

THE NORMAN O'REILLY SUPERANNUATION FUND

INVESTMENT STRATEGY

EFFECTIVE DATE FROM 1 JULY 2018

INVESTMENT OBJECTIVE

The investment objective is to provide positive investment returns from income or capital appreciation of investments over the medium to long term. The trustee acknowledges the possibility that negative returns may occur when investing in long term growth assets and considers this acceptable for a long term investment perspective.

The trustees have allowed for the fund to borrow to acquire property via a limited recourse loan arrangement (section 67(4A) of the SIS Act). The property is to be held on trust by the security trustee for the benefit of the fund (refer to bare trust deed & other documents) and the super fund trustee has a right to acquire legal ownership of the asset by making one or more payments.

MEMBER PROFILE

The members have approximately 10 years to retirement and therefore have taken a long term approach and invested the majority of assets in growth investments.

The members will be retiring within the next 10 years and intend to commence pensions within the fund to finance their retirement. For this reason the Trustees will adopt a long term approach in selecting investments as growth will continue to be required over the long term to support any pensions. Where significant profits are achieved in the shorter term they may be realised and reinvested.

INSURANCE CONSIDERATIONS

The trustee has considered whether it is appropriate to hold insurance cover for the members of the fund.

The trustee has resolved that the members currently do not require any cover for insurance within the fund.

The trustee has taken in account various factors when considering insurance cover. This includes the age of the members, policies held outside superannuation, the member's personal circumstances and their financial position.

INVESTMENT STRATEGY

In order to meet the investment objective the trustee will invest the fund's assets as follows:

Majority of assets invested in:

- Interest Bearing Bank Accounts
- Property – via limited recourse borrowing arrangement

Property via limited recourse loan:

- The trustees have allowed a substantial proportion of fund assets to be used for the purchase of properties via a limited recourse borrowing arrangement.
- The maximum loan value ratio is 80%
- The original loan amounts is \$563,500
- The loans were obtained from the members (related party lending / the WestpacBank at a commercial rate of interest
- The lender's recourse against the trustee in the event of default on the borrowing and related fees, is limited to rights relating to the property (limited recourse).

- The trustees considers there is a sufficient level of income (including rental) & contributions being received by the fund to meet the ongoing interest/principal loan repayments
- It is noted however that direct property is an illiquid asset (i.e., it is not easily sold) and has the potential to cause cash-flow problems in the fund. Although the trustees consider this unlikely, it is accepted that there may be a need to sell the property in the future to enable benefit payment obligations and/or loan repayments.
- The trustees have accepted the increased level of risk associated with a reduction in the diversification due to the property's projected annual returns.
- The trustees the trustee considers the risk and return of the investment strategy to be moderately high. This is considered appropriate given the long-term investment objective of the members.

RISKS

Although the overall risk profile is medium to high risk, the asset classes meets the growth requirements and the level of risk is acceptable given the medium to high expected rate of return over the long term.

It must be noted that the Trustees continue to believe that the risk and return profile of cash is minimal.

DIVERSIFICATION

Although the only fund asset besides cash is property, the property is in a high growth & active market area and therefore the risk of not being able to sell the property if required is low. The long term growth potential is very high and the unrealised gains along with the rental income generated should exceed the investment objective set by the trustee. Although diversification is low, the trustee believes the growth & income potential outweigh diversification concerns.

LIQUIDITY

The Trustees are of the opinion that the investment strategy is structured in such a manner that the Fund is sufficiently liquid to discharge its current and future liabilities.

The liabilities the Trustees will generally be required to meet in the short term are relatively minor in nature. These generally comprise of investment purchases, accounting & audit fees and tax payable.

The Trustees do not expect the membership of the Fund to fall in the short term. In the longer term, the Trustees appreciate the reality of needing to either sell the investments or distribute them in specie to enable the Trustees to meet their benefit payment obligations.

STRATEGY REVIEW

The Trustee will regularly review the investment strategy to determine whether it remains appropriate. This will ensure any changes to the circumstances of the fund and its members are reflected in the strategy.



Mark Norman

Trustee / Director of Trustee – Norman O'Reilly Super Pty Ltd



Meighan O'Reilly

Trustee / Director of Trustee – Norman O'Reilly Super Pty Ltd

Date: **1 July 2021**
