

## Executive Summary for SMSF AGM Minutes

Meeting Date: 30<sup>th</sup> October 2023

Subject: Addressing Substantial Investment Loss and Recovery Strategies

Introduction:

The SMSF AGM convened to discuss and address the investment loss incurred during the previous fiscal year. This executive summary outlines the key points discussed during the meeting and suggests a strategic way forward to recover the losses.

Loss Assessment:

During the financial year 2022 /2023, our SMSF faced a significant investment loss due to a bear market triggered by a sharp increase in interest rates. Interest rate movements are influenced by the broader economic environment, such as inflation and central bank policies. Therefore, losses in interest rate-sensitive stocks are often a reflection of these macroeconomic factors. All equity stocks were impacted by an unprecedented speed in the shift in monetary policy driven by the US federal Reserve.

Bear markets are inherently unpredictable, making it challenging to anticipate the severity and duration of downturns. Even well-planned strategies can fall short in such turbulent times. Risk management strategies are designed to mitigate specific risks but may not cover all possible scenarios. During this bear markets, most asset classes became highly correlated, causing diversification strategies to underperform.

Bear markets can lead to liquidity constraints, where selling assets may result in losses greater than expected. Risk management strategies may not always factor in the speed and magnitude of liquidity challenges.

Our risk management models rely on historical data and assumptions that did not hold true during recent market conditions. Our models did not fully capture the complexities of this bear market. This model was primarily an index centric model.

We understand the need for continuous adaptation and improvement of risk management strategies to align with evolving market dynamics and challenges.

While our risk management strategies did not perform as expected the experience offers valuable lessons for refining strategies and building more resilient portfolios in the future.

Recovery Strategies: To recover from this setback, the following improvements have been implemented. We have introduced a new multi factor risk model which monitors the portfolio at a Index sector industry and stock level. At every level each asset is monitored with thirteen data points which give us a clearer understanding of evolving risk and more-

The model has other (three) attributes which should enable the quick recovery of loss.

- 1) Risk management functionality at an index, sector, industry, and stock level.
- 2) Identification of investment opportunity across a broad range of asset classes- Equities, Commodities and Currencies
- 3) Identification of optimum points of exit (profit taking) minimising portfolio draw downs.

All three attributes come together to offer a complete portfolio management tool.

Conclusion:

While the previous year presented challenges, the SMSF is committed to mitigating losses and securing a brighter financial future. The strategies outlined above will guide our actions in the coming year, with a strong emphasis on objective and higher quality decision-making.

MA PLYA

MA BLAGOZ

30/12/2025

☎☎7983319 | ☎496 ☎29 714

ma@2mb @ gmail.com