Investment Strategy for: Frank & Joan Moore Super Fund
Dated: 8 August 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:

- Benefits to a member ceasing gainful employment on a temporary or permanent basis due to physical or mental ill-health.
- 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 Objective

The fund's investment objectives have been designed 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 generate sufficient returns to meet expenses and the benefit payments of the fund.

Investment Strategy

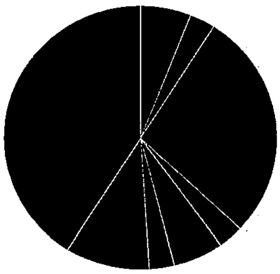
The risk profile of the fund has been determined for the fund as a whole, with consideration for the risk profiles of members.

- ☐ The members are in retirement and have the overriding objective to generate adequate returns.
- ☐ 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 High Growth risk profile is designed for investors with a minimum seven-nine year timeframe or those who are willing to accept high levels of investment value volatility in return for high potential investment performance. The 85 percent exposure to growth assets (shares, listed property and infrastructure) means that capital stability is only a minor consideration.



Asset	Weight (%)
Australian Fixed Interest	6%
Australian Property/Infrastructure	3%
Australian Shares	28%
Cash	3%
Diversified Alternatives	6%
International Fixed Interest	3%
International Property/Infrastructure	10%
International Shares	41%
TOTALS	100%
Total Defensive	***15%***
Total Growth	***85%***

The fund is a high growth investor prepared to take higher risks to obtain potentially greater returns. Security of capital and income is secondary to the potential for portfolio growth. As the value of the portfolio can fluctuate significantly in the short to medium-term, this strategy should be maintained for a minimum of seven years.

Class	Benchmark	Range
Australian Shares	28.0%	0% - 100%
International Shares	41.0%	0% - 100%
Property	13.0%	0% - 100%
Australian Fixed Interest	6.0%	0% - 100%
International Fixed Interest	3.0%	0% - 100%
Australian Cash	3.0%	0% - 100%

Volatility

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.

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.

The current annual liquidity requirements of the fund are estimated to be:

Type of Expense	
Administration, Accounting, Advice, Audit	$10,000
Pension Payments	$60,000
Total	**$70,000**

The following schedule details the expected retirement dates of the members of the fund:

Member's Name	**Expected Retirement Date**	**Current Balance**	**Benefit Type (lump sum or income stream)**
Frank Moore	Retired	$440,000	Income Stream
Joan Moore	Retired	$440,000	Income Stream

Risk

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:

<u>Inflation Risk</u>

This is the possibility that the purchasing power of money may not keep pace with inflation (eg. by not investing at all or not investing sufficiently in growth products). This risk is represented by a poor **real return** on funds invested.

<u>Risk of Inadequate Diversification</u>

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.

<u>Market Risk</u>

Market risk is the risk that movements in a market can cause an investment's value to decrease (or increase) in value.

<u>Re-Investment Risk</u>

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.

Diversification

In deciding the asset allocation and specific investments to be held by the fund, the trustees have decided that a spread of assets would best suit the needs of the members.

Diversification simply means 'not putting all your eggs in one basket'. This enhances the security of an investment portfolio along with providing consistent long-term performance.

Diversification has been addressed on two fronts:

Asset Class

The underlying asset classes are cash, fixed interest, shares, property, and hybrid or special situation investments.

Within these asset classes there are many sectors, which allow further diversification to take place. Such sectors include Government, semi-Government and corporate securities, international investments, industrial, small companies, resource shares and property investments.

Investment Specific

Within each asset class and sub-classes there are specific investments that can be acquired by the fund. These may include shares in specific companies, managed investment schemes offered by a variety of fund managers.

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 Fund 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 Fund 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 of Investment Strategy and Reviews

The trustee has determined that the investment strategy and the underlying investments held by the fund are to be reviewed from time to time on an informal basis, and 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 29 Gahans Lane, Woonona NSW 2517.

Chairperson – Frank Moore	
Signature	F Moore
Date	8 August 2019

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