

Member Update

August 2011

Market volatility — what does it mean for your super?

Like most Australians you've no doubt seen a lot of media coverage about the recent volatility in investment markets. To explain what this really means, we have prepared an overview of the current situation that can help you understand how this volatility may affect your super account now and in the future.

Market cycles are unpredictable, but history shows that recoveries generally follow downturns.

What has happened?

Recent events in global investment markets, including doubts over the ability of some European countries to repay their debts, and worrying figures from the US, such as the downgrade of their credit rating, high unemployment and weak house prices, have caused uncertainty in share markets around the world.

While at home here in Australia the success of the mining sector has had a positive impact on our economy, we are still part of the global economy, so we're not immune from the negative fallout from events worldwide.

All of this has left investors feeling understandably nervous.

What does this mean for your super investment?

Although the recent market volatility will have an effect on superannuation accounts – because most of us have at least some of our super invested in shares, we would like to take this opportunity to remind our members that it may, depending on your situation, make sense to stay focused on your long-term investment strategy.

The severity of the current conditions has made many people nervous, however, smart investors with a long-term strategy remain calm, recognising that in order to achieve higher long-term returns it is necessary to accept some short-term pain in the form of short-term volatility.

Learn from the past and focus on the long term

Market cycles are unpredictable, but history has shown that recoveries generally follow downturns and vice versa. Unfortunately, it is impossible to predict when a market will rise or fall. However, if you look at the long-term historical performance of share markets, it's important to note that markets have generally recovered, and in fact have performed well over the long term, despite any short-term ups and downs. Of course, past performance is not a guarantee of future performance.

Thinking about long-term returns is especially important for an investment like super because for most of us our superannuation investment is locked away for quite a long time – often for more than 10, 20 or even 30 years.

The graph overleaf shows that despite a number of short-term ups and downs, \$1,000 invested in Australian shares has grown to almost \$7,000 over the 20 year period shown.

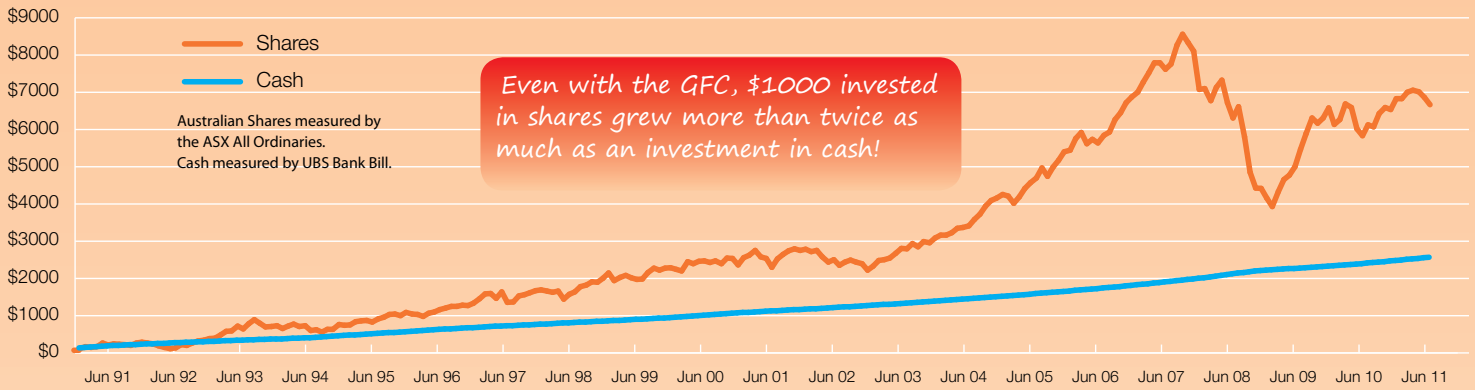
It also shows how the same \$1,000 would have fared if you'd decided to use a cash type investment like a bank account over the same period. Even with the Global Financial Crisis factored in to date, you still would have made more than twice as much by holding shares throughout the period.



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Australian Shares Vs Cash



What is Child Care Super doing in the current environment?

We understand the importance of making sound investment decisions in all types of investment markets. That's why after a thorough process, the Trustee chose Mercer to be our investment manager. Given Mercer's reputation and experience as an investment manager, we know our investments are in expert hands. As a global investment

management and consulting firm, Mercer has had a strong presence in Australia since 1971 and continues to be one of the country's leading investment firms. Globally, Mercer provides investment advice on over \$3 trillion and manages around \$44 billion, managing around \$17 billion of that on behalf of its clients in Australia.

Mercer is assisting the Trustee in monitoring the current investment market situation. The Trustee believes the long-term investment strategies for the Fund remain sound and is committed to remaining focussed on achieving the Fund's long-term investment objectives.

We're here to help – things to consider

There are a couple of things you can do to help you navigate the current situation.

1. Learn a little about how investment markets work.

This will help you understand that over the course of your time investing in super, it is likely you will see a number of market cycles, where your account balance moves up and down.

Learn more about Child Care Super's investment options by visiting childcaresuper.com.au. If you aren't sure what Investment Option(s) you are in, log into your account and find out.

If you don't know your log in details, call the Customer Service Team on 1800 060 215.

In addition, Child Care Super has a series of financial education tools available online as part of our Cash Karma program – visit cashkarma.com.au to get started.

2. Remain focussed on your long-term goals.

If you are thinking of making any changes to your current investment strategy,

consider the risks in doing so – the major risk being that you move your money out of shares before the market has time to recover.

Members who are looking to withdraw their super and retire soon are likely to be those most concerned by this recent downturn. However, if you are looking to continue to invest the bulk of your money throughout retirement in something like a pension product, you will still be a longer term investor.

What next?

We're continuing to monitor the markets, so please continue to visit the Child Care Super website for further information including your account details.



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