested in 60% Cash / 40% Conservative Growth and his Future Account Balance invested 100% Balanced Growth. Brian now decides to transfer his Future Account Balance to his Existing Account Balance by crossing the relevant box on the Member Investment Choice form. Brian's entire account balance at that point will then be invested 60% Cash / 40% Conservative Growth. However, as Brian did not select to change his investment options for his Future Account Balance, any future contributions / rollins will be invested in the Future Account Balance according to his previous nomination (100% Balanced Growth).

How is interest applied?

If you nominate a different combination of investment options for your Existing Account Balance and your Future Account Balance, you will effectively have two accounts within your membership. From 1 December 2009, the Trustee declares a monthly crediting rate for each investment option. Separately, for each of these accounts, the crediting rates are combined for the options and percentages you have selected, and a single interest amount is applied to each account. For example, if your Existing Account Balance is invested 50% Balanced Growth / 50% High Growth, and these options declare crediting rates of 2% and 1% respectively for December 2009, the interest credited to your Existing Account Balance for that month will be $(50\% \times 2\%) + (50\% \times 1\%) = 1.5\%$. Please note that separate accounts are not maintained for each investment option you choose.

Please also note that prior to 1 December 2009, the Trustee declared quarterly crediting rates for each investment option. The same methodology as stated above was applied on a quarterly basis. Refer to the QIEC Super Product Disclosure Statement for more details.

Deduction of fees and costs

The fees and costs applying to your account are set out in the QIEC Super PDS. Fees will generally be deducted from the Existing Account Balance, however, as contributions are directed to the Future Account Balance, any contribution related costs such as income protection insurance premiums and contributions tax (e.g. on employer and salary sacrifice contributions) will be deducted from the Future Account Balance.

How do I change my investment choice?

To nominate a different mix of investment options for your Existing Account Balance and/or your Future Account Balance, please complete the Member Investment Choice form, available at www.qiec.com.au. Please read the form carefully as you may need to complete column A or B or both, depending on your intentions. Any nomination you make is regarded as a switch, and from 1 December 2009 switches are processed at the start of the following month after they are received. For example, any election you make in the month of December, will be effective from 1 January. Investment choice switches are free to members.

Transfer Future Account Balance back to Existing Account Balance

Once you have money accumulated in your Future Account Balance, you then also have the option of transferring this money back to your Existing Account Balance. In doing so, you may (or may not) choose to change the investment options applying to your Existing Account Balance and Future Account Balance. If no investment option changes are advised to QIEC Super on the Member Investment Choice form, future contributions will continue to be invested as per your nominated investment options for your Future Account Balance.

Helping you understand the asset classes

Shares (or "Equities")

Investing in shares means that you effectively own part of a company. You're then entitled to income from both the dividends paid by the company and capital growth from changes in the share value.

QIEC Super invests in shares listed on the Australian and overseas share markets. Over the long term, shares will generally provide a higher rate of return than other asset classes, but they also involve a higher level of volatility than other asset classes.

For example, for the financial years ending 30 June 2006 and 2007, the Australian Share Market (measured by the Standard & Poors ASX 300 index) returned 24% and 29.2% respectively. However, the year ending 30 June 2008 saw a return of -13.7%. So you can expect good returns over the long term, but you need to be prepared to accept an occasional bad year.

Property

Property investments include residential, industrial, commercial, retail and rural property held either directly or indirectly with other investors through property trusts.

Property investments can generate rental income as well as an increase (or decrease) in capital value over time. Property investments will generally provide a higher return than cash and fixed interest. However, they are also subject to higher levels of risk.

Alternatives

Alternative investments are a relatively new asset class, used by investors who are looking for Alternatives to shares, property, fixed interest and cash. They can include:

- Private equity – investments in listed or unlisted companies that are in the developmental stage, or which are looking to expand.
- Infrastructure – investments in facilities or services for the community – for example, toll roads, electricity and water services, health facilities etc.
- Hedge funds – managers of these funds use a number of short term trading techniques. They may borrow money ("leverage") to buy other investments in order to make gains.

Alternative investments provide investors with access to new asset classes. There are opportunities for high returns, but usually accompanied with increased risk. Growth Alternatives generally offer higher returns with higher risk; while Defensive Alternatives are more conservative, with lower risk and lower returns expected.

Fixed Interest

Fixed interest investments include government bonds, debentures, mortgage trusts and fixed term deposits. They earn interest at a fixed rate that is set at the time of the investment. QIEC Super invests in these type of assets in both Australia and overseas. They have a moderate level of risk and produce a rate of return a little higher than cash over the medium term.

Cash

Cash investments include funds held in bank accounts and in the short-term money market, such as bank bills and cash management trusts. They are generally a secure way to invest, with low levels of risk. Cash investments tend to earn comparatively low rates of return in the longer term.

Understanding Investment Risk

When we talk about asset classes, you'll notice we talk about the risk and return trade off for each class. The key to choosing the investment option that is right for you is deciding on the level of investment return you want and how comfortable you are with the risk involved.

As a general rule, the higher the potential returns on an investment, the higher the level of investment risk that is involved with that investment.

So what are the possible investment risks?

Opportunity risk – This is the risk associated with choosing one investment over another, or simply not investing at all. It may be that, because of recent volatility in the share markets, an investor chooses to invest mostly in cash or fixed interest. The opportunity risk here is that share markets, which the investor has avoided, may perform better than cash or fixed interest.

Economic risk – This is the risk involving changes in conditions in the economy, such as interest rates and inflation. Changes to interest rates are likely to affect the performance of cash and fixed interest investments. Changes in inflation may affect the real value of investments.

Diversification risk – If all or most of an investment is in a particular asset class, there is a risk that the asset class may perform poorly. If however an investment is spread over more asset classes, there is less likelihood of losing money. This is because while one asset class may perform poorly, other asset classes may perform well.

Market risk – This relates to the changes in the market as a whole, due to economic or political factors. Changes in the market affect some asset classes significantly.

Credit risk – Some investments carry the risk of suffering a loss due to another party defaulting on their financial obligations.

Currency exchange risk – Changes to the value of the currency of countries where we invest can impact on the value of investments in some asset classes.

Fund risk – This is the risk involved with the management of QIEC Super, which may impact on investments of the Fund.

Superannuation taxation laws – Changes to taxation laws can affect investments – especially the returns earned by those investments.

What does this mean for the QIEC Super's investment options?

Conservative Growth - Investors with a time horizon of at least three years, and those whose aim is to achieve consistent returns with reduced levels of risk.

Balanced Growth – Members with an investment horizon of at least 5 to 7 years.

High Growth – Investors with an investment horizon of at least 10 years. Returns are likely to experience more year to year variation and even in the longer term (10 years or more) the High Growth option may not outperform the other investment options.

Australian Equities - Investors with a long investment horizon. Returns are likely to experience volatility, greater than other options, and even in the longer term (10 years or more) this option may not outperform the other investment options.

International Equities - Investors with a long investment horizon. Returns are likely to experience volatility, greater than other options, and even in the longer term (10 years or more) this option may not outperform the other investment options.

Socially Responsible Investment - Investors with an investment horizon of at least 5 to 7 years who are interested in sustainable responsible investing.

Infrastructure - Investors with a medium to long term investment horizon who are looking for exposure to the general economy but with lower volatility requirements.

Property - Investors with a medium to long term investment horizon who are looking for exposure to the general economy but with lower volatility requirements.

Fixed Interest - Investors with a short investment horizon or for those that are risk averse. This is a relatively defensive investment option.

Cash - Investors with a short investment horizon or for those that are risk averse. This is the most defensive investment option.

If you don't make a choice, your money will be invested in the Balanced Growth option.

Need help choosing an investment option?

QIEC Super can refer you to a Queensland Teachers Credit Union Financial Planning (QTCUFP) qualified financial planner for help. Simply ring QIEC Super on **1300 360 507**. QTCUFP may also be able to help you with planning for retirement and death and disablement insurance cover.

This information is of a general nature and does not take account of your individual financial situation, objectives or needs. Before acting on this advice, you should consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. You should obtain a Product Disclosure Statement (PDS) and consider the PDS before making any decision. If you require specific advice, you should contact a licensed financial adviser.

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