

Investment Strategy

Jono Superannuation Fund

INVESTMENT STRATEGY PURPOSE

The following investment strategy has been established and agreed to by the Trustee of Jono Superannuation Fund and takes into consideration the following:

- Diversification of the funds' assets
- Liquidity requirements of the fund
- The risk associated with holding certain assets and expected returns on those assets
- Cash-flow requirements of the fund including the ability for the fund to discharge any liabilities that may arise
- The need for insurance policies to be held and/or maintained for the members of the fund.

GENERAL OBJECTIVES

The Trustee will act to ensure at all times the Fund complies with the rules regulations as set out in the SIS Act and the SIS Legislation, in accordance with the following key areas:

- Sole purpose test
- Borrowing restrictions and any exceptions that may apply
- The prohibition on lending money or giving any financial assistance to the fund members or their relatives
- The restrictions imposed on acquiring assets from related parties of the Fund and any exceptions that may apply
- The in-house asset limits both at the end of the financial year and at a time before entering into an in-house asset transaction.

As such, within these objectives this document does not re-iterate the intent of the legislation.

The Trustee will ensure at all times investments are authorised under the Trust Deed and are made in accordance with the purpose of the establishment of the fund; which is for the provision of retirement benefits for the members of the fund or for the fund members dependants on the death of a member.

The Trustee will ensure at all times that the fund remains a complying superannuation fund.

The Trustee will ensure at all times the investments undertaken are done so at arm's-length, or alternatively where the transaction is not at arm's-length the terms are not more favourable than if the transaction had been conducted at arm's-length.

The Trustee may consider and accept investment suggestions from members of the fund, for the fund generally or for a class of members. The Trustee has ultimate discretion to consider, accept and/or implement the decisions given due consideration of the above SIS regulations and the below Investment Strategy principles.

INVESTMENT STRATEGY

This investment strategy documents the intent of the fund when purchasing, holding and selling assets.

A well-diversified portfolio is the general intent designed to support the fund's requirements in meeting the member's needs. However, the assets of the fund and the level of diversification within the fund may vary from year to year. The Trustee will consider the risks that arise where there is a lack of diversification. Where appropriate, the Trustee may decide that the funds overall investment objectives can still be met, even with a lack of diversification or where the balance of the fund is held in one asset or asset class.

Over time and as members move from the accumulation to pension phase, the Trustee may adjust the composition and actual underlying assets of the Fund.

The Trustee reserves the right to develop and offer more than one investment strategy to meet the individual needs of members or classes of members of the Fund. This may require implementing different decisions with respect to the purchasing, holding and/or selling of investments in order to meet the relevant strategy.

Investment Objectives

The Trustee shall at all times act prudently to pursue the maximum rate of return, taking into account risk parameters and in consideration of suitable levels of diversification.

It is agreed that the investment objectives of each fund member will be considered and where appropriate, separate strategies can be maintained.

Performance Objectives

The Trustee has considered the current and likely benefit payments, the time frame to retirement of the current members and determined the following performance objectives:

- to provide a return on the funds assets that is sufficient to meet the costs of administering the Fund and where needed, to fund pension payments that are payable throughout the year
- that there is an expectation and understanding that there may be periods of negative returns over any given time and that these are in line with the risk profiles of the fund members.

Asset Diversification

In considering the degree of diversification appropriate to the Fund, the Trustee has taken into consideration the following:

- the existing assets of the Fund
- the investment and economic climate

- the Fund's access to expert research and investment advice
- the current and likely future membership of the Fund.

The Trustee may consider and implement a single asset or single asset class strategy where it deems it appropriate given all other factors documented in this Investment Strategy.

The Trustee will take into consideration the risk associated where the assets of the fund are highly concentrated within the one asset or asset class.

Establishing Investment & Performance Objectives

In determining the Investment Objective of the Fund and its Performance Objectives, the Trustee will have regard to the following areas:

- the Purpose of Establishment
- the Fund Demographics
- the General Objectives including long term returns
- the risk tolerance of the members and
- the liquidity requirements of the fund.

It is the Trustee's intention is to invest in assets that are deemed appropriate to meet the overall investment objectives of the Fund.

The trustee is allowed to invest in alternative, non-traditional asset classes and will decide at the time what level of the alternative assets may be appropriate.

The Trustee will, from time to time, make and hold investments in asset classes that will cause significant variances within asset allocations. These situations will be reviewed, if and when required, to ensure that the funds overall investment objectives are met.

Asset Management

In terms of the underlying investments within the Fund, when making an investment decision the Trustee shall give consideration to the detailed principles for each asset class.

Asset Class: Cash

Cash is an important component of the Fund's assets in order to be able to meet ongoing administration costs and expenses as well as having sufficient funds to meet any benefit payments due to members.

Depending upon the investment markets cash may also act as a short-term strategy to hold member contributions whilst determining appropriate investment options.

It is expected that the cash balance will vary significantly throughout the course of a reporting period. Cash is the most liquid form of investment.

Prior to investing in any cash funds or realising a cash holding, the Trustee shall give consideration to the current liquidity of the Fund. It shall also give consideration to the prevailing interest return and security of the investment in comparison to alternate forms of investment.

Asset class: Fixed Interest

Fixed interest investments provide more certainty in the level of income for the Fund over the term of the investment.

Fixed interest investments are an alternative form of investment to cash, with slightly less flexibility due to the investment being made for a term, or period of time. When considering such an investment due consideration must be given to the time frame of investment. Should capital be required prior to the end of the term of a fixed interest investment then a penalty fee may apply. Thus this asset class is slightly less liquid than cash.

The risk with this type of investment is movements in the prevailing interest rate. Should there be an upward move in the prevailing interest rate and the invested capital be required prior to the end of the term then a capital loss would generally occur. On the other hand should an interest rate decline occur over the term of the investment, then the Trustee may consider the sale of the investment in order to realise a capital gain, in consideration of the other factors of the investment and needs of the Fund.

One final consideration is the security of the issuing company. Fixed interest investments are available across various rates of security. A fixed interest investment issued by a Government is typically more secure than an equivalent security that is issued by a publicly listed company.

Asset class: Property

Property investments can be made in two forms, direct and listed.

Property in the form of owning a direct asset is typically the least liquid form of investment. Typically, it requires a buyer at the time of offer to purchase the entire building and/or land. This can have a considerable lead-time.

However property can provide a relatively secure level of income. The risk is the inability of the tenant to meet their rental obligations.

One final consideration with direct property is the capital required to purchase one asset. Typically this can be the majority of the Fund's assets.

Should the Trustee consider investment in a direct property they shall obtain appropriate valuations for the purchase price and rental income to satisfy themselves that the price or units of the property reflect the true value of the investment.

Property in the form of unit trusts provides a more liquid form of investment with more diversification through exposure to various properties.

In terms of direct property ownership the Trustee will comply with the prevailing legislation. In terms of unit trust property ownership the Trustee has greater flexibility in their decision-making.

Asset class: Australia Shares

Share investments, listed and unlisted can be made in two forms, direct or via unit trusts.

When considering investments in the form of direct shareholdings the Trustee shall ensure the decision is based upon the anticipated longer-term capital appreciation of the investment, as measured by the increase in its share price, as well as the potential dividend stream.

When investing in direct shares the Trustee shall also give due consideration to the current exposure to the sectors of business the companies operate within (i.e. industrial, banking, retail, resources, etc.), the manner in which the underlying companies act and respond in various market conditions, (i.e. recession, recovery, etc.) and the requirement for ongoing monitoring of such investments on a regular basis.

Where the Trustee is of the opinion they do not hold the requisite skill set or have the time to appropriately evaluate and monitor a portfolio of direct shareholdings, then the investments shall be made through unit trusts.

Unit trusts may also be used as an investment option in conjunction with a portfolio of direct shareholdings or in isolation.

The tax effectiveness of franking credits that are derived from holding investments where tax is paid at a rate higher than that paid within the Fund, produces an effect to reduce the tax paid by the Fund on its earnings. This tax benefit may form part of the investment decision.

Asset class: International Shares

Historically this asset class has provided investors with the highest capital return. Past performance is no guarantee of future performance and as such this asset class must be evaluated on its merits to provide:

- income return
- capital return, in excess of the prevailing inflation rate by a minimum of 2.0% per annum
- volatility in the capital value.

Again this asset class can be accessed through both direct investment and unit trusts.

Direct investment in international shares requires more time and administration than its counterpart. As such typically the Trustee shall consider investing in this asset class primarily through the use of unit trusts.

Asset class: Alternatives

Alternative investments do have a place in a well-diversified investment strategy and often rely on the knowledge and expertise of the trustee. Assets that could fit into this class could include (but are not limited to) artwork, coins, stamps etc. These assets would need to fit in with the SIS rules around collectibles as set out in SIS section 66(2A) and Regulation 13.18AA.

Risk Management

In relation to the risks involved with investing the assets of the Fund, when making an investment decision the Trustee shall give consideration to a range of possible risks, including:

Mismatch risk	The chosen investment may not be suitable for the member's needs, goals and circumstances.
Inflation risk	The real purchasing power of invested funds may not keep pace with inflation.
Reinvestment risk	If the member(s) rely on fixed rate investments, maturing funds may have to be reinvested at a lower rate of interest.
Market risk	Movements in the market mean the value of investments can go down as well as up – and sometimes suddenly.
Timing risk	Trying to time entry to and exit from markets can involve exposure to potentially greater short-term volatility
Diversification risk	If all funds are invested into one market a fall in that market will adversely affect all of the capital. There is also a risk of over diversifying investments.
Liquidity risk	Access to funds may not occur as quickly as required without suffering a fall in value.
Credit risk	The institution that funds are invested with may not be able to make the required interest payments or repay capital.
Legislative risk	Investment strategies or products could be affected by changes in current regulations.
Value risk	Too much may be paid for the investment or it is sold too cheaply.
Manager risk	The personnel or ownership of the fund manager may change so that the manager no longer has access to the skills or attitudes that contributed to earlier performance levels.
Currency risk	Investments in assets located in other countries may rise or fall in value due to the relative value of the Australian currency.

Insurance Cover

The Trustee will consider the need for insurance for all members and review this on an ongoing basis. This will be considered together with other insurances held by the fund members outside of this fund.

The need for insurance will be considered together with the liquidity requirements for the fund.

The Fund will allow each member to insure his or her life. The Trustee of the Fund will take out the cover requested by a member given the cover meets one of the aims of the Purpose of Establishment of the Fund.

The Trustee will not determine the level of cover required. This will remain the responsibility of the member. The Trustee will endeavour to take all reasonable steps to ensure the requested insurance cover is affected within a period of 30 days. This period of time is however contingent on the insurer

accepting the application and the insurer's requirements of the member to demonstrate their insurability. The Trustee will not be held liable for any insurance cover that is not affected or delays caused in affecting the insurance cover due to the insurer's requirements.

Any benefit that becomes payable to the Trustee of the Fund by the insurance company due to the death or disablement of the member, will be determined by the Trustee in accordance with the SIS regulations as to its terms of payment. At all times the payment of any insurance benefit to a member or their dependants will remain at the discretion of the Trustee.

Monitoring the Investment Strategy

At a minimum, the Trustee of the Fund will review the performance of the underlying assets of the Fund against the investment and performance objectives and performance measurements annually.

A review of the Fund's performance and/or investment strategy may be completed at such other times as a significant event occurs which affects the Fund.

Where required the Trustee following the review may make decisions to purchase new assets, hold existing assets or sell existing assets in accordance with the overall Investment Strategy of the Fund.

At each review the Trustee may also consider the ongoing appropriateness of the Investment Strategy of the Fund and make decisions to amend the strategy in consideration of the Fund's Profile.

Reporting to Members

Upon joining the Fund as a member, a copy of this 'Investment Strategy' will be provided to the member.

Where a material change occurs to the 'Investment Strategy' of the Fund a copy of the amended 'Investment Strategy' will be mailed to each member.

FUND PROFILE

Purpose of Establishment

The Fund was established to provide old-age pensions for members on or after retirement, or at reaching their preservation age (as defined under the Superannuation Industry (Supervision) Act 1993 (SIS)) as well as the provision of benefits in the event of the death and/or disablement of members and their dependants.

Fund Demographics

Members can vary in age, the youngest member to be accepted should not be less than that provided in the Deed and there is no upper age limit. The Trustee shall consider the age of the Fund members and their likely retirement ages when making its investment decisions.

Type of Fund

The Fund has been established as an accumulation fund. As such benefits are calculated based on the amount contributed to the Fund, earnings of the Fund and amounts attributed to the member.

The Fund will accept all types of contributions allowable under the governing legislation.

Fund Benefits

The Fund is anticipated to be in the accumulation phase until one of its members reaches their preservation age. From this time the Fund may be partially in an accumulation phase and partially in a pension phase, until the last member reaches their pension phase.

The current intention is to pay the member's benefits upon retirement in either a lump sum and/or pension. The Trustee shall make investment decisions of the Fund having regard to the time horizon to the retirement of members and the future cash flow requirements of the Fund.

DECLARATION

The documented Investment Strategy and its included principles, conditions and regulations are accepted by the Trustee:



John Hyde
Jono Super Pty Ltd
Jono Superannuation Fund

Date: 26/11/21