

INFORMATION MEMORANDUM

SELF MANAGED SUPERANNUATION FUND - INVESTMENT STRATEGIES

Regulation 4.09(2) of the Superannuation Industry (Supervision) Regulations requires that the Trustee of the Fund must formulate and give effect to an investment strategy that has regard to all of the circumstances of the entity including in particular:

- (a) the risk involved in making, holding, realising and the likely return from the Fund's investments having regard to its objectives and expected cash flow requirements;
- (b) composition of the Fund's investments as a whole including the extent to which they are diverse or involve exposure of the Fund to risks from inadequate diversification;
- (c) the liquidity of the Fund's investments having regard to its expected cash flow requirements;
- (d) the ability of the Fund to discharge its existing and prospective liabilities.

Any investment strategy must deal with all of these issues.

An investment strategy may be valid notwithstanding failure to take into account all of the above matters if a specified beneficiary or class of beneficiary gives a direction to the Trustee to invest in a particular class of assets. This is only available however, where:

- (a) the Trustee gives to the beneficiary or each member of the class of beneficiary the choice of two or more investment strategies from which the beneficiary or class of beneficiaries may choose a strategy or combination of strategies; and
- (b) the beneficiary or each member of the class of beneficiaries is given:
 - (i) the investment objectives of each of the strategies mentioned in paragraph (a); and
 - (ii) all information the Trustee reasonably believes a person would reasonably need for the purpose of understanding the effect of and any risk involved in each of those strategies.
- (c) the beneficiary or each member of the class of beneficiaries is fully informed of the range of directions that can be given and the circumstances in which they can be changed; and
- (d) the direction is given after compliance with the above paragraphs and the direction specifies:
 - (i) which of the strategies or which combination of strategies referred to in paragraph (a) is to be followed in relation to investments of the beneficiaries or class of beneficiaries interest in the Fund; and

(ii) where applicable, matters related to the choice referred to in that paragraph.

Attached are examples of possible investment strategies that may be of some assistance to you in drafting the investment strategy for your self managed superannuation fund and the minutes of the Trustee of the Fund to adopt such strategies.

1. INVESTMENT STRATEGY (LONG FORM)

ABC SUPERANNUATION FUND

INVESTMENT POLICY STATEMENT

1. *Fund Profile*

The ABC Superannuation Fund (the Fund) is an allocated accumulation fund established to provide lump sum retirement benefits for members as well as death/disablement protection for members and the dependants of members. Membership of the Fund is voluntary.

The Fund has two members who are husband and wife aged _____ years and _____ years, respectively at the time of this Statement. Both members are employed in the family business.

It is not intended that other members will be admitted to the Fund. The current intention is for the wife to receive a retirement benefit at age _____ and for the husband to receive a retirement benefit at age _____.

2. *Benefits*

The current intention is to pay either lump sum or allocated pension benefits upon retirement of the members. The Trustee shall invest Fund assets having regard to the need to realise the investments in accordance with the rules governing the payment of benefits from the Fund.

3. *Future Contributions*

The members of the Fund have sufficient private death and disability cover either outside the Fund or in the Fund to enable the Trustee to take a long term perspective in setting the investment objectives of the Fund.

The [employer and the] members expect to be in a position to make on-going contributions prior to retirement. Consequently, members will not have to rely solely on investment earnings to provide the desired level of benefits to fund for their retirement.

4. *Past Investment Performance/Asset Mix*

The past investment performance of the Fund has exceeded the CPI over the last five years.

The assets of the Fund are currently invested in the following proportions:

EXAMPLE A

<i>Public Company Shares</i>	50%
<i>Fixed Interest</i>	25%
<i>Direct Property Investment</i>	20%
<i>In-house Asset</i>	5%

EXAMPLE B

<i>Units in Property Trust</i>	70%
<i>Cash</i>	15%
<i>Public Company Shares</i>	15%

INVESTMENT OBJECTIVES

1. General Objectives

The Trustee will at all times act prudently to pursue the maximum rate of return possible, subject to acceptable risk parameters, and the maintenance of whatever diversification that can be achieved with modest assets.

The Trustee 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.

The Trustee will invest to ensure sufficient liquidity is retained within the Fund to meet benefit payments due and will adjust its specific objectives where it believes the risk profile of the Fund has changed.

The Trustee will make investments in conjunction with members [or the Employer or associates], provided they are undertaken on an arms length basis and do not exceed in-house asset limits or any legislative requirements. Such investments will only be made where the Trustee is satisfied that the Fund is complying with the superannuation legislation as a result of the Trustee making the investment.

The Trustee 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.

2. **Specific Objectives**

Having considered the liability profile of the Fund, the Trustee has adopted the following objectives for the investment of the assets of the Fund:

- (a) to achieve an investment return (net of tax and charges) that exceeds CPI by at least _____% per annum when measured over a rolling 10 year period;*
- (b) to achieve an investment return (net of tax and charges) that exceeds cash rates by at least _____% per annum when measured over a rolling 5 year period;*
- (c) to have a low expectation of negative returns in any 12 month period;*
- (d) to limit exposure to equities and property investment to under _____% of the assets of the Fund in order to limit earnings volatility.*

The Trustee will consider the implementation of these objectives through a single asset strategy where it considers that appropriate.

3. **Review**

The investment objectives of the Fund will be reviewed annually and at such other times as a significant event occurs which affects the Fund.

INVESTMENT STRATEGY

In order to achieve the investment objectives of the Fund, the Trustee wishes to adopt and pursue the strategy set out hereunder. The Trustee reserves the right to implement more than one strategy as it sees fit and to offer separate strategies to members. The Trustee also reserves the right to implement separate and different action plans in the acquisition and disposal of assets pursuant to this strategy.

1. **Diversification**

The Trustee wishes to implement as much diversification as it is able given the assets of the Fund and elects to diversify amongst the following asset classes to be managed around the following ranges:

<i>Asset Class</i>	<i>Range</i>	<i>Actual as at</i>	<i>/</i>	<i>/20</i>
<i>Property</i>				
<i>Unit Trust & Direct</i>	<i>20-60%</i>			<i>%</i>

Equities		
<i>Public Company Shares</i>	20-60%	%
<i>Non-associated Proprietary</i>		
<i>Company Shares</i>	0-20%	%
Cash		
<i>Cash Management</i>	0-20%	%
Other Assets	0-5%	%

In considering the degree of diversification appropriate to the Fund, the Trustee has 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;*
- (d) the existing and projected membership and assets of the Fund;*
- (e) the decision not to implement a reserving policy.*

2. Fund Demographics

The Trustee has implemented its strategy taking into account the age of the members and their likely dates of retirement. It has also taken into account the expressed intention of the members to receive their benefits as lump sums/allocated pensions upon retirement.

3. Performance Monitoring

To monitor the success of the investment policy in achieving the investment objectives, the Trustee will take the following action:

- (a) compare investment returns against investment objectives on an annual basis;*
- (b) compare the investment performance of the Fund against a sample group of superannuation master funds;*
- (c) compare investment returns against cash rates available over a 12 month period*

and will review this strategy on an annual basis or on such other basis as it believes appropriate.

4. **Benchmarks**

The Trustee will measure its success criteria against certain benchmarks and indices. The nominated benchmarks for performance will be as follows:

- (a) Australian shares - all ordinaries accumulation index;*
- (b) Liquid assets - average cash management trusts;*
- (c) Australian fixed trusts - commonwealth all series all maturities and accumulation index;*
- (d) Property trusts - average of composite property accumulation index;*
- (e) In-house asset loans - average rate for comparable loans from major banks and ATO interest requirements.*

2. INVESTMENT STRATEGY (SHORT FORM)

THE ABC SUPERANNUATION FUND

The investment objective of the Trustee is to ensure that the average investment return on the assets of the Fund, after tax, exceed inflation in order to protect the real value of the member's benefits.

To achieve this objective, the Trustee will invest predominantly in assets which may be expected to maintain their real value, and to provide a consistent level of income, ie. real property securely leased to quality tenants. Only high quality assets should be purchased. This will protect the Fund against any possible risk of inadequate diversification.

The Trustee believes it is unlikely that the Fund will be called upon to pay benefits for 10 to 15 years as the two members at present are in their early 50s. The Trustee is therefore satisfied that the absence of immediate liquidity in the assets of the Fund does not present a danger to the Fund. Care, however, will be taken to acquire investments which may be expected to be marketable within 6 months, should the need arise.

This strategy will be reviewed each year.

3. **DRAFT RESOLUTION OF THE TRUSTEE ADOPTING AN INVESTMENT STRATEGY**

ABC SUPERANNUATION FUND

ADOPTION OF INVESTMENT STRATEGY:

It is noted that the Trustee has formulated investment objectives for the Fund and an investment strategy to achieve those objectives (the "Investment Strategy") having regard to the whole of the circumstances of the Fund, including:

- 1. the risk involved in making, holding, realising and the likely return from the Fund's investments, having regard to its objectives and its expected cash flow requirements;*
- 2. the composition 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 risk from inadequate diversification;*
- 3. the liquidity of the Fund's investments having regard to its expected cash flow requirements;*
- 4. the ability of the Fund to discharge its existing and prospective liabilities;*
- 5. the Fund profile;*
- 6. anticipated future contributions;*
- 7. past investment performance; and*
- 8. the current investment portfolio and asset mix,*

which objectives and strategy are set out in the Investment Strategy annexed to this resolution.

Resolved to adopt the investment objectives of the Fund and adopt and implement the investment strategy to achieve the objectives as set out in the Investment Strategy of the Fund.