

# **Investment Policy and Strategy**

Bruce Davey Retirement Fund

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# Investment Policy and Strategy

## Bruce Davey Retirement Fund

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### 1 Investment Objectives

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The investment strategy of the Fund is created in compliance with Regulation 4.09 of the SIS Regulations to fulfill the principal objective of maximising Member returns, with specific regard to the following:

- a. The prudent management of risk in holding and realising investments, with consideration to the likely return, the Fund's objectives, and the expected cash flow requirements.
- b. Ensuring the composition of the Fund's investment portfolio is appropriately diversified through the application of exposure limits for individual asset classes. The appropriateness of an asset allocation will be determined by the trustee after taking into consideration a number of their relevant circumstances including their level of knowledge and comfort with an asset class, the other types of investments that the members may hold outside of the superannuation fund, concentration risk, and analysis of the investment environment.
- c. Ensuring there are sufficient assets providing an appropriate level of liquidity to meet benefit and liability payments as they fall due and in accordance with the Trust Deed.
- d. Maintaining sufficient cash flow to discharge administration expenses and other outgoings.
- e. Consideration given to the provision of insurance cover for one or more members of the Fund.
- f. Preserving the capital of the fund where possible through the investment cycle, particularly in regard to assets with moderate to high volatility.
- g. Provision of Member benefits for retirement.

### 2 Trustee Considerations

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The investment strategy in fulfilling the objectives has been formed to reflect current market conditions and the requirements of the member/s, which were assessed on a number of factors including:

- i. the risk tolerance of members
- ii. investment class preferences and diversification
- iii. income and cash flow requirements
- iv. wealth management requirements of members
- v. contributions made by members
- vi. the time the members have until they retire.
- vii. market risk, legislative risk, liquidity risk, inflation risk.

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### 3 Member Preferences and Risk

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With the obligation to be prudent and exercise a degree of care, skill and diligence under the SIS Act, Trustees need to carefully consider the Fund's level of acceptable risk. The differing expectations and risk tolerance profiles of the Fund's Members can be assessed by the Trustee in determining the level of "aggression" they choose to adopt in the Fund's risk strategy. There is always a degree of uncertainty and risk inherent in each investment, exacerbated by unpredictable economic and financial factors to create variable returns. The resulting fluctuations in the return on investment (ROI) will affect the level of benefit on withdrawal, hence it is acknowledged that the associated risk and returns are ultimately borne by the Fund members. However these risks may be managed or reduced by spreading the investments across a range of assets to minimise the variability of investment return. This strategy is referred to as diversification.

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### 4 Diversification

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Diversification can be achieved by including assets with differing patterns of return in the Fund's portfolio, often through a mix of Australian and international investments and across different asset classes as opposed to a single asset type. Diversifying between asset classes will reduce concentration and underperformance risk. The size of the fund in terms of the dollar value held will also affect diversification decisions. Small funds have limited capacity to diversify, whilst high-wealth funds may choose to afford a specialist investor in each diversified sector.

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### 5 Asset Allocation

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In assembling a portfolio of assets there are three broad types of investments to consider in line with the objectives and cash flow requirements of the Fund:

- 1        **Defensive Assets:** eg cash and term deposits that are highly secure with a low risk of capital loss.
- 2        **Moderately Defensive Assets:** eg Government bonds, investment grade corporate bonds & subordinated debt and mortgage trusts, have fixed income characteristics with added costs and varying degrees of risk.
- 3        **Risk Assets (Growth):** eg Australian and International equities, property trusts, direct property, commodities, currencies, collectibles, and derivatives, which offer the highest potential for return yet involve the tradeoff of high volatility and the risk to capital loss.

It is important to consider that whilst growth assets are expected to yield a higher total return over the longer term than defensive assets, the associated volatility is higher, increasing the likelihood of a poor or negative return in the short term.

Acquiring real estate through the Fund often involves borrowing through a limited recourse borrowing arrangement to fund the acquisition. It is important when considering a direct property investment to first assess the property and rental valuations to satisfy the price reflects true market value and constitutes a prudent investment on an arm's length basis. A number of factors need to be considered as the value of property often limits the liquidity of assets available and capacity to diversify.

It was resolved that investments may be made directly or indirectly via unit trusts, instalment warrants, holding trusts or other vehicles as permitted under relevant statutes and regulations that may be deemed suitable by the Trustee.

Given the Trustee's desire to maintain flexibility of the fund, the Trustee has reserved the right to alter the investment mix of the fund at any time, in the manner that is the best at that time for the purpose of achieving the fund's objectives. The Trustee reserves the right to invest in any asset class not covered in the tables above.

## 6 Liquidity and cash flow requirements

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A sufficient cash balance in the Fund's bank account needs to be maintained in order to meet its outgoings when they fall due. In addition, the trustee will ensure that sufficient liquid assets are held, whereby they can easily be sold in the event of an obligation falling due or to meet unexpected cash flow requirements.

## 7 Ability of Fund to Meet its Obligations

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All existing and prospective liabilities of the Fund will be met through maintaining sufficient cash flow to discharge administration expenses and other outgoings. The members are entitled to the accumulation of contributions and earnings in the members' account on withdrawal.

Depending on the phase each Member is in, prospective liabilities of the Fund may include:

- a. expenses that are paid on a semi regular basis;
- b. pension liabilities paid on a regular or irregular basis
- c. tax liabilities paid on an annual or instalment basis;
- d. death benefits from the unexpected death of a member where the death benefit nomination requires benefit payments to beneficiaries.

The Fund will be able to meet its obligations to the members at these times due to the composition and liquidity of its investments.

## 8 Indicative Asset Allocation

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It has been determined that the following spread of investments is appropriate for the Fund. The strategic ranges and associated target allocation can be reviewed regularly as circumstances change:

Asset Class	Target Allocation %	Strategic Ranges	
		From %	To %
Cash	45	1	100
Fixed Interest		0	50
Australian Securities		0	70
International Securities	5	0	80
Property		0	20
Other	50	0	80

The target allocation is the long term asset mix that the trustee will aim for. However, the Trustee may vary the investments of the fund within the Strategic Ranges without having to alter the investment strategy.

It is also recognised that market fluctuations may sometimes cause the asset allocation to exceed or fall below the stated percentages temporarily. Where an asset allocation represents 90% of more of the fund's assets the trustee acknowledges that they have considered the extent of the diversification and the level of risk for the fund and its members and have deemed that it is appropriate at this time.

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## 9 Insurance for Members

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The trustee has considered whether the Fund will hold a contract of insurance that provides insurance cover for its members.

Based on a needs analysis by the trustee, and taking into account insurance that is held outside of super and the ages of the member/s, the following was concluded:

Member	Insurance Type
Bruce Davey	Not considered necessary at this time to hold a policy within the Fund

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## 10 Review

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The Trustee may review this strategy as required. Regular reviews will be conducted annually to ensure compliance with relevant changes.

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## 11 Acknowledgement

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The trustee acknowledges that this is a generic investment strategy template that has been provided to assist the trustee in documenting the strategy and is based on the current investment holdings in the fund. The provision of the template by the administrator is not the endorsement of a particular investment strategy or advice in relation to the investments. It is up to the trustee to ensure that it meets the relevant requirements.

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## 12 Resolution of the Trustee

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The Trustee does hereby resolve as follows:

### **Adoption of the Investment Policy Statement, Objective and Strategy**

The trustee of the entity has formulated, reviewed regularly and given effect to an investment strategy that has regard to the whole of the circumstances of the entity including, but not limited to, the following::

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

- (d) the ability of the entity to discharge its existing and prospective liabilities;
- (e) whether the trustees of the fund should hold a contract of insurance that provides insurance cover for one or more members of the fund.

The Trustee resolved to adopt the investment objectives of the fund being "The Trustees of the fund have the objective of maintaining the fund in line with the governing rules of the fund and the SISA and SISR and through its investment strategy seeking to maximise the superannuation benefits of all members of the fund having regard to risk and reward" and adopt and implement the investment strategy herein.

**Signature**

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This written strategy reflects the investment strategy in place from 11 February 2021.

Signed on behalf of the trustee pursuant to the Corporations Act.

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Bruce Davey

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### **Signatories Required and Confirmed**

The following people have consented to digitally sign this document with BGL SmartSign, in which a BGL SmartSign digital signature will replace the need for a written signature.

#### **1. Bruce Davey**

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#### **Audit**

Document 2021 Investment Strategy.pdf for Bruce Davey

Retirement Fund has been uploaded by Paul Fewster.

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Retirement Fund has been signed by Bruce Davey.