

# Hewitt Superannuation Fund

("The Fund")

## SMSF Investment Strategy

Trustee(s):

Neil Hewitt & Brigid Hewitt

Date Prepared: 30 December 2013

Review Date: 30 December 2014

## Contents Page

<b>COMPLIANCE .....</b>	<b>3</b>
<b>ONGOING MONITORING.....</b>	<b>4</b>
<b>FUND PROFILE.....</b>	<b>5</b>
<b>FUND OBJECTIVES .....</b>	<b>6</b>
<b>RISK PROFILE.....</b>	<b>7</b>
<b>DIVERSIFICATION .....</b>	<b>8</b>
<b>LIQUIDITY .....</b>	<b>10</b>
<b>ABILITY OF FUND TO DISCHARGE EXISTING AND PROSPECTIVE LIABILITIES.....</b>	<b>11</b>
<b>INSURANCE CONSIDERATIONS .....</b>	<b>11</b>
<b>IMPLEMENTATION OF INVESTMENT STRATEGY .....</b>	<b>12</b>

## **COMPLIANCE**

The trustees/directors of the corporate trustee 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 applied 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;
- Lending to members;
- Placing charges over fund assets (with limited exceptions);
- 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***

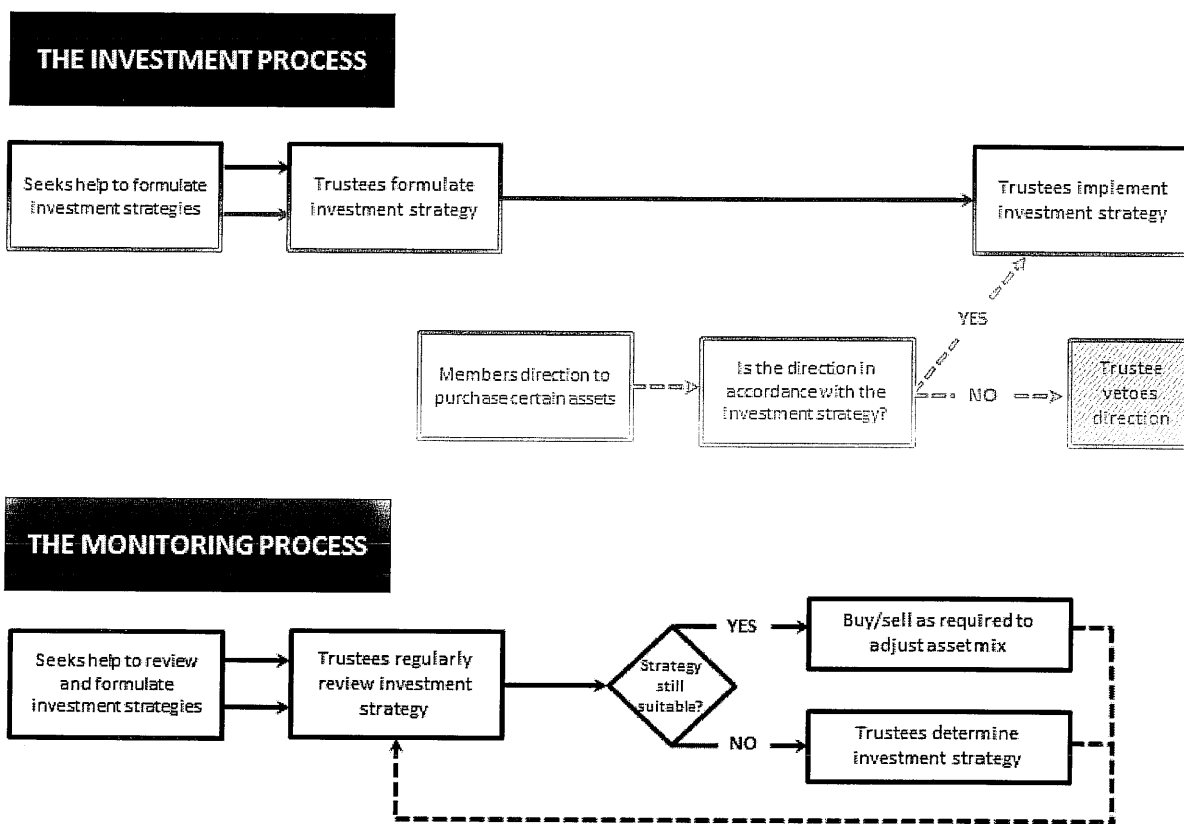
The Fund is an Australian Superannuation Fund as defined in subsection 295-95(2) of the Income Tax Assessment Act 1997 and Section 45 of the Superannuation Industry (Supervision) Act 1993 ("SIS Act").

## 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 trustee(s) continue to be consistent with the investment strategy. Where this is not the case, the trustee(s) will be required to amend the investment strategy to reflect the change in the investment approach.

It is envisaged that the trustee(s) will review the investment strategy of the fund on an annual basis and will table the review process at a meeting of the fund's trustees.

The following diagram illustrates the initial and ongoing process of the trustee(s):



## **FUND PROFILE**

<b>Fund Benefit Design:</b>	Accumulation Fund
<b>Fund Structure</b>	Self-Managed Super Fund (SMSF)
<b>Current Fund Assets (\$):</b>	120,953
<b>Number of Fund Members:</b>	2
<b>Fund Phase:</b>	Accumulation
<b>Time horizon of the Fund:</b>	
<b>Member directed investments</b>	No (Pooled)

### **Age profile**

<b>Age</b>	<b>Number of Members</b>
Less than 40 years	2
41-49 years	
50-59 years	
60-64 years	
65-69 years	
70 years and over	

### **Membership growth (if applicable)**

<b>Years</b>	<b>Number of Members</b>
One	
Two	
Five	

**FUND OBJECTIVES**

**Specific Objectives**

- To achieve the RBA cash rate of return each year. It is expected that the capital value of the Fund is preserved at all times, and to avoid negative returns.
  
- To obtain a rate of return exceeding CPI by \_\_\_\_% over a period of \_\_\_\_ years. It is expected that the fund may incur occasional negative returns in any one year.
  
- To obtain a rate of return exceeding the \_\_\_\_\_ (benchmark indices) by \_\_\_\_% over a period of \_\_\_\_ years. It is expected investment returns will fluctuate, with the likelihood of negative returns in any one year.
  
- To provide real long term (minimum of \_\_\_\_ years) capital growth of at least \_\_\_\_% compounded and a level of income no less than \_\_\_\_%. It is expected that the fund may incur occasional negative returns in any one year.
  
- Other .....
  
- .....
  
- .....

**General Objectives**

- 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 .....
  
- .....
  
- .....

## **RISK PROFILE**

### **Risk Tolerance**

- The members are close to retirement and expect the Fund to invest in risk adverse 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 adverse 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 .....
- .....
- .....

### Statement on Risk:

- 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 .....
- .....
- .....

## **DIVERSIFICATION**

- Diversification across currencies, economies and asset classes is achieved through a mix of international and Australian investments. The Trustee recognises that diversification can result in significant reduction to return volatility while maintaining the level of anticipated return.
- Diversification is achieved through a mix of Australian investments across a range of asset classes. The Trustee recognises that diversification can result in significant reduction to return volatility while maintaining the level of anticipated return.
- The funds are primarily invested in equities. The Trustee recognises the higher risk in investing predominantly in only one asset class and the volatility associated with shares. The volatility will be compensated by the prospect of achieving higher return and growth in the longer term. The shares are invested in different industries and sectors, which will spread risk to a satisfactory level.
- The Fund is invested in a Unit Trust and the underlying assets of the Trust are primarily invested in shares. The Trustee recognises that the Fund is subject to higher risk associated with investing predominantly in one asset class and the volatility associated with shares. The Trustee considers that the higher risk will be compensated by the prospect of achieving higher return and growth in the longer term. The shares are invested in different industries and sectors, which will spread risk to a satisfactory level.
- The funds are primarily invested in fixed interest securities and deposits. It is considered that investment in this asset class is suitable for the Fund's policy of maximising capital preservation and avoiding negative return.
- The Fund is invested in a Unit Trust and the underlying asset of the Unit Trust is an investment in a real property. The Trustee recognises that the Fund is subject to 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.
- The Fund is invested primarily in one real property. The Trustee recognises that the Fund is subject to 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.
- Other .....
- .....
- .....



### Indicative asset mix and asset class strategic ranges formulated

Asset Class	Strategic Ranges		Benchmark %
	From %	To %	
Australian Shares	0%	10%	0%
Australian Fixed Interest (inc. deposits 12 months & over)	0%	10%	0%
Cash (CMT, Deposits < 12 months, A/c balances)	0%	10%	2%
Direct Property	0%	80%	60%
International Shares	0%	10%	0%
International Fixed Interest (inc. deposits 12 months & over)	0%	10%	0%
Listed Property	0%	10%	0%
Mortgages	0	40%	38%
Other	0%	10%	0%
			100%

# **LIQUIDITY**

## **Statement on Liquidity**

- There is no anticipated benefit payment in the next \_\_\_\_ years. Surplus cash (above anticipated liquidity requirements) will be invested in accordance with the Fund’s investment strategy.
  - A lump sum benefit payment will be made. The Trustee will monitor the liquidity position to ensure that there will be sufficient liquid assets to meet the benefit payments as and when they fall due.
  - Members are drawing pension payments at least annually. The Trustee will monitor the liquidity position to ensure that there will be sufficient liquid assets to meet the benefit payments as and when they fall due.
  - 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.
  - Other .....
- .....
- .....

### *Anticipated contributions & transfers-in*

	<b>Contributions and transfers</b>	<b>Comments</b>
1 Year:		
2 Years:		
3 Years:		
4 Years:		
5 Years:		

### **Anticipated Benefit Payment**

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

**ABILITY OF FUND TO DISCHARGE EXISTING AND PROSPECTIVE LIABILITIES**

- Sufficient cash flow will be maintained to discharge administration expenses, borrowing costs (where applicable) and other outgoings. The Fund is a defined contribution 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.
- Other (please specify) .....
- .....

**INSURANCE CONSIDERATIONS**

Member insurance:

- The trustee considers that a contract of insurance is appropriate for one or more members

Policy holder	Insurance Type	Level of Cover	Comments

- The trustees are satisfied that the member(s) have appropriate levels of insurance outside 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.
- Member circumstances prohibit the ability to obtain a necessary contract of insurance.
- Other .....
- .....

## **IMPLEMENTATION OF INVESTMENT STRATEGY**

### **Professional Advice**

- The trustee(s) may engage suitably qualified professionals for specialist advice in various asset classes where they are used as part of the investment strategy.
- The trustees have the sufficient expertise in formulating and implementing the fund's investment strategy.

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

Trustee Signature: \_\_\_\_\_

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

Trustee Name: Neil Hewitt

Trustee Signature: \_\_\_\_\_

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

Trustee Name: Brigid Hewitt