

# Bendigo Superannuation

## Standard Risk Measure Methodology

This document outlines the approach undertaken by Bendigo Superannuation Pty Ltd (Bendigo Superannuation) to calculating the Standard Risk Measure (SRM) for the investment options offered within The Bendigo Superannuation Plan.

## About the Standard Risk Measure

The SRM is a measurement of risk for each open investment option so members can make a fully informed investment decision. The SRM allows members to compare investment options using an industry wide common risk measure to indicate the likely amount of negative annual returns over a 20 year period. The measure does not consider the likely magnitude of any positive or negative returns and so does not give any indication of potential long term returns of an investment.

## Methodology

Bendigo Superannuation has followed the methodology set out by the Financial Services Council (FSC) and the Association of Superannuation Funds Australia (ASFA), also endorsed by the Australian Prudential Regulation Authority (APRA), as guidance to calculating the SRM.

FSC and ASFA have created a seven level risk classification system to allow for granularity in grouping investment options. This classification methodology identifies the bands of estimated number of negative annual returns over any 20 year period. This table is summarised below.

Table 1: The FSC/ASFA classification system

	Risk Band	Estimated number of negative annual returns over any 20 Year Risk Label
1	Very Low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to Medium	1 to less than 2 years
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

Bendigo Superannuation relies on product issuers (including Sandhurst Trustees Limited (Sandhurst)) to provide SRMs for their products. Product issuers are experts on their products and are best placed to assess the expected frequency of negative returns. Bendigo Superannuation requires product issuers to confirm that their own methodology follows the "Standard Risk Measure Guidance Paper for Trustees" issued by the FSC and ASFA.

Where a product issuer has not followed the guidelines or provided a SRM, Bendigo Superannuation will assign a SRM based on information available at the time of producing the list of SRMs using the methodology it applies to its own products.

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## Risk Disclosure and Risk calculation methodology

Sandhurst is the responsible entity and issuer of all managed fund investment options available through The Bendigo Superannuation Plan. Sandhurst, in its capacity as responsible entity, assesses the expected frequency of negative returns for these products by undertaking the following steps:

- Sandhurst forms a set of capital market expectations; this includes long term return, risk and correlation assumptions across asset classes. These expectations are linked to index returns and consider long term historical data as well as current market data.
- Sandhurst analyses returns and exposures to assign each investment option an appropriate capital market exposure.
- Sandhurst then performs analysis to determine the 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, Sandhurst then identifies the probability of a negative return and multiplies this by 20 to generate the expected frequency of a negative return for each 20 year period.
- Sandhurst will then assign a risk label using Table 1 contained in Page 1.

## Disclaimer

This document has been prepared by Bendigo Superannuation Pty Ltd ABN 23 644 620 128 AFSL 534006, a subsidiary of Bendigo and Adelaide Bank Limited (Bank) ABN 11 068 049 179 AFSL 237879. Investments in Bendigo Superannuation Plan products are not deposits with, guaranteed by, or liabilities of the Bank or any of its subsidiaries.

Standard Risk Measures (SRM) should be used as a guide only. The actual number of negative returns on an investment over a 20 year period may be different to the assigned SRM. You should consider your situation and read the relevant Product Disclosure Statement, available at [www.bendigosuperannuation.com.au](http://www.bendigosuperannuation.com.au) before making an investment decision.