

# **Williams Superannuation Fund**

**(“The Fund”)**

## **SMSF Investment Strategy Report**

Trustees:  
**Super PK Pty Ltd**

Date Prepared: 10 December 2020 \_\_\_\_\_

Review Date: \_\_\_\_\_

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### **Compliance**



***A trustee is required to take a range of issues into account when formulating and regularly reviewing an Investment Strategy.***

***The Trustee must look at the fund as a whole and determine how the fund's objectives are to be met. After this determination has been made the trustee must consider risk and return, diversification, liquidity requirements, and the ability to discharge existing and prospective liabilities.***

The trustees are required to prepare an Investment Strategy (or strategies) that provide a framework for making investment decisions to increase members' benefits for their retirement. This duty is codified in section 52(2)(f) of the Superannuation Industry (Supervision) Act 1993 ("SIS Act") and is an operating standard set out in SIS Regulation 4.09, which applies to all trustees.

This Investment Strategy report considers, at the fund level:

- *the risk and likely return from investments;*
- *the diversification of the investments;*
- *the liquidity and cash flow requirements;*
- *the ability of the fund to discharge its liabilities; and*
- *whether a contract of insurance that provides cover for one or more members is required.*

This written Investment Strategy has been prepared to demonstrate that investment decisions comply with the strategy and the various superannuation laws including:

- Sole purpose test;
- Restrictions on investments and acquisitions from members;
- Ownership and protection of assets;
- Restrictions on lending;
- Restrictions on placing charges over fund assets;
- Investing in collectables and personal use assets.
- Investments being made on an arm's length basis; and
- Restrictions on holdings of in-house assets.

#### ***Complying Status***

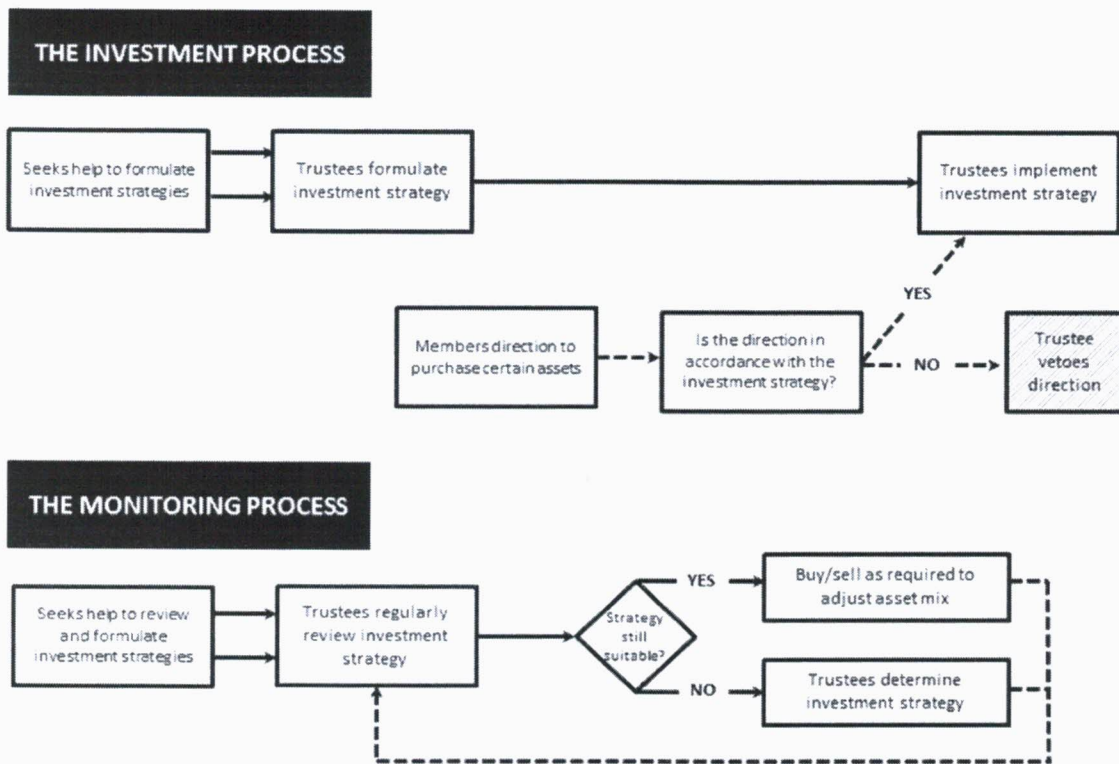
The Fund is an Australian Superannuation Fund as defined in subsection 295-95(2) of the Income Tax Assessment Act 1997 and Section 45 of the Superannuation Industry (Supervision) Act 1993 ("SIS Act").

# SMSF Investment Strategy Report

## Ongoing Monitoring

The obligation for the trustee to formulate and implement an Investment Strategy also requires the trustee to monitor and regularly review the Investment Strategy on an ongoing basis to help ensure that the investments made by the trustees continue to be consistent with the Investment Strategy. Where this is not the case, the trustees will be required to amend the Investment Strategy to reflect the change in the investment approach.

The following diagram illustrates the initial and ongoing process of the trustees:



**Fund Profile**



*Superannuation law requires that the whole of the fund's circumstances must be taken into account when formulating an Investment Strategy. This includes (but is not limited to) the membership profile, benefit structure, and fund phase (accumulation or pension), tax position and fund size.*

*Such circumstances affect the diversity and liquidity requirements of fund investment strategies.*

<b>Fund Benefit Design:</b>	Accumulation Fund
<b>Fund Structure</b>	Self-Managed Super Fund (SMSF)
<b>Current Fund Assets (\$):</b>	\$801,242
<b>Number of Fund Members:</b>	2
<b>Fund Phase:</b>	Accumulation
<b>Time horizon of the Fund:</b>	10 years
<b>Member directed investments</b>	No (Pooled)

**Age profile**

Age	Number of Members
Less than 40 years	
41-49 years	1
50-59 years	1
60-64 years	
65-69 years	
70 years and over	

**Membership growth (if applicable)**

Years	Number of Members
One	
Two	
Five	

# SMSF Investment Strategy Report

## Fund Objectives



**The objective of the Investment Strategy is to provide retirement benefits for the members.  
In the event of the members' death before retirement, it is to provide benefits for the dependants of the members (sole purpose).**

### Specific Objectives

*[Select/tick from the following as appropriate]*

To provide real long term (minimum of 10 years) capital growth of at least   5  % compounded and a level of income no less than   3  %. It is expected that the fund may incur occasional negative returns in any one year.

### General Objectives

*[Select/tick from the following as appropriate]*

- To provide retirement benefit for the members. In the event of the members' death before retirement, to provide benefits for the dependants of the members.
- To ensure that sufficient assets will be available to meet benefit payments when those payments are due to be paid (solvency).
- To ensure that sufficient liquid assets will be available to meet benefit payments as and when those payments are due to be paid (liquidity).
- Other (please specify) .....

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# SMSF Investment Strategy Report

## Risk Profile

### Risk Tolerance

*[Select/tick from the following as appropriate]*

Member 1 - Peter Williams	Member 2 - Kamolnit Williams
<p><input type="checkbox"/> The member is close to retirement and expects the Fund to invest in risk averse investments to achieve capital preservation and avoid volatility in returns.</p> <p><input checked="" type="checkbox"/> The member is prepared to endure a reasonable level of volatility of returns in expectation of long-term growth.</p> <p><input type="checkbox"/> The member is receiving a pension income stream(s). Investments should be made in risk averse investments, which combine reasonable security of capital with the prospect of long-term growth, with the view to prolonging the duration of the pension payments.</p>	<p><input type="checkbox"/> The member is close to retirement and expects the Fund to invest in risk averse investments to achieve capital preservation and avoid volatility in returns.</p> <p><input checked="" type="checkbox"/> The member is prepared to endure a reasonable level of volatility of returns in expectation of long-term growth.</p> <p><input type="checkbox"/> The member is receiving a pension income stream(s). Investments should be made in risk averse investments, which combine reasonable security of capital with the prospect of long-term growth, with the view to prolonging the duration of the pension payments.</p>
<p><input type="checkbox"/> Other (please specify)</p>	<p><input type="checkbox"/> Other (please specify)</p>

# SMSF Investment Strategy Report

## Overall

- The members are close to retirement and expect the Fund to invest in risk averse investments to achieve capital preservation and avoid volatility in returns.
- The Fund has a relatively long-time horizon. The members are prepared to endure a reasonable level of volatility of returns in expectation of long-term growth.
- The composition of the members is diverse, and the collective risk tolerance indicates that there should be a balance of reasonable risk and volatility to achieve long term capital and income growth.
- The Fund is paying a pension income stream(s). Investments should be made in risk averse investments, which combine reasonable security of capital with the prospect of long-term growth, with the view to prolonging the duration of the pension payments.
- Other (please specify) .....

## Statement on Risk:

*[Select/tick from the following as appropriate]*

- Investment risk is borne by the members, as fluctuation in investment returns will affect the level of the members' benefits on withdrawal.
- Investment risk is borne by the members, as fluctuation in investment returns will affect the level of the members' benefits on withdrawal. The fluctuation is smoothed by the maintenance of a reserve to which returns are credited or debited according to the credit rate policy.
- Other (please specify) .....



## SMSF Investment Strategy Report

### Diversification

[Select/tick from the following as appropriate]

- The Fund is invested in a Unit Trust (the unit trust owns a commercial property), a commercial property and a term deposit. The Trustee recognises that the Fund is subject to a higher risk associated with investing predominantly in one asset class and a high level of property specific risks. The Trustee considers that real property is a secure investment with the prospect of long-term capital appreciation while generating steady income growth.

### Material assets held by the fund

[Enter the material assets held by the fund below]

*Where the you choose to not use allocated portions or percentages in the investment strategy, as trustee you should ensure that material assets are listed in the investment strategy.*

Asset Name	# (if applicable)	Market Value
Units in Williams Fixed Unit Trust		\$230,000
7/18-20 Tova Drive, Carrum Downs, Vic,		\$483,090
Term deposit (held at Bendigo Bank)		\$87,372
		\$
		\$
		\$
		\$
		\$800,462

### Single Asset Class / Heavy Asset Concentration of Fund Investments

*Failure to adequately consider the diversification requirement within SIS Regulation 4.09 could hold the trustees liable for administrative penalties and allow for members to seek damages where appropriate. Where the trustee has listed 'material' assets above, you should provide reasons why investing in the asset(s) will help to achieve your retirement goals.*

Where the fund is invested primarily within a single asset class (or has heavy asset concentration), how have the risks with inadequate diversification been considered within the context of the fund's investment portfolio and how investing in these assets will help to achieve the fund's objectives?

The Trustee considers that the higher risk of investing predominantly in commercial property will be compensated by the prospect of achieving higher return and growth in the longer term. The commercial properties are considered conservative long-term investments with excellent continuing rental prospects due

## SMSF Investment Strategy Report

to being rented to related parties and also assets where there is a strong rental demand. The properties are thus expected to provide either a capital gain with funds being able to be used for retirement or an ongoing income stream from rent from their parties. The members anticipate that the existing LRBA on Tova Drive will be paid in full within 3 – 5 years (and acknowledge the need for an agreement with the lender if this is the case) and thus the Tova Drive property will provide an unencumbered asset with secure rental income. The ability for the related parties to currently pay rent also creates additional security with regard to the ongoing rental income and will help increase the assets available at retirement for fund members as the alternative would be for the related parties to pay rent to third parties.....

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## Liquidity

### Statement on Liquidity

*[Select/tick from the following as appropriate]*

- There is no anticipated benefit payment in the next 5 years. Surplus cash (above anticipated liquidity requirements) will be invested in accordance with the Fund's Investment Strategy.
- The fund has entered into a Limited Recourse Borrowing Arrangement (LRBA). The Trustee will monitor the liquidity position to ensure that there will be sufficient liquid assets to meet loan repayments in accordance with the terms and conditions of the lender.

### Anticipated contributions & transfers-in

	Contributions and transfers	Comments
1 Year:	\$50,000	\$25,000 for each member
2 Years:	\$50,000	\$25,000 for each member
3 Years:	\$50,000	\$25,000 for each member
4 Years:	\$50,000	\$25,000 for each member
5 Years:	\$50,000	\$25,000 for each member

## SMSF Investment Strategy Report

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### ***Anticipated Benefit Payment***

	<b>Benefit payments</b>	<b>Comments</b>
1 Year:	NA	
2 Years:	NA	
3 Years:	NA	
4 Years:	NA	
5 Years:	NA	

## SMSF Investment Strategy Report

### **Ability of Fund to discharge existing and prospective liabilities**

*[Select/tick from the following as appropriate]*

- Sufficient cash flow will be maintained to discharge administration expenses, borrowing costs (where applicable) and other outgoings. The Fund is an accumulation fund and the members are entitled to the accumulation of contributions and earnings in the members' account on withdrawal. The Fund will be able to meet its obligations to the members and other parties at all times.

### **Insurance considerations**



*Trustees are required to give consideration whether they should hold a contract of insurance that provides insurance cover for one or more members of the Fund as required under the investment strategy requirements within the superannuation laws. Insurance considerations may include life insurance, total and permanent disablement, salary continuance or can extend to other general insurances to protect fund assets or reduce any liability exposure of the Fund.*

- The trustees have considered a contract of insurance for the fund members and are satisfied that they are at a stage in life where insurance is not required or is inappropriate.

SMSF Investment Strategy Report  
**Derivative Risk Statement (DRS)**

*[Select/tick from the following as appropriate]*

- The fund does not invest in derivatives.



***If the fund wishes to invest in derivatives, then the trustees are required by Regulation 13.15A of the SIS Regulations to prepare a Derivative Risk Statement (DRS). Derivates include (but are not limited to) call/put options, CFDs and instalment warrants.***

***A DRS must contain:***

- ***policies for the use of derivatives that include an analysis of the risks associated with the use of derivatives within the Investment Strategy***
- ***restrictions and controls on the use of derivatives that take into consideration the expertise of the trustees and any appointed Investment Manager***
- ***compliance processes to ensure that the controls are effective***

If the Fund is required to complete a Derivate Risk Statement, this document should be prepared in conjunction with the Investment Strategy Report.

SMSF Investment Strategy Report  
**Reserves Management Strategy**



*The covenants in the Superannuation Industry (Supervision) Act 1993 (SISA) require a trustee of a SMSF that has reserves “to formulate and give effect to a strategy for their prudential management, consistent with the entity’s Investment Strategy and its capacity to discharge its liabilities (whether actual or contingent) as and when they fall due.”*

The fund does operate reserves.

Type of Reserves operated by fund (if any):

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- Trust Deed clause or rule allowing for use of reserves: \_\_\_\_\_

*(Include some detail on types of reserves being used and comments on their prudential management)*

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SMSF Investment Strategy Report  
**Implementation of Investment Strategy**



*Implementation of the strategy needs to give consideration to the expertise of the trustees, the availability to the trustees of appropriate advice, administrative capabilities and costs of managing investments.*

**Professional Advice**

- The trustees have the sufficient expertise in formulating and implementing the fund's Investment Strategy.

**Describe the implementation of the Investment Strategy**

The fund will maintain its current investments in the unit trust and commercial property and receive distributions from the unit trust and rental income. The fund may review its investment in term deposits with a view to obtaining a higher rate of return.

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## SMSF Investment Strategy Report

This Investment Strategy supersedes all previous Investment Strategies.

The Trustees commit to manage the Fund's investments in line with this Investment Strategy.

The Trustees commit to arranging insurance cover for one or more fund members as deemed necessary.

Signed as a true and correct record in accordance with the resolution of the Trustee by:

Trustee Signature:  Date: 10/12/2020

Trustee Name: Peter Williams

***Director of Super PK Pty Ltd as trustee for Williams Superannuation Fund***

Trustee Signature:  Date: 10/12/20

Trustee Name: Kamolnit Williams

***Director of Super PK Pty Ltd as trustee for Williams Superannuation Fund***