

# INVESTMENT STRATEGY OF THE METCALF SUPERANNUATION FUND

**Date:** 1 July 2012

## **Objective**

This investment strategy (as amended to from time to time) is created in compliance with the *Superannuation Industry (Supervision) Act 1993*.

The Fund:

1. Accepts employer and member contributions and contributions from other persons as the laws allow;
2. Transfers from other superannuation funds and from a spouse as the laws allow;
3. Provides benefits to members upon retirement and as the laws allow;
4. Provides other activities as allowed by the laws and regulations from time to time;
5. Allows access to any unrestricted non-preserved benefits (as/when allowed by the laws and regulations); and
6. Provides for the payment of pension benefits at a rate as determined in the future from time to time.

The Fund complies with the current laws and regulations and the rules in the Trust Deed. It has the following investment objectives:

## **Risk and Rate of Return**

It is recognised that timing (when you get into the investment) and time in the investment (how long you are in the investment) affects returns. Different investments have different returns and volatility.

The Trustee(s) (hereinafter the Trustee) (from time to time) of the Fund has a strong emphasis on preserving the Fund's capital. However, many sound investments are not capital guaranteed.

Security of capital has to be tempered with the need to achieve the desired rate of return. Therefore, assets that show volatility may be of benefit to the Fund.

The Trustee is ever vigilant to balance these two objectives: protecting the capital and growing the value of the Fund by obtaining an acceptable rate of return.

## **Diversification**

Holding a number of investments is the essence of diversification. This may have the effect of reducing volatility. However, diversification is only one factor to be considered in this strategy. Diversification can be achieved at different levels, including diversification across:

- Asset classes;
- Industry sectors;
- Asset managers;
- Individual assets within an asset class.

The Trustee may, in writing, change the spread of investments (even on a daily basis). However, the Fund's benchmark investment spread is:

<b>Asset</b>	<b>Range (%) Eg 0-100%</b>
Cash	0-100%
Australian Fixed Interest	0-100%
International Fixed Interest	0-75%
Australian Equities	0-100%
International Equities	0-100%
Residential property, commercial property, retail property, either direct, listed or unlisted	0-100%
Other investments (considered on a case-by-case basis) such as agribusiness, options, futures and foreign currency)	0-75%

### **Target Rate of Return**

The Trustee seeks an overall investment return for the Fund in the 3-5 year term (medium term) of 3% above the average rate of inflation over that period.

### **Trustee's Obligations**

The Trustee ensures that the Fund meets the legislated standard minimums to continue to obtain concessional taxation status on the income.

It is also incumbent on the Trustee to consider the tax consequences of all investments. Tax-advantaged products may reduce the Fund's taxation burden. Tax is one of the Trustee's relevant concerns.

The Trustee acknowledges that members' benefits are a liability of the Fund. The Trustee gives thought to the level of benefit required to be paid to the member. However, while no terminations or benefits are expected to be paid out in the short to medium term the Trustee is at liberty to examine investments that are medium to long term.

However, when the member is in pension phase the time horizon may be far shorter.

### **Paying Debts**

The Trustee is obliged to pay tax, expenses and benefits. It will do so within 31 days. The Trustee ensures that it holds sufficient cash to meet such obligations. Moneys must also be kept in reserve to meet the risk and reward objectives of the Fund.

### **Cost of Investing**

The Trustee strives to reduce costs of investing. However, at times upfront investment costs are payable in order to obtain the best investment products that fit into this investment strategy. Exit costs and penalties may also be part of the cost of carrying out this investment strategy.

### **Investments**

#### **Cash**

Money can be held in kind, in banks, building societies, lending institutions and cash management accounts.

### **Australian Shares**

After research and due diligence, these include listed and unlisted securities including shares, warrants and managed funds.

### **Australian Fixed Interest**

These include deposits banks, building societies, lending institutions, cash management accounts, government and non-government bonds, bank bills, debentures, corporate notes and specialist fixed interest funds.

### **International Shares**

After research and due diligence, these include investments directly or indirectly in listed and unlisted shares from around the world.

### **Property**

This includes both direct and indirect investments in listed and unlisted property trusts and property securities funds. The trust deed and this investment strategy allows gearing of property investments with regard to the following issues:

- The likely return from the investment, with regard to the fund's cash flow needs;
- The composition and liquidity of the fund's investment, given its cash flow requirements;
- The fund's ability to discharge existing and future tax liabilities, including retirement benefits;
- Any shortfall from negatively gearing the investment will be funded by future contributions and positive earnings from other real estate and non-real estate investments;

### **Insurance strategy for members**

The trustee has considered whether it should hold a contract of insurance that provides insurance cover for one or more members of the fund. The members have advised that they do not wish to apply for any insurance that would provide a benefit upon their death or disablement as they believe they have sufficient assets in their personal name to absorb this risk.

Based on this The trustee has therefore decided not to apply any term life and total and permanent disablement insurance on behalf of the members.

### **Review**

The Trustee may review this strategy as required, but it will be reviewed at least annually.

Signed by the Trustee(s)



Clive Thomas Metcalf 01/07/2012



Patricia Ann Metcalf 01/07/2012