

Fund Investment Strategy

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Self-Managed Super Fund Name

Fred Pattison Retirement Fund

Date

12/09/2019

Overview

Superannuation legislation requires trustees of a Self-Managed Superannuation Fund (SMSF) to formulate, regularly review, and give effect to an investment strategy that has regard to all the circumstances of the fund including:

- The risks involved in making, holding and realising investments as well as the likely return from the fund's investments, having regard to the fund's objectives and expected cash flow requirements.
- The diversity of the fund's investments and the risks arising as a result of inadequate diversification.
- The liquidity requirements of the fund's investments, having regard to the expected cash flow requirements of the fund.
- The ability of the fund to discharge its current and future liabilities.
- Whether the trustees should hold a contract of insurance that provides insurance cover for one or more members of the fund.

The assets of the fund are to be valued at market value and are to be kept separate from any assets of the trustees of the fund, or a standard employer sponsor, or their associate.

Purpose of the fund

The core purposes of the fund are to provide:

- Benefits to members in retirement;
- Benefits to members upon reaching age 65;
- Death benefits to a member's legal personal representative and/or dependants if the member's death occurs before retirement or age 65.

The ancillary purposes of the fund are to provide:

- Death benefits to a member's legal personal representative and/or dependants if the member's death occurs after retirement or age 65.
- Other purposes as approved by the regulator in writing.

Investment objectives

The fund's investment objectives have been determined after consideration of the risk profiles of the fund and its members. It has also taken into account restrictions imposed by the Superannuation Industry Supervision (SIS) Act and external factors such as economic indicators.

After consideration of these issues, the investment objectives of the fund are:

- To achieve gross returns which exceed inflation (as measured by CPI) by 4% or more with only a moderate chance of a negative return over a 10 year rolling period.
- To boost the potential returns of the fund through a borrowing arrangement that meets the limited recourse borrowing rules in SIS legislation.

Investment Strategy

The risk profile of the fund has been determined for the fund as a whole, with consideration for the risk tolerance of the members.

- The members have a long investment timeframe and are willing to accept appropriate levels of risk and volatility.

It has been determined that the fund's risk profile is that of a high growth investor. The characteristics are:

High Growth

The fund is a high growth investor seeking the potential for capital growth through investing in a diversified portfolio of growth and income asset classes, with an emphasis of growth asset classes. A medium to high risk of capital loss can be expected. This strategy is designed for trustees with a minimum time frame of nine years.

The Trustees of the fund have decided that property would be the main vehicle to drive investment returns in this fund. As such the asset allocation differs from a typical growth investor as outlined below. The current investment allocation falls within the 'Range' of acceptable allocations.

Class	Benchmark	Range
Australian Shares	28.0%	0%-100%
International Shares	41.0%	0%-100%
Property/Infrastructure	13.0%	0%-100%
Australian Fixed Interest	6.00%	0%-100%
International Fixed Interest	3.0%	0%-100%
Australian Cash	3.0%	0%-100%
Diversified Alternatives	6.0%	0%-100%

Liquidity and cash flow

In developing the investment strategy for the fund, the trustees have been mindful of the need to have cash available to meet liabilities as they may arise. Such liabilities include costs associated with accounting, preparation and lodgement of taxation and statutory returns, financial and compliance audit, fund administration, financial and compliance advice. Other liabilities that have been considered include the ability of the Fund to pay member benefits either as lump sums, income streams, or a combination of both.

Risks

Risk can take a variety of forms. Following is a brief summary of the different types of risk that have been taken into consideration in developing the investment strategy:

Inflation Risk	This is the possibility that the purchasing power of money may not keep pace with inflation (e.g. by not investing at all or not investing sufficiently in growth products). This risk is represented by a poor real return on funds invested.
Risk of Inadequate Diversification	If all the fund's assets are invested in one asset or one class of assets, a fall in that market will adversely affect all of the fund's capital. Diversification is a deliberate strategy aimed at reducing the impact that volatility in one asset class, sector or market will have on the fund's investments.
Market Risk	Market risk is the risk that movements in a market can cause an investment's value to decrease (or increase) in value.
Re-Investment Risk	Where there is a downward movement in interest rates, maturing fixed rate investments will be invested at a lower rate of return.
Liquidity Risk	This is represented by the possibility assets will not be readily accessible when needed because they are invested in illiquid assets e.g. real estate or fixed term investments.
Credit Risk	Credit risk is the possibility that an institution holding capital e.g. a debenture issuer, may fail to pay interest or return the capital.
Regulatory Risk	The risk of changes of a regulatory or legislative nature that have a negative impact on the environment in which the Fund's investments are held such as changes to taxation and superannuation legislation or retirement incomes policy.
Timing Risk	This is 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	This applies primarily to funds invested with fund managers and relates to the risk that arises where an investment in a fund manager is based primarily on their recent past performance without regard to their fundamental ability to cater to the fund's particular needs or performance expectations over the time frame the fund has in mind.
Volatility Risk	Volatility is a term that describes the unpredictable upward and downward shifts of investment values over a period of time. The greater the volatility, the more frequent are the shifts. Over the longer term, the greater the volatility the higher may be the potential returns.

Diversification

Due consideration has been given to the diversification of the fund. It is noted that due to changes in lending standards during the construction of the property asset the fund ended up with a greater weighting to property than was intended. This is being remedied by all future contributions being made to the cash account which is growing in value each year.

Insurance

In complying with its responsibilities imposed by legislation, the trustees of the fund will determine the type and level of insurance cover required by the members of the fund, having regard to the personal circumstances of the members, and any personal insurance cover already held (or intended to be held) outside superannuation.

Valuation of assets

The assets of the fund are to be valued at market value in accordance with prescribed regulations. For guidance on valuing assets, the trustees of the fund have considered the "Valuation guidelines for Self-Managed Superannuation Fund" published by the Australian Taxation Office.

Separation of assets

The money and assets of the fund are to be kept separate from any money and assets held by the trustees personally, or a standard employer-sponsor or an associate of a standard-employer sponsor, of the fund.

Monitoring and review

The trustee has determined that the investment strategy and the underlying investments held by the fund are to be formally reviewed [insert interval monthly/ quarterly/ half-yearly/ yearly]. In addition to formal reviews, the investments may be reviewed from time to time on an informal basis, particularly in the light of changing circumstances of the fund, its members, economic factors and/or underlying investments.

Any investment decisions made in relation the fund are to be made in accordance with this investment strategy.

This investment strategy was adopted by the meeting of the trustee held at ~~[insert address and date of meeting]~~ UNIT 1 43 Power RD BAYSWATER ON THE 12TH SEPTEMBER 2019.

Chairperson

Signature



← Sign Here

Full name

Fred Pattison

Date 12-9-2019