

# Asset Allocation

Superannuation funds reduce risk by spreading their investments across a range of different investment areas, or 'asset classes'. The main asset classes that Vision Super uses are:

Asset Classes
Cash
Fixed Interest
Property
Shares
Infrastructure and Private Equity

## Cash

Cash includes short-term money market investments with various companies and financial institutions. Interest is earned on the cash invested. Cash is a defensive asset, known to experience lower risk and lower returns.

The major indicator of cash rates is the 90-day Bank Bill. The UBS Bank Bill Index is considered the key reference point for historical comparisons.

## Fixed Interest

Fixed Interest investments are debts of a government, government agency or corporation, both local and overseas. Traditionally, they have been known as bonds or debentures. The contract under which the debt is provided specifies a set rate of interest for a specific period of time. The contracts can be traded and the market price will fluctuate as interest rates change. Fixed interest investments are considered low to medium risk and are therefore a defensive asset.

The major indicator of fixed interest rates is the UBS Composite Bond Index. The UBS Bond index is regarded as the key reference for historical comparisons.

## Property

Property involves purchasing individual properties like office complexes and shopping centres or pooling money in a listed or unlisted 'property trust'. Property trusts generally use funds from a group of investors to buy a range of properties. Property investment returns come from rent and increases over time in property values. This is a medium to high-risk investment and is considered a growth asset.

There are several indicators for property investments. The ASX Property Accumulation Index tracks listed property, and the Mercers Direct Property Index tracks unlisted property.

## Shares

Shares (or equities) represent ownership of a company. Investment returns from shares can come from increases in share values over time, and/or from dividends, which are company profits distributed to shareholders. Share investments are higher risk. They are commonly thought to provide the highest long-term returns and can be held in both Australian and international companies. Because of their high risk, high return characteristics, shares are categorised as a growth asset.

The major indicator of share performance in Australia is the All Ordinaries Index. This index includes all companies (large and small) listed on the ASX. However, it is only a measure of growth. The index which refers to growth and dividends combined is the All Ordinaries Accumulation Index. This is regarded as the key reference point for historical comparisons.

There are separate indicators for the top three hundred and the top two hundred companies: the S&P/ ASX 300 and S&P/ASX 200 respectively. Alternatively, if dividends are taken into account, the S&P/ASX 300 Accum and the S&P/ASX 200 Accum indices should be examined.

The major indicator for overseas share investments is the Morgan Stanley Capital Index (MSCI). This is a weighted (relative proportions) index of major overseas stock exchanges. In the USA, two indices are commonly quoted: the Dow Jones and the S&P 500. Whilst the Dow Jones is the most common indicator of the USA market, it represents only the top thirty companies. The S&P 500 on the other hand, as its name implies, examines the top five hundred listed companies.

## Infrastructure and Private Equity

Infrastructure and Private Equity investments can be held on an equity or debt basis. The underlying investments can include companies not listed on the stock exchange (private equity) or direct funding of infrastructure projects. These investments provide access to risk and return characteristics not available through traditional asset classes detailed above, and are usually used to complement other asset classes. They are generally considered to be growth assets with medium to high-risk characteristics.



**We can help!**

If you would like further information about asset allocation, or any of our products and services, please call our Member Services team on 9911 3222 (or 1300 300 820 for regional members).