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Australia Post Superannuation Scheme
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Not sure how your Member Savings are invested?

Don't worry, you can get help by calling SuperPhone on 1300 360 373 Monday to Friday, 9am to 5.30pm (Sydney time); or login at **apss.com.au** to check your account details.

Dear Member

Important investment news about your APSS Member Savings

Do you have APSS member savings invested in the **Conservative, Balanced or High Growth** investment options? Are you planning to invest in any of these options in the future? If so, this notice informs you about a new type of investment (called **alternative credit**), which is being added to the asset mix for these three options, starting this month. This may also be relevant if you are an employee member with an 'other offset' account.

Alternative credit – what is it?

Alternative credit actually covers a wide array of investments. To put it simply, these investments are loans to business ventures and commercial projects, as well as investments in emerging market bonds. Such investments are expected to give a higher rate of return than mainstream income assets, such as cash and bonds, but they also have more risk. Alternative credit is therefore considered to be a **growth** asset class.

Alternative credit enhances investment diversity

The Trustee continually reviews the investment strategy of the APSS to enhance investment returns or manage risks as market conditions change. Alternative credit is now a major part of the global investment landscape and provides an opportunity to diversify the growth assets of the APSS even more. The Trustee is confident that a prudent allocation to alternative credit will be in the best interests of APSS members with savings in the Conservative, Balanced and High Growth investment options.

Alternative credit – How and when will it be added into the asset mix?

From February 2018, the APSS is taking a phased approach that will gradually build the alternative credit allocation to a strategic target of 7.5% of the Balanced and High Growth investment options and to 3.75% for the Conservative option. The current allocations to private markets will gradually reduce to make room for alternative credit in the asset mix.

What has not changed?

There is no change to the Cash option and no financial impact on most members' APSS Defined Benefit even though the portfolio where defined benefit assets are invested will now also include an allocation to alternative credit. APSS Defined Benefits are not at all impacted by investment returns generated by underlying investments like alternative credit, except in very limited cases where members have an 'other offset' account, which continues to attract the crediting rate determined by defined benefit assets.

So, what do I need to do now?

There's nothing you need to do, unless you are invested in these investment options and believe that having alternative credit in the asset mix will no longer align to your own personal investment strategy. There's more information over the page, and in the article headed 'More diversity for your Member Savings' in *Insight - Dec 2017* (download it at **apss.com.au** under *Publications & Forms* by clicking on *Insight newsletters*). To switch an investment option, login to your account at **apss.com.au/Member Access** and click *Investments*, then *How you invest*. Call **SuperPhone 1300 360 373** for assistance or more information.

Yours sincerely



APSS Member Services

The Trustee of the
Australia Post Superannuation Scheme
is PostSuper Pty Ltd ABN 85 064 225 841
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What does the more diversified investment strategy look like with alternative credit in the mix?

Here are the new strategic asset allocations that we began the 2018 calendar year with. Alternative credit will be added gradually so you won't see it appearing in actual asset allocations just yet. Over time, you will see the allocation grow closer to these strategic targets.

Asset Class	Cash	Conservative ¹	Balanced ²	High Growth ²	Defined Benefit ^{2 & 3}
Public Market Shares	-	20%	40%	60%	40%
Private markets	-	11.25%	22.5%	22.5%	22.5%
Alternative credit	-	3.75%	7.5%	7.5%	7.5%
Bonds	-	40%	20%	-	20%
Cash	100%	25%	10%	10%	10%

In practice, the asset allocations can now fall within the following ranges, which allow the APSS to navigate changes in market conditions. To track the gradual increase in alternative credit and consequent reduction in private markets assets, keep an eye on the quarterly updates in future editions of your *Insight* member newsletter (go to apss.com.au and click on *Publications & Forms*, then *Insight newsletters*.)

Asset Class	Cash	Conservative ¹	Balanced ²	High Growth ²	Defined Benefit ^{2 & 3}
Public Market Shares	-	10% - 30%	20% - 60%	40% - 70%	20% - 60%
Private markets	-	5% - 25%	10% - 50%	10% - 50%	10% - 50%
Alternative credit	-	0% - 7.5%	0% - 15%	0% - 15%	0% - 15%
Bonds	-	30% - 50%	10% - 30%	0% - 10%	10% - 30%
Cash	100%	15% - 35%	0% - 20%	0% - 20%	0% - 20%

¹ The previous strategy allocated 15% of the Conservative option's portfolio to private market assets, within a range of 10% to 35%. It also allowed for investment in 'Other growth' assets (e.g. alternative credit), within a range of 0% to 10%, although the previous allocation to 'Other growth' assets was, in fact, 0%.

² The previous strategy allocated 30% of this option's portfolio to private market assets, within a range of 20% to 60%. It also allowed for investment in 'Other growth' assets (e.g. alternative credit), within a range 0% to 20% for the Balanced option and the Defined Benefit portfolio, and a range of 0% to 25% for the High Growth option. There were previously no allocations to such other growth assets.

³ The Defined Benefit portfolio's strategy has no financial impact on most members' APSS Defined Benefit. However, if you have the type of 'offset' account that attracts the crediting rate determined by defined benefit assets, then please remember that the interest applied to that particular account will, in part, be influenced by alternative credit.

Tell me more about the risks

All investments carry some type of risk and virtually all may rise and fall in value. This is referred to as 'price volatility.' Some types of investments also can't be sold quickly at their fair market value. This is known as 'liquidity risk.' Like other growth assets, including public market shares, private market assets and property, alternative credit carries these risks to some extent. To reduce the impact of risks, it is critical to diversify the investments. Alternative credit is a way to further diversify the growth assets of the APSS so that they are not totally exposed to one bad event, such as a share market fall. The APSS is also employing experienced, specialist investment managers to evaluate the quality and risks of each alternative credit investment before it is made.

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