AIA Australia Limited

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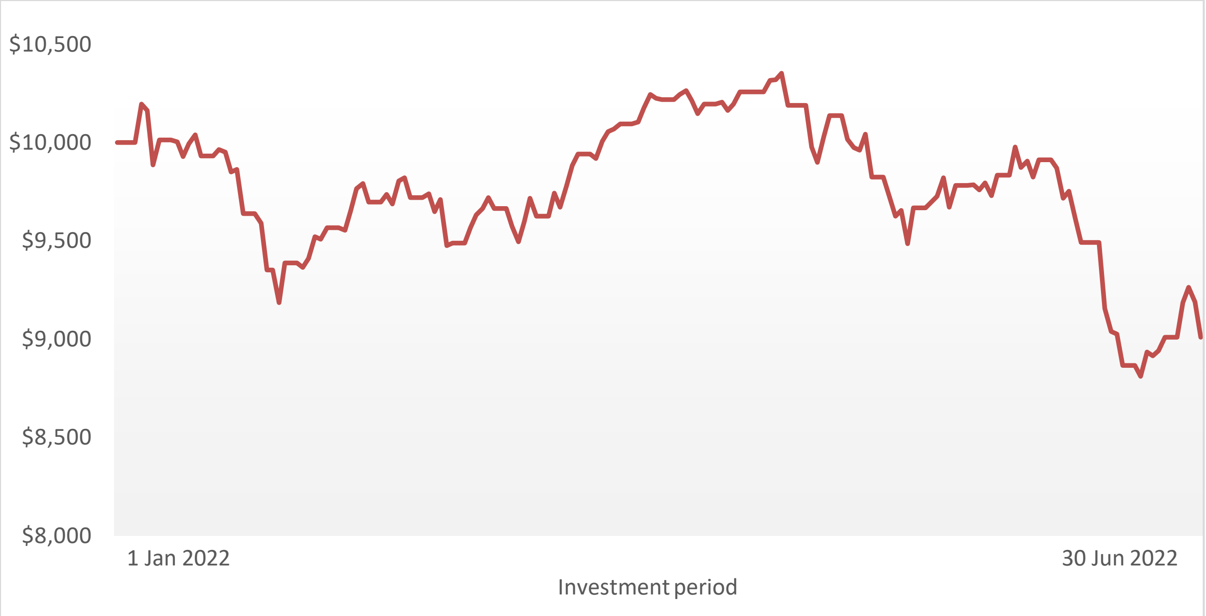
Staying committed to your super and investments during volatile times

In the last six months we have experienced an extraordinary chain of events with floods, recovery from the COVID-19 pandemic, the war in Ukraine and interest rate changes, all contributing to uncertainty and volatility. The graph below highlights the impacts of these events on the Australian Share market over the last six months.



Source: Bloomberg. Performance of a $10,000 investment in the ASX200 accumulation index for 6 months to 30 June 2022.

The table below represents the net change over the same period in dollar and percentage terms:

Investment amount ($)	Return over six months ($)	Return over six months (%)
10,000	-993	-9.9

This market volatility can impact the value of your account by potentially decreasing the value of the investment option(s) you hold. Each investment option has its own 'asset class' profile (e.g. invests wholly or partially in shares) and will be subject to changes in share markets. Please refer to the Annual Performance reports at **aia.com.au/aia-performance** for more information on asset classes**.**

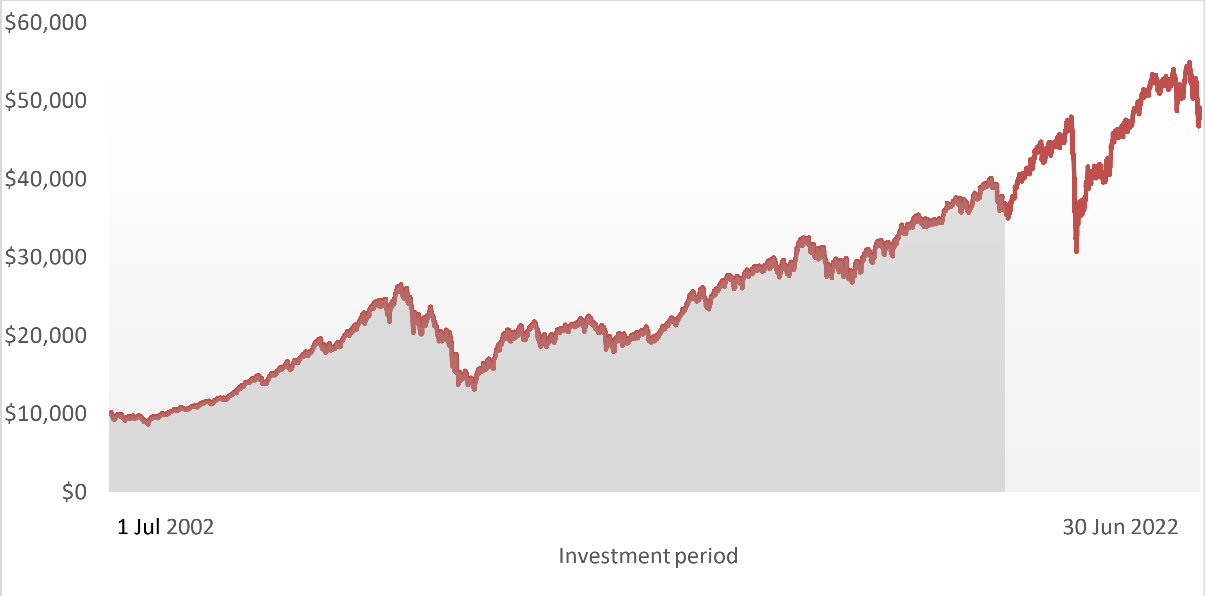
The recent market volatility has impacted other investment asset classes such as fixed interest and property as well. In general, rising interest rates have a negative impact on asset prices such as corporate and government debt, as well as commercial and residential real estate. Superannuation is a long-term investment, so it's important not to overreact to short-term market ups and downs.

If you have an option which is invested in a number of different investment asset classes, the returns will be based on how each portion performs. This helps to ease volatility concerns and diversifies your portfolio across different asset classes, which can help soften the impact of an unexpected market fall.

Markets move in cycles

In times of market volatility investment balances may decline, but it is important to remember that markets move in cycles. Volatility is a natural part of the economic cycle and markets are influenced by a range of factors and are inherently unpredictable.

The graph below demonstrates that historically, over the long-term, the general trend of share markets has been upward, although investments can go up and down and past performance is not an indication of future performance.



Source: Bloomberg. Performance of a $10,000 investment in the ASX200 accumulation index for 20 years to 30 June 2022.

Market volatility and superannuation

It's important to remember that for most investors, superannuation is generally a long-term investment of 20 years or more. When investing over the long term, your super investments will likely need to withstand the volatility produced by these cycles more than once.

Despite this, short-term volatility shouldn't diminish the long-term potential of your investments. Growth assets (such as shares) tend to fluctuate in the short term but have historically provided reasonable returns for investors over the long term.

During times of heightened volatility, it's even more important to focus on your long term strategy and think carefully before making any significant changes.

We understand however, that the impact of market volatility can be unsettling, and that everyone's situation is different. You may be nearing retirement or drawing a pension and feel that time is against you to recover any potential losses. Now may be the time to reassess the way you feel about risk and seek professional financial advice.

Rising interest rates and cash investments

The Reserve Bank of Australia (RBA) lifted the official cash rate by 0.25 percentage points in May 2022 and a further 0.50 points in June to 0.85% in June 2022. Policymakers explained that near zero interest rates are no longer appropriate given rising inflation and the strong rebound in the economy following the COVID pandemic. The Governor of the Reserve Bank of Australia announced in June 2022 that Australians should expect much higher interest rates in the months ahead.

Interest rates often determine the level of investment returns in the 'cash' asset class. Despite the two recent rate rises, if you're fully or partially invested in the 'cash' asset class, the returns for this investment are likely to be very low or potentially negative once any investment management fee has been deducted.

It's therefore important to consider the impact on your financial goals and if the product and investment option you are invested in meets your personal needs.

Understand your risk profile

All investments carry some risk. How much risk you're willing to accept will be influenced by your financial situation, family considerations, time horizon and even your personality. If market volatility has caused you to reassess the way you feel about risk, it's important to consider seeking professional financial advice tailored to your personal needs.

Understanding the implications of switching or withdrawing

When times are more volatile, it's human nature to want to move your investment to a 'safer' place. Before taking any action, you should understand all the implications, risks and costs involved:

- When you move funds, you're selling your investment in one fund to buy an investment in another. If market movements caused the value of your units in the current fund to fall, when you sell them you may turn a 'paper loss' into a 'real loss' and potentially miss out on any market recovery.
- There may be transaction costs involved in selling and buying investments as you transfer between products and options that may further reduce the value of your investments.
- If you have life insurance and choose to switch providers, you'll need to check that the other fund will agree to insure you for the same amount (or at all), on the same terms and whether you'll need a medical examination.
- Different super funds offer different product features and some may be more appealing to some than others, and you need to check if your new fund meets all your expectations.
- Super is one of the more tax-effective investments that you can make. If you're considering withdrawing money from your super environment, you may pay more tax on your investment earnings.

We're here to help

If you have any questions or need more information, please contact your financial adviser, or email us at **au.service@aia.com**.