THE ROBYN OTTEY SUPERANNUATION FUND

INVESTMENT POLICY STATEMENT

(30/6/2013)

FUND PROFILE

The Robyn Ottey Superannuation Fund (the Fund) was established on August 20th, 2002 as an allocated accumulation fund to provide lump sum and pension benefits for the members. Membership of the Fund is voluntary. The Fund has two members who are husband and wife aged 69 years and 70 years respectively, at the time of this statement. Both members are retired, the husband being forced to retire due to ill health in October, 2002. The Fund has been in the pension phase since September 15th, 2007 when both members commenced pensions from the Fund.

It is not intended that other members will be admitted to the Fund.

Having in mind the age and state of health of the members and that both are retired and own their own home, the provision of death, disability and income protection insurance cover by the Fund would not be appropriate.

It is not anticipated that the members will make further contributions to the Fund.

The members have had significant experience in investment in real estate and managing rental properties and have a preference for investment in that area. Whilst they are wary of investment in the share market, they appreciate the need to invest in growth assets and that investment in equities is an alternative to direct investment in real estate.

INVESTMENT OBJECTIVES

1. General Objectives

The Trustee will at all times act prudently to pursue the maximum rate of return possible, subject to acceptable risk parameters, and the maintenance of whatever diversification can be achieved with modest assets.

The Trustee will ensure that all investments are authorised under the trust deed, are made for the sole purpose of providing benefits to members, and are made in accordance with the legislative requirements applicable to complying superannuation funds.

The Trustee will invest to ensure sufficient liquidity is retained within the Fund to meet benefit and other payments as they become due.

The Trustee will adjust its specific objectives where it believes the risk profile of the Fund has changed.

2. Specific Objectives

Having considered the risk profile of the Fund, the Trustee has adopted the following objectives for the investment of the assets of the Fund:

(a) To ensure that the average investment return on the assets of the Fund, after tax, exceeds inflation in order to protect the real value of the members' benefits.

(b) To have a low expectation of negative returns in any 12 month period.

(c) To limit exposure to equities to fewer than 25% of the assets of the Fund in order to limit earnings volatility.

The Trustee will consider the implementation of these objectives through a single asset strategy where it considers that appropriate.

3. Review

The investment objectives of the Fund will be reviewed annually and at such other times as a significant event occurs which affects the Fund.

INVESTMENT STRATEGY

In order to achieve the investment objectives of the Fund, the Trustee wishes to adopt and pursue the strategy set out hereunder. The Trustee reserves the right to implement more than one strategy as it sees fit, and to offer separate strategies to members. The Trustee also reserves the right to implement separate and different action plans in the acquisition and disposal of assets pursuant to this strategy.

1. General Strategy

The main investment objective of the Trustee is to ensure that the average investment return on the assets of the Fund, after tax, exceeds inflation in order to protect the real value of the members' benefits.

To achieve this objective:

(a) The Trustee will not appoint an investment manager and will conduct all investments itself.

(b) The Trustee will invest predominantly in assets that may be expected to maintain their real value, and to provide a consistent reasonable level of income.

(c) Investment will be on a direct ownership basis.

(d) The Fund will own, or jointly own, a quality commercial property.

(e) Some quality listed shares may be acquired.

(f) A "principal asset" strategy will be implemented because the investment in a commercial property will require the use of most of the Fund's assets.

(g) The commercial property will be leased to a quality tenant to minimise the risk arising from the lack of diversification.

(h) A "buy and hold" strategy will be implemented in connection with both the commercial property and any shares. i.e. the assets, once acquired, will be held as an investment by the Fund indefinitely, providing they continue to meet investment objectives/strategy criteria. The 'buy and hold" strategy is considered appropriate because it is expected that the assets selected will increase in value in real terms as well as provide an attractive level of income for the Fund. This strategy is particularly important in relation to the commercial property, as there may be considerable cost involved in its sale.

(i) The remaining funds will be held in interest bearing assets.

2. Diversification/Liquidity

The Trustee wishes to implement as much diversification as it is able given the assets of the Fund.

In considering the liquidity and degree of diversification appropriate to the Fund, the Trustee has determined to take into account the following:

(a) The age of the members and that they are retired.

(b) That the members commenced receiving pension benefits from the Fund on September 15th, 2007.

(c) A model which shows that the Fund should be able to meet its anticipated benefits payable and other liabilities for a period of 3 years notwithstanding that most of its funds are concentrated in the jointly owned commercial property.

(d) With regard to joint ownership of property:

- A SMSF can co-own property with a related person but, must be careful to comply with the Sole Purpose Test;
- Investments by SMSFs must be made and maintained on a strict commercial basis. The trustee must ensure there is a written contract in place and that the terms of the contract are on commercial basis;
- A fund trustee must ensure the asset valuation is robust, and the purchase or sale price of SMSF assets must reflect true market value. An independent valuation report must be used to determine market value of the property before selling the asset from the Fund; and
- There would need to be an agreement between the joint owners regarding *inter alia* setting and reviewing the rent, periodic valuation of the property and sale of the property (e.g. property to be offered to other co-owner first at market value).

(e) The assets of the Fund and their quality.

(f) The assets of the members other than assets held in the Fund;

(e) The Fund's access to expert investment advice.

Where diversification is limited as a result of the application of the "principal asset" strategy, the Trustee will minimise any resulting risk by ensuring the principal asset is of high quality.

The Trustee elects to diversify amongst the following asset classes to be managed around the following ranges:

Asset Class	Range
Property – Commercial – Direct	0-100 %
Equities - Public Company Shares – Direct	0-24 %
Cash – Interest bearing accounts	0-30 %
Other	0-05 %

3. Other Factors

The following were considered when determining the investment strategy of the Fund:

(a) A quality commercial property should experience capital growth of approximately 3% p.a.

(b) A quality commercial property should return income after costs of approximately 6% p.a.

(c) The "letting-up" period could be 3 – 12 months during which time no income would be received and expenses such as rates, taxes and corporate body fees would still be payable.

(d) With a commercial property, the cost of repairs should be minimal during tenancies.

(e) Additional costs are likely on change of tenants e.g. Painting, replacing carpet.

(f) Letting the property at a "reasonable" rent rather than extracting the maximum rent is more likely to result in a long-term tenancy and, therefore, maximum long term income.

(g) The letting of the property would be managed by the Fund.

(h) The period required to sell the property could be 3 – 12 months.

(i) If the property were to be sold through an agent, the selling cost would be significant, say $10,000.

The Trustee acknowledges the risks associated with the adoption of the "principal asset" strategy but considers that if they are properly managed, their impact should be minimal. Notwithstanding the remaining risk, it is considered that a quality commercial property would make a most desirable investment.

The Trustee also acknowledges the risks associated with the adoption of the strategy to jointly own the commercial property, but considers that if the other joint owner is carefully selected and the related transactions are properly managed, there should be no adverse consequences yet significant benefits to the Fund.

4. Performance Monitoring

To monitor the success of the investment policy in achieving the investment objectives, the Trustee will take the following action:

(a) Constantly review the risk of holding the investments.

(b) Constantly review the risk of selling the investments.

(c) Compare investment returns against investment objectives on an annual basis.

(d) Compare investment returns against cash rates available on an annual basis.

(e) Review this strategy on an annual basis or on such other basis as it believes appropriate.

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R.E.E. OTTEY

30/6/2013