



Effective Financial Solutions

Investment Policy Statement

For The Sinclair Family Superannuation Fund

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1. Basis for Preparation

Under the Superannuation Industry (Supervision) Act 1993 (SISA) Trustees are solely responsible and directly accountable for the prudential management of Members' benefits. It is the Trustees' duty to make, implement and document decisions regarding:

- Member contributions to the Fund;
- The investment of Fund assets;
- Monitoring carefully the performance of those assets;
- The payment of benefits to Fund members, their dependents and/or their estate;

The intent of the Investment Policy Statement is to protect Member's retirement benefits by minimising the risk associated with reckless management and investment of Fund assets whilst ensuring all decisions are made in accordance with the Sole purpose and investment provisions of SISA.

2. Purpose of The Sinclair Family Superannuation Fund

There is an overriding obligation upon trustees of a superannuation fund to act in the best interests of members and to invest the assets in a prudent manner. The purposes for which a fund is established and the legislative framework in which it operates will modify and enhance these basic duties.

The Trustee of The Sinclair Family Superannuation Fund understands that the fund is maintained for the following two core purposes:

1. Retirement benefits to members; and
2. Death benefits to members, legal personal representatives and beneficiaries.

Ancillary purposes may change from time to time and may include the provision of:

- Total and temporary disablement benefits;
- Total and permanent disablement benefits;
- Benefits in the event of financial hardship of a member; and
- Other purposes approved by SISA.

In formulating the Fund's investment strategy, the trustee must always bear in mind that the Fund's assets will eventually be called upon to finance one or more of these purposes.

3. Formulating the Investment Policy Statement

Explanation

As Trustee, you must prepare and implement an Investment Policy Statement (IPS). This is a requirement under the SIS Act. Your IPS:

- Must reflect the purpose and circumstances of the Fund and have particular regard to the membership profile, benefit structure, tax position and liquidity requirements of the Fund;
- Should set out the objectives of the Fund and detail how the Trustee will achieve those objectives.

In accordance with Rules 9.1 to 9.5 of the Trust Deed, and Section 52 (2)(f) of SISA, the Trustee must prepare and implement a written investment strategy that considers the whole of the circumstances of the fund including, but not limited to the following:

1. *Member contributions* to the Fund, the source of any contributions (e.g., member or employer) and the impact such contributions are likely to have on the overall position of the Fund and the underlying investment strategy;
2. *The risk* involved in making, holding and realising, and the likely return from, the Fund's investments having regard to its objectives and its expected cash flow requirements;
3. *The composition* of the Fund's (or part of the Fund's) investments as a whole including the extent to which the investments are diverse or involve the Fund in being exposed to risks from inadequate diversification;
4. *The liquidity* of the Fund's investments having regard to its expected cash flow requirements;
5. The ability of the Fund to *discharge existing and prospective liabilities* including all lump sum and pension payments to members or their beneficiaries.
6. In the event that a superannuation fund has or intends to create *reserves*, the trustee is required to formulate and give effect to a strategy for the prudent management and investment of those reserves, in accordance with the purposes for which they were created.

The specific Investment and Management Criteria that the Trustee will employ in formulating the Investment Policy Statement is detailed in Appendix A.

4. Goals and Objectives

Explanation

These are the things that are currently important to you as Trustee and Members of the Fund. They detail what you wish to achieve in the Fund, now and in the future.

1. You wish to take advantage of the tax concessions and asset protection afforded by the self managed superannuation fund. This entity provides the most efficient structure to provide the above requirements. You will continue to ensure that the fund remains a complying self managed fund.
2. You wish to provide Estate Planning options for the members via an entity that will allow efficient Estate Planning options, to adequately reflect the wishes of the individual members.
3. You wish to maximise the level of your combined retirement assets that are held in a tax effective environment. You wish to accumulate sufficient funds to support a lifestyle similar to what you have now when you both have fully retired from the workforce.
4. You wish to maintain the overall diversification of the Fund's portfolio through prudent investment across all the asset classes and ensure that the Fund's asset allocation closely reflects the risk profile of the Trustee.
5. The Trustee wishes to have control and flexibility which a self managed fund affords them, so as to maximise the probability of reaching their goals stated above.

Please refer to Appendix B for a detailed overview of The Sinclair Family Superannuation Fund.

5. Investment Management Strategy

Explanation

Here you are indicating the strategies you are employing in managing the Fund's investment portfolio within in each asset class.

The various assets classes and the types of investments deemed suitable for the Fund are discussed in Appendix C – Authorised Investments.

The following information sets out the processes to be followed in the selection of investments within the various asset classes noted previously.

The Trustee will ensure that the fund's ownership of its investments is assured. All fund assets are to be held in legally recognisable ownership arrangements and as such all assets will be held in the name of Michael Sinclair Enterprises Pty Ltd as Trustee for the Sinclair Family Superannuation Fund.

Investment Philosophy – Asset Class Investing

The Trustees employ an Asset Class Investing approach to managing the Fund's investments. The portfolio is comprised, but not limited to, managed investments developed by Dimensional Funds.

Asset class investing is a term used to describe the practice whereby a portfolio is based on a broad asset class exposure approach. The Dimensional investment approach is a model based not on speculation but on the science of capital markets. It aims to deliver the true performance of capital markets to investors whilst increasing returns by minimising costs and taxes wherever possible.

This highlights the key benefit of asset class investing and using the Dimensional approach. Extensive research by leading academics has clearly demonstrated that investment returns are determined principally by asset allocation and not by market timing or stock picking. Dimensional provides an effective way to achieve this.

The Trustees will therefore manage risk within the portfolio by regularly reviewing and rebalancing their portfolio in light of their ideal asset allocation, as determined by their overall goals, objectives and tolerance for investment volatility.

5.1. Cash

The Fund's cash holdings are currently held within a BT cash account, forming part of the Fund's overall BT Investment Wrap.

The Trustee will continue to manage all the interest bearing investments so that the maximum cash rate of return is achieved according to the Trustee's investor risk profile.

The Trustee will manage liquidity by regularly assessing the funds required to be held in cash whilst making sure that the levels of cash available to meet all ongoing operational costs and insurance premiums is sufficient.

The Trustee acknowledges that liquidity will be maintained via regular contributions to the Fund and the sale of Fund assets as and when deemed appropriate.

5.2. Equity

The Fund's Equity exposure is currently comprised of Australian and International Shares and Dimensional managed funds held within the BT Investment Wrap.

The Trustee will, as deemed appropriate, continue to invest in equity investments which provide tax efficient income (franked dividends) in the short term and/or excellent prospects from capital growth in the medium to long term.

The Trustee reserves the right to invest in Equity-based investments noted in Appendix C.

5.3. Fixed Interest

The Fund's Fixed Interest exposure is currently comprised of short, medium and long-term Dimensional managed funds accessed via the BT Investment Wrap.

The Trustees reserve the right to invest in all Fixed Interest instruments noted in Appendix C.

Prior to investing in any Fixed/Floating Rate investments, Term Deposits, Debentures or First Mortgages, the Trustee shall consider the period of investment, the security offered, the accessibility of funds, the return, and likely interest rate movements.

5.4. Property

The Fund's Property exposure is currently comprised of holdings in the Vanguard Property Securities Index Fund, accessed via the BT Investment Wrap.

The Trustee reserves the right to invest in all Property investments noted in Appendix C.

Syndicates/Property Trusts/Managed Funds

The Trustee may invest in managed property-based investments (e.g., unlisted/listed unit trusts, managed funds and syndicates) offering suitable levels of income and the potential for capital growth over the long term.

Direct Property

Prior to the acquisition or disposal of any Real Property to be held directly by the Fund, the Trustee will obtain and consider property and rental valuations. The Trustee must be satisfied that the purchase price of the property reflects true market value, and that the investment constitutes a prudent investment/disposal on an arm's length basis.

In obtaining a tenant (if any) for any property held by the Fund the Trustee may only enter into a lease with a Fund Member, Employer Sponsor or their Part 8 Associates under SISA where to do so would not constitute an impermissible in-house asset of the Fund under SISA. A written lease agreement is made and the transaction is entered into on an arm's length basis with regular rental reviews.

In determining the proportion of Fund assets to be invested directly in property, the Trustee shall take into account the liability and liquidity requirements of the Fund.

The Trustee will consider that any profit is subject to capital gains tax rather than ordinary income, that the Trustee may be entitled to claim tax and capital appreciation on the property as well as any plant and equipment.

The Trustee will undertake and record details of appropriate insurance for the property.

The Trustee will ensure that the property is correctly titled to demonstrate legal ownership by the fund.

Please refer to Appendix C for a full list of all authorised asset classes and investment types.

5.5. Insurance

The Trustees acknowledge that, as Trustees of a Self Managed Super Fund, consideration must be given to the suitability of holding a contract of insurance that provides insurance cover for one or more members of the Fund.

As Trustees, they are required to formulate and regularly review the insurance strategy of the Fund as part of the Investment Policy Statement. This must include determining the type and level of insurance cover that may be required and whether it is held inside or outside of the Super Fund, or a combination of both.

At present The Sinclair Family Superannuation Fund holds the following insurance cover for its sole member – Michael Sinclair:

- Income Protection
- Total and Permanent Disability (ANY Occupation)
- Life

The member has implemented relevant policies outside of their super fund to compliment cover held within the SMSF.

This insurance strategy will be reviewed on an annual basis to ensure that all elements remain relevant to the needs of the members and the fund.

6. Strategic Considerations for the Fund

Explanation

These are the strategies that you, as Trustee and Members of the Fund, may implement at any given time in order to achieve your stated Goals and Objectives.

The Trustee is strongly urged to consult their Financial Adviser prior to utilising any of these strategies within the Fund as they are normally governed by complex rules and regulations.

The Trustee will, where deemed appropriate and consistent with the Investment Policy Statement, and allowable under SISA and the terms of Trust Deed, take avail of the following in achieving all stated goals and objectives:

6.1. Contributions Strategies

Concessional contributions

The members may, *subject to legislative limits*, maximise retirement benefits through the use of salary sacrifice. The current legislative limits for concessional contributions are \$25,000.

Non-concessional contributions

The members may, *subject to legislative limits*, contribute after-tax dollars to increase their member accounts. Non-concessional contributions are those made with after tax dollars. The current limits are \$150,000 per person each financial year or these may be bought forward with \$450,000 over a 3 year period.

Contribution splitting

Members may split or share contributions, up to 85%, with a spouse. This is quite useful when one members balance substantially outweighs the other or for a short term pension strategy.

6.2. Pension Strategies

Once appropriate Conditions of Release have been met, the members may request the following pensions to commence being paid from their accumulation accounts held within the Fund:

- Account-based pensions
- Transition-To-Retirement Pensions
- Temporary Disablement pensions

In addition to enabling members to begin accessing their accumulated benefits, The Trustee may also utilise the above pension strategies to manage capital gains events upon the potential sale of assets within the Fund.

6.3. Estate Planning Strategies

Reducing Death Benefit Tax

Although not highly relevant to the members current position (as withdrawals cannot yet be made), subject to relevant non-concessional contribution caps, the members may increase the level of tax-free monies held within the Fund to help reduce any death benefit taxes payable for payments made to their estate or adult children.

Death Benefit Nominations

The member's may make use of Death Benefit Nominations in order to develop comprehensive estate planning strategies within the Fund, detailing how they wish for their member accounts to be dealt with in the event of their respective deaths.

Reversionary Pensions

The member's may make use of Reversionary Pension clauses in establishing the features of current or prospective pensions within the Fund to help streamline the payment of death benefits to beneficiaries.

7. Liquidity and Cashflow Considerations

Explanation

Liquidity means the ability of an investment to be easily converted into cash with little or no loss of capital and minimum delay.

The Fund's key existing and prospective liabilities are:-

1. Its ability to meet its day to day operating expenses, as and when they fall due; and
2. Its ability to meet benefit payment liabilities for its core and ancillary purposes.

The liquidity considerations for a fund where all members are accumulating benefits are different from those with current or pending benefit payment obligations.

The Fund's sole member has not satisfied a Condition of Release and is continuing to accumulate benefits within the Fund via concessional contributions and non-concessional contributions.

7.1. Liabilities of The Sinclair Family Superannuation Fund

The Fund's expected payment obligations during the next twelve months are set out below. The Trustee has taken this into consideration when evaluating the liquidity of the Fund's investments.

Day to Day Operating Expenses

As at 9 May 2014, the Fund had liquid assets at call of approximately \$47,000 *which will be sufficient* (before income and contributions) to meet the expected accounting, audit, administration and financial planning expenses of \$6,050 during the next twelve months, with liquidity further improved via the receipt of ongoing insurance rebates.

Further liquidity allowances have been made for ongoing premiums to be covered by the Fund.

8. Strategy Monitoring and Adoption

The Trustee shall monitor investments, strategies, objectives and supporting systems to ensure compliance with legislation, contractual requirements and to minimise risk, including the risk of fraud or mismanagement. The Trustee will review, with its Adviser, the operation of the Fund and portfolio performance against the stated objectives on an annual basis or on such other basis as they believe appropriate.

Monitoring must take into account any actual or proposed changes to the fund, and to external conditions. These include:

- Proposed and actual legislative amendments, which may impact on the fund or its Members;
- Changes to the economic climate and status of specific markets;
- Changes arising from financial market developments; and
- Changes to service providers.

8.1. Strategy Reviews

The Fund's investment strategy is to be reviewed at least annually to ensure that it remains appropriate to the objectives and circumstances of The Sinclair Family Superannuation Fund and its members.

The Trustee undertakes to communicate with the members should it feel that any change in strategy should be contemplated in order to better achieve the fund's objectives.

8.2. Adoption of Strategy

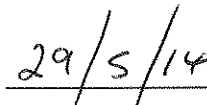
This investment strategy has been adopted, pursuant to a resolution passed by the Trustee of the Fund.

Signature(s):

Michael Sinclair



Date



9. APPENDIX A

9.1. Investment and Management Criteria

In formulating the Investment Policy Statement, the Trustees will abide by the following:

1. The Trustees will ensure that all investments are authorised under the Trust Deed, are made for the sole purpose of providing benefits to members and the dependants of members, and are made in accordance with the legislative requirements applicable to complying superannuation funds.
2. The Trustees will, at all times, act prudently to pursue the maximum rate of return possible, subject to acceptable risk parameters, diversification and the risk profile of the Trustees.
3. The Trustees will invest to ensure sufficient liquidity is retained within the Fund to meet all ongoing Fund expenses and benefit payments due. The Trustees will adjust its objectives where it believes the risk profile of the Fund has changed.
4. The Trustees and members will ensure that, prior to making any contributions or re-contributions to the Fund, that:
5. All relevant age and work related work tests have been satisfied;
6. No relevant contribution limit has been breached.
7. At certain times the Trustees may receive cash from Contributions for any Member or in respect of the disposal of an asset. In such cases the investment strategy is to be automatically adjusted for any such changes provided the change is for a period no longer than two months.
8. The Trustees, where appropriate and allowable under the SIS Act and in accordance with the terms of the Trust Deed, will facilitate the payment of pensions and lump sum benefits to Fund members.
9. The Trustees may make investments involving Fund Members, employer sponsors or their Part 8 Associates, provided they are undertaken on an arms length basis, and do not exceed in-house asset limits or other legislative requirements. Such investments will only be made where the Trustee is satisfied that the Fund is complying with SISA as a result of the Trustee making the investment.
10. The Trustees will consider suggestions from members for specific investments in relation to members generally or for an individual member, and may make investments in accordance with those suggestions provided that they fall within the investment strategy of the Fund.
11. The investment strategy may consist of one strategy for the whole of the fund or separate investment strategies for various parts of the fund including for particular members or specific benefits payable to a member.
12. The Trustees may amend the investment strategy from time to time. If the Trustees amend the investment strategy, all Members affected by any such amendment shall be advised in writing.
13. A Member may at any reasonable time request the Trustees to produce the investment strategy for inspection, and the Trustees shall comply with such a request.

14. The Trustees must also set an investment strategy for the Reserves of the fund, if applicable. Any such investment strategy must be based upon the prudential management of the Reserve assets or such other requirements as laid down in SISA.
15. The Trustee(s) must, as allowed by the Trust Deed, invest all Contributions, Reserves and earnings of the fund in accordance with the Fund's investment strategy.
16. The Trustees will, at all times:
 - Act honestly;
 - Exercise the degree of skill, care and diligence of an ordinary prudent person dealing with the property of another for whom the person felt morally bound to provide;
 - To perform and exercise its duties and powers in the best interests of the beneficiaries; and
 - Not to do anything that would prevent the proper performance and exercise of its functions and powers.

10. APPENDIX B

10.1. Overview of the Fund

The Sinclair Family Superannuation Fund ('the Fund') is an accumulation fund established to provide retirement benefits for members as well as death/disablement protection for members and the dependants of members. Membership of the Fund is voluntary, and upon joining, members are required to provide certain minimum information to the Trustee.

The Fund is maintained as a Self Managed Superannuation Fund under the Superannuation Industry (Supervision) Act 1993 (SISA), and the Australian Taxation Office.

Details	Self Managed Super Fund
Date of Inception of Fund	7 April 2009
Deed Details	30 November 2011
Trustee	Michael Sinclair Enterprises Pty Ltd
Director	Michael Sinclair
Members	Michael Sinclair
DBNs	The member does not currently have current DBN's on file

10.2. Members

Personal Details	Michael Sinclair
Correspondence address	136 Tallebudgera Drive Palm Beach QLD 4221
Occupation	National Sales Manager
Date of Birth	17/06/1961
Health	Good
Smoker	No
Financial Dependents	Joshua (11) and Joel (9)

11. APPENDIX C

11.1. Authorised Investments

Explanation

Here are detailed the various asset classes you may wish to gain exposure to, along with the specific types of investments you may invest in.

Unless otherwise prohibited by the Trust Deed, the Trustees may invest the assets of the Fund in any investment the Trustees believes appropriate. The investments may be both within and outside Australia. The Trustees shall have the power to apply or invest monies requiring to be invested under the rules of the Trust Deed either alone or in partnership or co-ownership with any person or persons.

The Trustees may enter a contract with a custodian to perform custodial functions in relation to any of the fund's assets. Where assets are held in the name of custodians, the Trustees interests need to be effectively assured through the contractual agreement with the custodian.

11.2. Investments

All investments of the Fund shall be made in the name of the Trustees and held separately from any assets held by the Trustees personally, a Member personally or by an Employer of a Member of the fund. No Member shall have an entitlement to a specific asset of the fund.

After considering the matters addressed in this Investment Policy Statement, the Trustees will make use of the following types of investments to achieve their stated objectives:

Asset Class	Investment Type
Cash	Cheque/Savings Accounts Cash Management Trusts/Accounts Managed Funds
Equity	Listed/Unlisted Shares Managed Funds
Fixed Interest	Fixed / Floating Rate Term Deposits and Managed Funds Debentures First Mortgages
Property	Direct Listed/Unlisted Managed Funds Syndicates
Alternative/Other	Agribusiness Derivatives/Futures/Options Private Equity Collectables Derivatives including CFDs Any other type of investment deemed appropriate by the Trustees

11.3. Diversification of Investments

Diversification of investments is a useful method to distribute and control risk, and minimise the variability of investment returns.

The Trustees wish to implement as much diversification as possible, given the assets of the Fund, and elect to diversify amongst the above nominated asset classes nominated investment types.

In considering the degree of diversification appropriate to the Fund, the Trustees have determined to take into account the following:

- a. The existing assets of the Fund;
- b. The existing assets of the family other than assets held in the Fund;
- c. Its access to expert investment advice; and
- d. The existing and future assets of the Fund.

By diversifying across primary investment markets, the Trustees are of the opinion that the risks and volatility of the fund's investments will be managed to levels consistent with the investment profile of the fund and its members, whilst maintaining potential for long term growth.

11.4. Investment Risks

Please refer to Appendix D for the investment risks considered in the development of this Investment Policy Statement, along with the Fund's Derivatives Risk Statement.

12. APPENDIX D

12.1. Investment Risks

All investments have risk. Even cash deposits have a small risk from the failure of the deposit-taking institution. Low-yielding investments, such as cash deposits also have the "risk" that their value will erode, over time, if the interest received, less fees and charges (including taxation) is less than the rate of inflation.

Other investments, including shares, property and fixed interest instruments have varying levels of volatility of returns and risk of loss of capital. The suitability of the individual asset types must be taken into account in the development of an investment strategy.

Other risks for non-cash investments include "timing" risks. All investments which fluctuate in value over time may be "under-priced" or "over-priced" at certain times. Where there is a willing buyer at a "high" price, that buyer does not believe the investment is fully priced, while the seller may believe this is the case. Consideration will be given to the fair value of assets to be purchased.

There is also information and knowledge risk. The risk that all information about a particular investment is not known at the time of purchase is inherent in many types of investments. In some cases, this lack of information is not due to failures to disclose, but may be due to a lack of knowledge by the purchaser of where to look to find such information, or the relevant questions to be asked, prior to making the decision to invest.

The principle risks that Fund investments may be exposed to include:

Inflation Risk

The possibility that the purchasing power of money may not keep pace with inflation. This risk is a poor real return on funds invested.

Risk of not diversifying

Diversification is a deliberate strategy aimed at reducing the impact that volatility in one asset class, sector or market will have on the overall portfolio of assets.

Market risk

The possibility that movements in a market can cause an investment to decrease (as well as increase) in value.

Re-investment risk

The possibility of investing in fixed rate investments (e.g. bonds), when re-investing maturing money at a lower rate of interest if rates generally decline during the life of that investment.

Liquidity risk

The possibility that funds may not be readily accessed when required because they are invested in illiquid assets (e.g. real estate).

Credit risk

The possibility that an institution holding capital (e.g. a debenture issuer) may fail to pay interest or return on that capital.

Regulatory risk

The possibility of government policy changes negatively affecting the financial strategy.

Timing Risk

The possibility that a strategy of trying to time entry and exit from markets will expose the fund to greater short-term volatility.

Manager risk

The possibility that funds are invested with a fund manager based primarily on their recent past performance without regard to their fundamental ability to cater for particular needs or performance expectations over the required time frame.

Position Sizing

The risk of in-appropriate position sizing.

Fees and Charges

The payment of excess fees and charges, as well as excessive trading, can dramatically affect the fund's overall return.

12.2. Derivatives Risk Statement

The Derivatives Risk Statement (DRS) covers the use of derivatives by the Trustees. The objective of the DRS is to provide a summary of the policies and controls in place covering the use of derivatives and the processes for assessing compliance with those controls. These policies and controls are intended to ensure the proper use of derivatives by the fund.

The DRS is subject to review by the Trustees on an annual basis, and when necessary with the objective of ensuring continued adequacy and compliance.

Definition of Derivatives

For the purpose of the RMS, derivatives can be defined as financial contracts whose values depend on, or are derived from, assets, liabilities or indices. Derivatives include a wide assortment of instruments, such as forwards, futures, options and share ratios, warrants, swaps or other composites. Where uncertainty exists about whether an instrument is a derivative for the purpose of the DRS, it should be treated as a derivative

Relationship to the Investment Strategy of the Fund

The RMS is prepared on the basis that derivatives are not considered in isolation, but are integral to the overall investment process. The use of derivatives by the Trustees will always be subordinate to and consistent with the funds investment strategy.

The DRS must be read in conjunction with the Investment Policy Statement.

Purpose and Use of Derivatives

The Trustees believe that the use of derivatives as part of the fund's overall investment strategy can be beneficial to a prudently managed portfolio. Consequently derivatives may be used to:

- Hedge Assets of the fund against, or minimize liability from, fluctuations in market values;
- Reduce volatility; and
- Minimise the risk on direct share investments

Risk Analysis

When using derivatives, there are various risks are inherent. The key risks are detailed below:

Market risk is defined as the risk of adverse movement in markets (including asset prices, volatility, changes in yield curve, implied option volatility or other market variables) for the derivatives or the underlying asset, reference rate or index to which the derivative relates. Holding any security, physical or derivative, which creates exposure to movements in prices of a security or market, creates such risk.

The market risk associated with the use of derivatives is assessed in the context of the total portfolio. The Trustee(s) will calculate derivative exposure on a fully paid-up exposure basis which when added to the portfolio's exposure to physical assets. This can be measured and assessed against the portfolio's stated investment weightings.

Techniques used by the Trustees to limit and control market risk include:

At no time will the Trustees allow a portfolio's level of market exposure to exceed the market value of the fund. That is, the Trustees will not attempt to leverage (or gear) the portfolio nor will they allow the fund to become exposed to unlimited open market risk;

Utilising an investment model and target benchmark to determine the portfolio's structure relative to benchmark allocations;

Monitoring actual fund holdings relative to the recommended portfolio based on the model; and

Monitoring all positions on a regular basis to ensure that exposures stay within the designated ranges.

12.3. Liquidity Risk

There are two types of liquidity risk inherent trading in derivatives. Firstly, difficulty in unwinding or offsetting a particular position at or near the previous market price because of inadequate market depth or because of disruptions in the marketplace (market risk). Secondly, the fund not being able to meet its future financial obligations resulting from derivative activities, such as, meeting margin calls (settlement risk).

In order to assess, monitor and control both types of liquidity risk the Trustees will:

Consider the relationship between the likely Liquidity and the magnitude of the position undertaken; and

Monitor the portfolio's Liquidity to ensure there is sufficient capacity to meet future obligations including those resulting from derivative positions as and when they fall due.

Counterparty (Credit) Risk

Counterparty risk is defined as the risk that a counterparty will fail to perform contractual obligations under a contract. The use of exchange traded derivatives minimizes the counterparty risk.

Foreign Exchange Risk

Foreign exchange risk is created by changes in foreign currency levels. The foreign exchange risk of the fund is created through the investment in international shares or through International managed investments. This exposure can be reduced by the use of forward foreign exchange contracts.



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