

## **DERIVATIVES RISK STATEMENT**

### **Prasad-Gatt Super Fund**

The trustee has resolved that the following Derivatives Risk Statement be adopted and implemented for the fund.

#### **Introduction**

The Superannuation Industry Supervision Act (SISA) requires a Derivatives Risk Statement (DRS) to be in effect for a Superannuation Fund where a charge is given, in relation to the use of derivatives by the trustee of the Fund.

#### **Overview**

The Trustee of the Fund confirms that when using derivatives the following objectives will be considered:

- A derivative investment must be intended to support the fund's overall investment strategy.
- The purpose of making a specific derivative investment must be consistent with the investment objectives of the fund.
- All investment guidelines in respect of each member must be complied with.

#### **Reasons for using Derivatives**

The Trustee of the Fund confirms that the reasons for using derivatives in the Fund are as follows:

- Writing (selling) covered options to produce extra income for the fund.
- Hedging the portfolio against the risk of adverse movements in market prices and thereby reducing volatility.
- Achieving diversified exposure to an entire market through market indices.
- Achieving transactional efficiency through reducing the cost of achieving a required exposure.

#### **Risk analysis**

The trustee is responsible for the risk management and investment decisions of the fund, including those relating to derivatives. Although professional advice may be sought, the ultimate responsibility remains with the trustee. There are various types of risks associated with derivatives. These can be broadly categorized under the headings of market risk, basis risk, liquidity risk, credit risk, and legal risk. These risks are described below.

##### *Market Risk*

Market risk is the risk of adverse movements in markets. It arises through the holding of any financial instrument, physical or derivative, which creates exposure to movements in prices of a security or market. The market risk associated with the use of derivatives is assessed in the context of the risk profile of the total portfolio.

The predominant market risks involved with derivatives include:

For "buy to open" options positions the inherent higher volatility of derivatives compared to physical positions and the time decay, which reduces the market value of the position over time.

For "sell to open" options positions if not covered by physical stock, losses are potentially unlimited. If exercised, the fund may not be able to fulfill the contract's obligation.

For futures contracts the inherent higher volatility of derivatives compared to physical positions and the internal leverage involved can lead to higher than normal losses. Losses can be potentially unlimited

### *Basis Risk*

Basis risk is the risk that the value of a derivative will not move in line with the related physical position.

### *Liquidity Risk*

There are two types of liquidity risk that arise from investing in derivatives. These are:

Market Liquidity Risk - the risk that the trustees may not be able to, or cannot easily, unwind or offset a particular position due to inadequate market depth or disruptions in the market place.

Funding Liquidity Risk - the risk that the trustees may not be able to meet the future cash flow obligations from the derivative activities such as meeting margin calls on futures contracts.

### *Counter-party (Credit) Risk*

Counter-party risk is the risk that a counter-party will fail to perform contractual obligations, that is default either in whole or part, under a contract.

### *Legal Risk*

Legal risk is the risk that a derivative contract will not be legally enforceable.

## **Managing Risks**

In order to manage & control the risks inherent with Derivatives, the Trustee undertakes to consider and, where appropriate, implement the following restrictions, controls, and processes:

-All open derivative positions are monitored closely on a daily basis.

-Ensuring prior to and during all derivative contracts that any and all potential expiry exercise obligations can be fulfilled by the fund, and that the exercise event is still consistent with the fund's overall investment strategy.

-Ensuring that positions in derivatives are covered. For the purposes of this DRS, cover consists of cash, or assets that are equivalent to cash and can be converted to cash within the settlement period. They must be sufficient to meet all potential obligations arising from the underlying asset exposure represented by the derivative position. Cover may also consist of securities in the case of options contracts.

-The setting and execution of a "stop loss" level for all futures and open "sold" option positions, to reduce "unlimited loss" risk on 'cash settled' contracts.

-Asset allocation targets and exposure limits specified in the investment strategy(s) of the fund include both physical and derivative exposures of the portfolio. The trustees must manage portfolios to these target allocations.

-When a derivative contract is entered into, the trustee takes into consideration the likelihood that the price of a derivative will move in line with the underlying physical position and assesses whether the level of basis risk is acceptable.

-The market depth of the derivative will be assessed to control liquidity risk.

-Sufficient cash reserves are maintained in the fund to fund deposits and margin calls equal to the impact of a considered maximum movement of the net (short plus long) derivative position.

-In order to minimize both counter-party and legal risk, the trustee will use exchange traded options and futures, which are subject to market standard documentation and settlement procedures. Participants in the exchange are subject to regulation.

## **Compliance Processes**

The compliance process for the fund includes ongoing monitoring by the trustee to ensure that the above controls and procedures are effective in controlling and managing the identified risks in the use of derivatives. If deficiencies are identified, the trustee will take corrective action. The trustee will review its policies and procedures in an effort to keep current with the evolving derivatives markets and to ensure that they use derivative instruments appropriately and in the best interests of fund members. The trustee will seek advice from an expert investment professional when required to assist with this process.

**This derivatives risk statement has been in place since the purchase of derivatives within the fund.**

Dated:

**Signed by the trustee/s of the fund:**

.....  
Derek Prasad

.....  
Kerrie-Anne Gatt

KAG DP

Document electronically signed



[www.fusesign.com](http://www.fusesign.com)

## Document Details

|                             |   |
|-----------------------------|---|
| <b>Document ID</b>          | 86e02ebf-ffc2-4fc0-93b6-e9d6c8449570  |
| <b>Document Bundle ID</b>   | f29bd870-3217-479f-83ae-8264058023dd  |
| <b>Uploaded to FuseSign</b> | 2022-05-31 17:11 +10:00   |
| <b>FuseSign subscriber</b>  | Green Frog Super  |
| <b>Initiator email</b>      | support@greenfrogsuper.com.au   |
| <b>Signed by</b>            | Derek Prasad (deprasad@hotmail.com   +61 xxxxxxx 408), Kerrie-Anne Gatt (kgatt@outlook.com.au   +61 xxxxxxx 671)  |
| <b>System finalisation</b>  | 2022-06-27 11:27 +10:00   |
| <b>Verify URL</b>           | <a href="https://app.fuse.work/fusesign/verify/86e02ebf-ffc2-4fc0-93b6-e9d6c8449570">https://app.fuse.work/fusesign/verify/86e02ebf-ffc2-4fc0-93b6-e9d6c8449570</a> |

## Document Signers

### Signer 1

**Name** Derek Prasad  
**Email** deprasad@hotmail.com  
**Mobile** +61 xxxxxxx 408  
**IP Address** 49.179.80.93  
**Verification Mode** SMS Code



---

### Signer 2

**Name** Kerrie-Anne Gatt  
**Email** kgatt@outlook.com.au  
**Mobile** +61 xxxxxxx 671  
**IP Address** 49.179.80.93  
**Verification Mode** SMS Code



---

## DOCUMENT AUDIT LOG

| DATE TIME               | USER                          | TRANSACTION   |
|-------------------------|-------------------------------|---|
| 2022-05-31 17:11 +10:00 | SUPPORT@GREENFROGSUPER.COM.AU | DOCUMENT BUNDLE CREATED BY KAREN BARNES (SUPPORT@GREENFROGSUPER.COM.AU)   |
| 2022-05-31 17:11 +10:00 | SYSTEM                        | EMAILS SENT TO:<br>DEPRASAD@HOTMAIL.COM (9 DOCUMENTS - 8 ACTIONS)<br>KGATT@OUTLOOK.COM.AU (9 DOCUMENTS - 8 ACTIONS) |
| 2022-06-06 09:00 +10:00 | SYSTEM                        | AUTOMATED REMINDER SENT TO DEREK PRASAD VIA DEPRASAD@HOTMAIL.COM (8 ACTIONS)  |
| 2022-06-06 09:00 +10:00 | SYSTEM                        | AUTOMATED REMINDER SENT TO KERRIE-ANNE GATT VIA KGATT@OUTLOOK.COM.AU (8 ACTIONS)                                    |
| 2022-06-14 09:00 +10:00 | SYSTEM                        | AUTOMATED REMINDER SENT TO DEREK PRASAD VIA DEPRASAD@HOTMAIL.COM (8 ACTIONS)  |
| 2022-06-14 09:00 +10:00 | SYSTEM                        | AUTOMATED REMINDER SENT TO KERRIE-ANNE GATT VIA KGATT@OUTLOOK.COM.AU (8 ACTIONS)                                    |
| 2022-06-22 09:00 +10:00 | SYSTEM                        | AUTOMATED REMINDER SENT TO DEREK PRASAD VIA DEPRASAD@HOTMAIL.COM (8 ACTIONS)  |
| 2022-06-22 09:00 +10:00 | SYSTEM                        | AUTOMATED REMINDER SENT TO KERRIE-ANNE GATT VIA KGATT@OUTLOOK.COM.AU (8 ACTIONS)                                    |
| 2022-06-23 10:13 +10:00 | SUPPORT@GREENFROGSUPER.COM.AU | REMINDER SENT TO DEREK PRASAD VIA DEPRASAD@HOTMAIL.COM AND+61 XXXXXXX 408 (8 ACTIONS)                               |
| 2022-06-23 10:13 +10:00 | SUPPORT@GREENFROGSUPER.COM.AU | REMINDER SENT TO KERRIE-ANNE GATT VIA KGATT@OUTLOOK.COM.AU AND+61 XXXXXXX 671 (8 ACTIONS)                           |
| 2022-06-25 07:59 +10:00 | KERRIE-ANNE GATT              | SMS VERIFICATION REQUESTED TO MOBILE ENDING IN 671  |
| 2022-06-25 08:00 +10:00 | KERRIE-ANNE GATT              | CODE ENTERED AND VERIFIED   |
| 2022-06-25 08:00 +10:00 | KERRIE-ANNE GATT              | LINK OPENED FROM IP 49.179.83.149   |
| 2022-06-25 08:16 +10:00 | KERRIE-ANNE GATT              | LINK OPENED FROM IP 49.179.83.149   |
| 2022-06-27 10:26 +10:00 | DEREK PRASAD                  | SMS VERIFICATION REQUESTED TO MOBILE ENDING IN 408  |
| 2022-06-27 10:26 +10:00 | DEREK PRASAD                  | CODE ENTERED AND VERIFIED   |
| 2022-06-27 10:27 +10:00 | DEREK PRASAD                  | LINK OPENED FROM IP 49.179.80.93  |
| 2022-06-27 10:31 +10:00 | DEREK PRASAD                  | DOCUMENT SIGNED: 2021 DERIVATIVES RISK STATEMENT  |
| 2022-06-27 10:32 +10:00 | DEREK PRASAD                  | LINK OPENED FROM IP 49.179.80.93  |
| 2022-06-27 10:36 +10:00 | DEREK PRASAD                  | DEREK PRASAD HAS COMPLETED BUNDLE F29BD870-3217-479F-83AE-8264058023DD  |
| 2022-06-27 10:43 +10:00 | DEREK PRASAD                  | LINK OPENED FROM IP 49.179.80.93  |
| 2022-06-27 10:59 +10:00 | KERRIE-ANNE GATT              | SMS VERIFICATION REQUESTED TO MOBILE ENDING IN 671  |
| 2022-06-27 11:00 +10:00 | KERRIE-ANNE GATT              | CODE ENTERED AND VERIFIED   |
| 2022-06-27 11:00 +10:00 | KERRIE-ANNE GATT              | LINK OPENED FROM IP 49.179.80.93  |
| 2022-06-27 11:01 +10:00 | KERRIE-ANNE GATT              | DOCUMENT SIGNED: 2021 DERIVATIVES RISK STATEMENT  |
| 2022-06-27 11:02 +10:00 | KERRIE-ANNE GATT              | KERRIE-ANNE GATT HAS COMPLETED BUNDLE F29BD870-3217-479F-83AE-8264058023DD  |
| 2022-06-27 11:27 +10:00 | SYSTEM                        | FINALISING DOCUMENT (86E02EBF-FFC2-4FC0-93B6-E9D6C8449570)  |

## More Information

For more information on electronic signatures and to validate this document was signed by the parties listed above, please visit [www.fusesign.com](http://www.fusesign.com)