

Managing currency risk FirstChoice options



This information flyer outlines how currency risk is managed on the FirstChoice platform.

What is currency risk?

Investments in global markets or securities which are denominated in foreign currencies give rise to foreign currency exposure. This means that the Australian dollar (AUD) value of these investments will vary depending on changes in the exchange rate and the performance of the underlying asset. Investment options in FirstChoice which have significant currency exposures adopt different currency management strategies. These strategies may include currency hedging, which involves reducing or aiming to remove the impact of currency movements on the value of the investment.

Information on the currency management strategy for each option with a significant currency risk is set out in the table on pages 3 to 4. Because different options have different currency management strategies, you should consult your adviser on the best approach for you. For more information on currency risk and understanding investment risk please refer to the Product Disclosure Statement (PDS) for the product you are investing in, which is available on our website, www.cfs.com.au.

What is currency hedging?

It is a strategy that is generally used in an attempt to reduce the risk and impact of currency movements on the value of the investment.

How does currency hedging affect my investment option?

	When the Australian dollar (AUD) falls against foreign currencies	When the Australian dollar (AUD) rises against foreign currencies
Without hedging	Generally, the fall in the AUD will increase the AUD value of underlying investments that are not denominated in AUD.	Generally, the rise in the AUD will decrease the AUD value of underlying investments that are not denominated in AUD.
With hedging	Generally, currency hedging will offset some or all of the benefit arising from the fall in the Australian dollar. The increase in the AUD value of underlying investments not denominated in AUD will be partially or fully offset by currency hedging.	Generally, currency hedging will offset some or all of the impact arising from the rise in the Australian dollar. The decrease in the AUD value of underlying investments not denominated in AUD will be partially or fully offset by currency hedging.

The impact on the option of the fall or depreciation against a specific foreign currency may also be offset by other factors.

FirstChoice options and currency management

Investment options with non AUD denominated securities on FirstChoice have different strategies in managing currency risk and they can be broadly grouped in terms of their management approach under the following headings.

Not hedged

The general investment philosophy in constructing these portfolios is that an active currency hedging strategy is not used and could be a source of additional risk rather than return. The majority of the time these portfolios will not have any currency hedging in place.

Partially hedged

Some investment managers may apply different levels of hedging at different times, possibly dependent on the value of the AUD. For example, they may apply hedging only after the AUD has depreciated to a significant extent and when they believe it is fundamentally undervalued. The degree of hedging undertaken may range from 0% to 100% of the portfolio.

The degree of hedging would also depend upon whether the option is single sector or multi-sector. Multi-sector options typically have a mix of hedged and unhedged assets.

Fully hedged

Currency movements can disguise the return from the underlying investments and consequently some investment options aim to hedge the currency exposure. These options generally aim to fully hedge their currency exposures to the AUD at all times, within certain permissible tolerances to allow for factors such as the change in value of the underlying assets and how often a currency hedge is adjusted.

Active currency management

Some options may implement currency positions to try to create additional return through currency movements. This approach may create currency exposures additional to those arising from the underlying positions and these exposures may or may not add to the portfolio's return. There is a risk that the additional currency exposures will reduce return.

CFS Alternatives, Platinum International, Platinum Asia, Aspect Absolute Return and Aspect Diversified Futures are options on FirstChoice that use active currency management. The Aspect Diversified Futures option aims to minimise unintentional currency exposure.

FirstChoice options with non Australian dollar assets

A number of FirstChoice investment options have investments that are not denominated in AUD. Each investment option within FirstChoice that has material non AUD denominated assets is categorised according to the aims of its currency hedging approach. All other options wholly (or predominantly) contain AUD denominated assets and therefore are not included.

FirstChoice options

Not hedged¹

- Acadian Global Equity Long Short
- Acadian Global Managed Volatility Equity
- Acadian Sustainable Global Equity
- Baillie Gifford Long Term Global Growth
- Baillie Gifford Sustainable Growth
- Barrow Hanley Concentrated Global Share
- Barrow Hanley Global Share
- Bell Global Emerging Companies
- CFS Asian Share
- CFS Emerging Markets
- CFS ETF Exposure Series: All-World ex-US Shares
- CFS ETF Exposure Series: Physical Gold
- CFS ETF Exposure Series: US Shares
- CFS Global Health & Biotechnology
- CFS Global Share
- CFS Global Small Companies
- CFS Global Technology & Communications
- CFS Index Global Share
- Epoch Global Equity Shareholder Yield
- Fidelity Asia
- Generation Global Share²
- GQG Partners Global Equity
- Hyperion Global Growth Companies
- Intermede Global Equities
- Ironbark Royal London Concentrated Global Share
- Ironbark Royal London Core Global Share
- Janus Henderson Global Natural Resources
- L1 Capital Catalyst
- Magellan Global Share
- MFS Global Equity
- Nanuk New World
- Pandal Global Emerging Market Opportunities
- Pandal Global Select
- Pandal Monthly Income Plus
- Quay Global Real Estate (Unhedged)
- Realindex Emerging Markets Value
- Realindex Global Share Value
- Stewart Investors Global Emerging Markets Leaders Sustainability
- Stewart Investors Worldwide Leaders Sustainability
- Stewart Investors Worldwide Sustainability

Partially hedged¹

- AB Managed Volatility Equities
- Acadian Geared Sustainable Global Equity
- Affirmative Global Impact Bond
- Antipodes Global
- AZ Sestante Conservative
- AZ Sestante Diversified
- AZ Sestante Growth
- Bentham Global Income
- Brandywine Global Income Optimiser
- CFS Balanced
- CFS Conservative
- CFS Defensive
- CFS Diversified
- CFS Enhanced Index Balanced
- CFS Enhanced Index Conservative
- CFS Enhanced Index Diversified
- CFS Enhanced Index Growth
- CFS Enhanced Index High Growth
- CFS Enhanced Index Moderate
- CFS Geared Index Global Share
- CFS Geared Global Share
- CFS Geared Growth Plus
- CFS Growth
- CFS High Growth
- CFS Index Balanced
- CFS Index Conservative
- CFS Index Diversified
- CFS Index Growth
- CFS Index High Growth
- CFS Index Moderate
- CFS Lifestage 1945–49
- CFS Lifestage 1950–54
- CFS Lifestage 1955–59
- CFS Lifestage 1960–64
- CFS Lifestage 1965–69
- CFS Lifestage 1970–74
- CFS Lifestage 1975–79
- CFS Lifestage 1980–84
- CFS Lifestage 1985–89
- CFS Lifestage 1990–94
- CFS Lifestage 1995–99
- CFS Lifestage 2000–04
- CFS Lifestage 2005–09
- CFS Moderate
- CFS Thrive+ Sustainable Growth
- Context Capital Long Term
- Context Capital Medium Term
- Context Capital Short Term
- Drummond Dynamic Plus
- Evidentia Long Term
- Evidentia Medium Term
- First Sentier Balanced
- First Sentier Conservative
- First Sentier Diversified
- First Sentier High Growth
- Franklin Australian Absolute Return Bond
- Pandal Sustainable Australian Fixed Interest
- Pandal Sustainable Balanced
- Perpetual Balanced Growth
- Perpetual Conservative Growth
- Perpetual Diversified Growth
- Perpetual Diversified Real Return
- Platinum International
- PM Capital Global Companies
- Schroder Real Return
- T. Rowe Price Global Equity

Fully hedged¹

- Colchester Global Government Bond
- CFS Fixed Interest
- CFS Index Global Bond
- CFS Index Global Listed Infrastructure Securities
- CFS Index Global Share – Hedged
- Daintree Core Income
- CFS Index Global Property Securities
- CFS Global Infrastructure Securities
- CFS Global Property Securities
- CFS Global Share – Hedged
- First Sentier Geared Global Property Securities²
- First Sentier Global Listed Infrastructure
- First Sentier Global Property Securities
- GQG Partners Global Equity – Hedged
- Janus Henderson Diversified Credit
- Janus Henderson Tactical Income
- Kapstream Absolute Return Income
- Macquarie Australian Fixed Interest
- Macquarie Dynamic Bond
- Macquarie Global Listed Real Estate
- Macquarie Income Opportunities
- Magellan Global Share – Hedged
- Magellan Infrastructure
- Perpetual Diversified Income
- PIMCO Australian Bond
- PIMCO Diversified Fixed Interest
- PIMCO Global Bond
- PM Capital Enhanced Yield
- Realindex Global Share Value – Hedged
- Resolution Capital Global Property Securities
- Schroder Absolute Return Income
- T. Rowe Price Dynamic Global Bond
- T. Rowe Price Global Equity – Hedged
- UBS Diversified Fixed Income
- Yarra Enhanced Income

1 Refer to the relevant Product Disclosure Statement for option availability.

2 This option is only available to existing investors in this option.

Need more information?

If you would like to know more about currency risk please read our Product Disclosure Statement (PDS) for the relevant product, speak with your financial adviser or visit www.cfs.com.au. Alternatively, you can contact us:

Enquiries about existing investments, please call **13 13 36**

Enquiries about new investments, please call **1300 360 645**

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