

# North<sup>®</sup> Super and Pension

## Standard Risk Measure – Managed fund risk descriptors for closed funds

### About the Standard Risk Measure

The Standard Risk Measure (SRM) is a common risk descriptor used by superannuation funds.

It is based on guidance from the Australian Prudential Regulation Authority (APRA) to allow investors to compare managed funds that are expected to deliver a similar number of negative annual returns over any 20-year period.

We have introduced the SRM in accordance with the recommendations from the Financial Services Council (FSC) and Association of Superannuation Funds of Australia (ASFA).

### SRM descriptors

Each managed fund has been assigned an SRM. This document lists the SRM descriptor for closed managed funds.

For a list of all open investment options (including in specie, ETFs/LICs) and their associated SRMs that are available on North Personal Super and Personal Pension, please refer to the North Investment Options available on [northonline.com.au](http://northonline.com.au).

The table below sets out the SRM labels used for each managed fund based on the estimated number of negative annual returns that a managed fund may experience over any 20-year period.

Risk band	Risk label	Estimated number of negative annual returns over any 20-year period
1	Very Low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to Medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to High	3 to less than 4
6	High	4 to less than 6
7	Very High	6 or greater

For example, managed funds with a risk band of 5, have a Medium to High risk label and may experience between 3 to less than 4 years of negative annual returns over any 20-year period.

### Limitations

The SRM is not a complete assessment of all forms of investment risk and does not replace the need for financial advice when constructing a managed fund portfolio. For instance, it does not detail what the size of a negative return could be or the potential for a positive return to be less than an investor may require to meet their objectives. Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return.

The SRM is not a comprehensive account of the risks of investing and investors should consider these risk labels in conjunction with the different risks of investing that apply to their investments. Investors should still ensure they are comfortable with the risks and potential losses associated with their chosen managed fund(s).

### Methodology

The methodology used for calculating the SRM follows the FSC/ASFA recommendations and is in line with market adopted practices.

For each investment option, the process determines a set of forward-looking capital market assumptions by forecasting expected yield and growth outcomes for each asset class.

The assumed return outcomes are gross of administration fees, net of investment management fees, and gross of tax.

Generally, alpha (outperformance) has been assumed to offset investment management fees, however for some asset classes (where appropriate) a small amount of alpha in excess of investment management fees is assumed.

For multi sector (or diversified) investment options, a correlation matrix between the asset classes has also been determined using long-term historic data. Both the assumptions and correlations are then used to determine a multi sector investment option's expected risk and return by combining them with its long-term strategic asset allocation.

For each investment option, the SRM is calculated by determining the probability of a negative return based on an expected normal distribution of returns multiplied by 20.

## Changes to the SRM

For each managed fund, any significant changes to market conditions may alter the SRM from time to time. In addition, any changes to the methodology used (including any regulatory changes) may also alter the SRM results.

We will generally review the SRM each year.

## Differences between each provider's SRM

Investors should be aware that the SRM labels used for each managed fund are based on our assessment and may differ to those assigned by other providers. The differences are generally due to the methodology used in calculating the SRM.

## Closed managed funds SRM

The table below lists the SRM for closed managed funds which were available through North Personal Super and Personal Pension.

### Contact us

If you have any questions, please contact your financial adviser or the North Service Centre on 1800 667 841.

## Closed managed funds

Fund Manager	Fund	APIR code	Risk band	Risk label
<b>Property</b>				
<b>Australian Property</b>				
APN	Areit Fund	APN0008AU	6	High
Charter Hall	Direct Industrial Fund No 2 (wholesale)	MAQ0816AU	5	Medium to High
<b>Australian Equities</b>				
<b>Large Cap</b>				
BT	Australian Share Fund	BTA0021AU	6	High
Wavestone	Australian Share Fund (W)	HOW0020AU	6	High
<b>Specialist</b>				
Macquarie	High Conviction Fund	MAQ0443AU	6	High
<b>Global Equities</b>				
<b>Large Cap</b>				
AMP Capital	Global Equity Growth Fund (W)	NML0318AU	6	High
Colonial First State	Acadian Wholesale Global Equity Fund	FSF0710AU	6	High

### What you need to know

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