

# Investment Strategy

*for*

## Fonterra Superannuation Fund

updated on 24 August 2021

This strategy is an update of that previously adopted in August 2020

### 1. Investment Objective

The investment objective of the Fund is to generate capital growth in line with inflation over the long term, using secure investments, whilst generating an income to support the pension requirements of the two members.

### 2. Member's Profile and needs

- Lou (male) is 73, Frances(female) is 67. Both are retired and in relatively good health.
- Both members are in pension mode and expecting to draw minimum pensions.
- Both members have sufficient wealth that they prefer secure lower-risk investments, rather than aiming for higher performance with greater risk.
- The members have the skill and time to select and actively manage investments.
- Superannuation assets presently constitute a large part of their overall assets, the rest being in their personal savings/investments and homes.
- They do **not** have any financial commitments for their two adult children.
- Although they plan to draw minimum pensions, they would like to maintain sufficient liquidity to allow for unforeseen expenses such as medical expenses.

### 3. Desired Investments

- The majority of the fund will remain as direct investment in property. This both insulates the capital of the Fund from extreme fluctuations experienced in the share market, and produces a more regular and reliable income than shares. The balance will be in shares, cash or fixed interest investments. Managed Funds and ETF's will be used for specific objectives such as to provide exposure to international companies or the technology revolution.
- This approach is expected to provide reasonable long-term growth as well as reliable income.
- Since the vast majority of assets are low to very low risk, it is not considered necessary to have many investments to spread risk.
- The level of exposure to these investments at any particular time will be actively managed, based on the anticipated returns and perceived market risks. There is no minimum or maximum set targets for the proportion in any asset class. It is possible, therefore, that exposure to any asset class at any point in time may be relatively very high or very low, even zero.
- A bank investment/trading account and term deposits will be used for maintaining limited liquidity.

### 4. Liquidity & Diversification

- The members are expected to draw minimum pensions from the fund through the medium-term future, so liquidity will be maintained at a level to comfortably allow for these withdrawals, and also allowing for possible disturbances to income from the investments. If larger than expected withdrawals are made that are not covered by cash balances, these will be covered by sales of shares or units.
- **Insurance for members.** The trustees have considered the death and disability insurance needs for both members. Neither have financial dependants, and both have adequate and independent financial reserves within the fund and also outside the fund to provide for a continuation of existing lifestyles should either member die or become disabled. It is therefore decided that insurance is not required.

### 5. Superannuation Deed

The investments that are being made are allowed within the terms of the fund trust deed.

Signed by the Trustees

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Luigi Gonano)

(Frances Harper)

Date

## **Fonterra Super Fund – Valuation of Real Estate Assets at Year End June 2021**

The Fund includes three real estate investment properties viz,

14/24 Hoopers Road Kunda Park Qld 4558 (purchased May 2013)  
32 Cessna Drive, Caboolture Qld (purchased July 2013)  
1/121 Landsborough Parade, Golden Beach 4551 (purchased Dec 2013)

These properties were purchased purely as investments, to produce a long-term stable income to the Fund. The following determinations have been made:

### **1/121 Landsborough Parade, Golden Beach.**

- A professional valuation (comparative market valuation) by DeeJay Property Group in April 2017 yielded an appraised price range: \$332,000 - \$384,000, which has a midpoint of \$358,000.
- The attached analysis from Realestate.com suggests a value around \$414,000
- The most similar style unit currently for rent, 1/32 Baldwin St is advertised at \$400, but has 3 bedrooms. Discounting to 2 bedrooms gives an expected rent of \$354 pw. This compares favourably to our current rent of \$350.
- The governments land valuation has held steady at \$172,500.
- The inflation for units in the suburb is 18% for the year, but given the sale and rent information above, it is concluded that this is heavily influenced by modern units with sea views, and the increase for this unit will be considerably less.
- Based on the above, the value is increased from \$393,000 to \$414,000

The following two properties are commercial properties. The marketability and value of this type of property is directly related to the income that can be derived. It is therefore reasonable and probably most accurate to adopt an income-based approach to valuing these properties.

**14/24 Hoopers Rd, Kunda Park.** This government's land valuation is steady at \$85,790. The tenant continues same rental. From discussions with the specialist commercial agent, the expected yield in the current market appears to have reduced to around 7 %, so the valuation is \$493,000

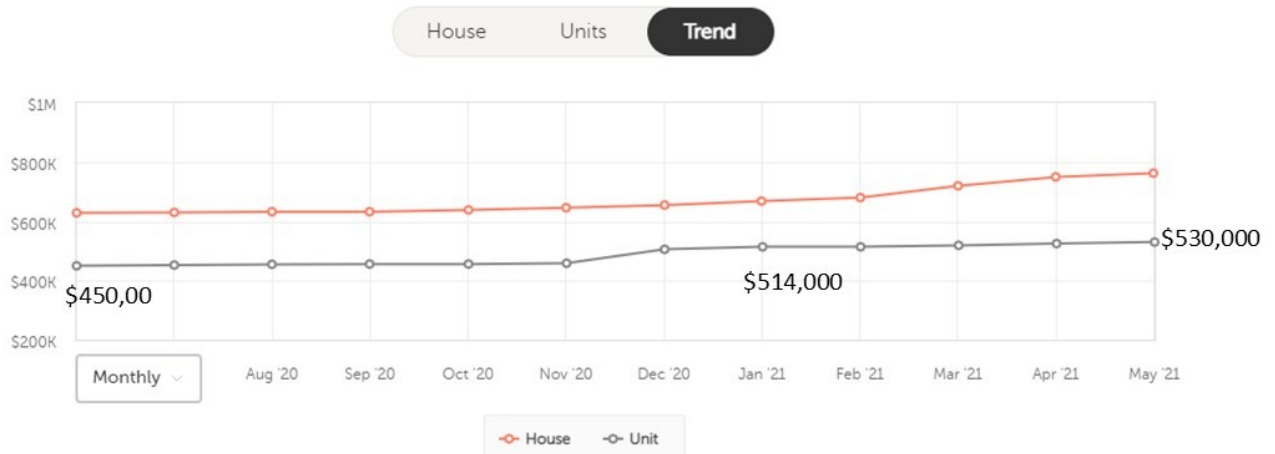
**32 Cessna Drive, Caboolture.** The rent has continued unchanged with the current tenant. The government's land valuation has held steady at \$495,000. However it is noted that yields for this type of property have dropped in this market, so it is considered prudent to value on a rate of return of 7.5% and increase the valuation to \$1,600,000.

Luigi Gonano and Frances Harper, Trustees

24 August 2021

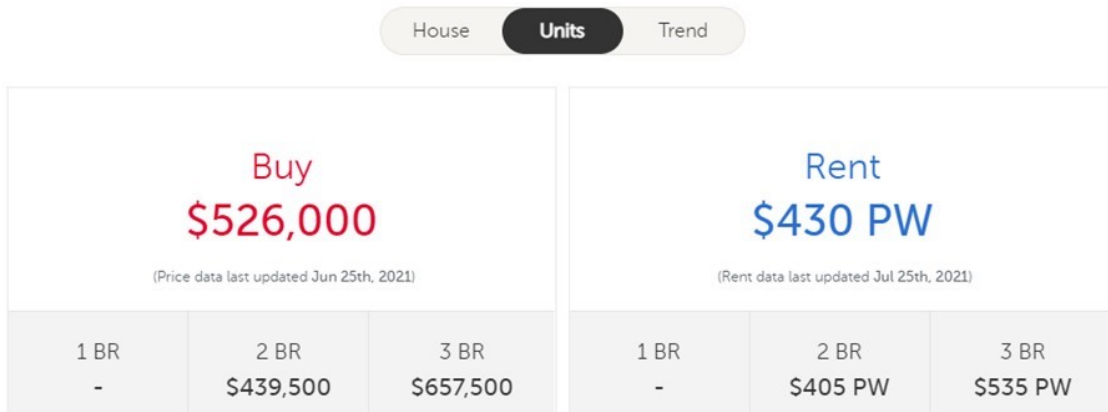
## Median property price

For more information on what exactly a median price means, have a read of this article on our [Blog](#)



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Most similar recent sale:

Distance to beach

Minimal garden

Single storey

One bathroom

One garage

Apply growth to y.e.:

\$360,000 + 15%

= \$414,000



2/107 Landsborough Parade, Golden Beach, Qld 4551

2 1 1 Unit

\$360,000

Sold on 28 Jan 2021

