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Diversa Trustees Limited & CCSL Limited

Standard Risk Measure

Application

This document outlines the Diversa Trustees Limited and CCSL Limited (together referred to within this document as "the Trustee") approach to calculating and assigning the Standard Risk Measure of each of the investment options offered by the Trustee within its Superannuation plans (and sub-plans).

About the Standard Risk Measure

In July 2011 the 'Standard Risk Measure Guidance Paper for Trustees' was issued by the Association of Superannuation Funds of Australia (ASFA) and the Financial Services Council (FSC) establishing guidelines around investment risk with the aim of assisting in comparing investment options (both within and across superannuation funds) utilising a simplified risk measure so members can make informed investment decisions – the guidelines are called the Standard Risk Measure (SRM).

As shown below in 'Table One: Standard Risk Measure Classification System', the SRM assigns a Risk Label from Very low to Very high, and a corresponding Risk Band from 1 to 7 for each option, based on the number of expected years of negative returns over any 20-year period.

Table One: Standard Risk Measure Classification System

Risk Band	Risk Label	Estimated number of negative annual returns over a 20y 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

Standard Risk Measure Methodology

For those products that are individual to the Trustee offering, the Trustee works together with the asset consultant of the Funds/sub-funds to develop the most appropriate methodology in which to measure and then classify investment risk under the SRM hierarchy. Unless exceptional circumstances apply and as approved by the Trustee Investment Committee, the Trustee will follow the methodology as set out by ASFA and the FSC in their guidance paper.

The Trustee will generally use a statistical approach in calculating the return and risk characteristics of an investment option or a portfolio of assets. The SRM for each investment option will normally be calculated using past returns from each investment asset class/sector, assumptions about how investment markets are forecast to perform, the likely variations or volatility in returns and where relevant the relationship between asset classes - or the long term Capital Market Assumptions (CMAs) for each asset class. These assumptions are based on fundamental drivers, historical returns, structural factors (including liquidity) and the inflationary environment to name just a few. The CMAs are not guaranteed.

The asset consultant analysis performed will then determine a range of outcomes for each investment option. If appropriate, a standard statistical distribution is used to describe the range of expected returns. Using statistical tools, the Asset Consultant then identifies the probability of negative returns generated over a set timeframe and the expected frequency of a negative return for each 20 year period. The Asset Consultant will then assign a risk label using those already presented in Table One. The Trustee has ultimate approval over the assignment of any SRMs.

For those products/investment options that are offered via an Approved Product List and where the trustee is not the issue of those product(s), the Trustee relies on the issuers of those product(s) to provide SRMs. Product issuers are experts on their products and are best placed to

assess the expected frequency of negative returns. The Trustee will view the assigned SRMs and make best endeavours to ensure the appropriateness of the label(s) assigned.

Limitations of the Standard Risk Measure

The SRM is not a comprehensive indicator of risk. In fact it's only one way of measuring the risk of an investment. For example, the SRM doesn't capture the size of a possible negative return, or the potential for sufficient positive returns to meet your objectives. Also, it doesn't take into account the impact of marketing and administration fees and tax which would increase the chance of a negative return. Importantly, the SRM is calculated using expectations of long-term returns and volatility. The number of negative years that occur in the next 20 years could be more or less frequent than expected.

The SRMs are estimates only and are not guaranteed. Actual outcomes may differ significantly from the estimates.

You should consider your situation and read the relevant Product Disclosure Statement before making any investment decision.