

Investment Strategy

Beverley Mort Private Pension Fund

Background:

The investment strategy outlined below represents an expansion and clarification of the Investment Strategy agreed at the formation of **Beverley Mort Private Pension Fund**

This Investment Strategy replaces the Investment Strategy document dated 30/06/2017

Pearson Group requested Ord Minnett Stockbrokers to provide an overview of the best performing superfunds over five years to September 2019 including industry superfunds. A summary of their advice attaches to this Investment Strategy Report.

Objectives:

The objective of the fund is to:

- Provide superannuation benefits to members and their dependants to meet their retirement needs.
- Ensure that appropriate mixes of investments are held by the fund to support these needs
- Ensure the fund has sufficient liquidity at all times to meet all commitments
- Maximise the tax effectiveness of fund investments thereby delivering the best long term after tax return for members.

The Investment objective of the trustees is to aim to achieve real medium to longer-term growth. In recognition of the 10 year investment time frame of members the fund will have a high proportion of growth assets in the portfolio in accordance with Ord Minnett advice.

Investment Choice:

The Trustees have determined the fund's investments may include but not be limited to all or one of the following:

- Direct equities, stocks and derivatives including participation in dividend reinvestment programs and right issues, including the use of geared instalment warrants:
- Property trusts and associated investments:
- Managed investments and associated products:
- Direct residential, industrial and commercial property investment including geared property investments purchased using allowable limited recourse borrowing arrangements:

- Deposits and investments with banks and other financial institution securities including Term Deposits, Debentures, Secured and Unsecured Notes and Bonds;
- Any other investment that the trustees may feel prudent to achieve the objective of the fund.

The Trustee may from time to time decide to seek professional advice from Accountants, Solicitors or Financial Planners in the formulation or implementation of this or any future investment strategy.

In formulating this strategy, the trustees have taken into consideration relevant features of the various investments in accordance with both the fund's objectives and appropriate legislation.

In drafting this investment strategy, the trustees have taken into account all of the circumstances of the fund, including:

- the risks and likely return associated with each investment;
- the range and diversity of investments held by the fund;
- any risks coming from limited diversification;
- the liquidity of the fund's investments;
- the ages and preferences of its members;
- expected cash flow requirements; and
- the ability of the fund to meet its existing and prospective liabilities such as paying benefits to its members.

Policies:

The policies adopted by the Trustees in order to achieve these objectives are:

- Regular monitoring of the performance of the fund's investments, the overall investment mix and the expected cash flow requirements of the fund.
- Re-balancing the fund's investment portfolio due to changes in market conditions through asset sales and new investments as appropriate.

The Trustees will aim to follow the investment strategy, however, they will at all times reserve the right to change the investment mix depending on the market situation and opportunities available to better meet the objectives of the fund.

A copy of the Investment Strategy of the fund will be available to members of the fund on request.

Risk profile and risk tolerance:

The Fund has a long-time horizon. Further [the members are prepared to endure a reasonable level of volatility of returns in expectation of long-term growth/the Members wish to have a conservative asset allocation thereby limiting volatility of returns]. [The members have existing equity and property investments outside superannuation and are familiar with the variability of both returns and capital values which are associated with such investments.]

Members understand

- the trade-off between investment risk and long-term capital and income growth and have indicated capital preservation & stability/asset growth is a priority
- Investment risk is borne by the members, as fluctuations in investment returns will affect the level of benefits available to members.

Geared Investments:

To achieve maximum growth the trustees understand that acquiring commercial property with a non-recourse loan facility provided by the fund's bankers will be assessed when geared properties opportunities became available.

Insurance:

The Trustees have considered whether the Fund should hold a contract of insurance for its members and concluded that:

The object of the fund is to provide life insurance protection for members prior to retirement in the event of death or disability. The accountants of the fund have provided a Group Life Facility of a maximum cover of seven times recognised compensation. These premiums will be provided on a wholesale cost basis to superannuation fund clients of the Pearson Group and will be made available on a non-medical basis.

Liquidity:

The Members of the fund have substantial assets outside of superannuation. Cash in excess of anticipated liquidity requirement will be invested in accordance with the Fund's investment strategy.

Asset Allocation:

The targeted asset allocation will recognise the need to have a diversified asset mix, however, given the long term investment horizon of the members (of up to 10 years until life expectancy) the allocation will have a strong asset bias and be focused on maximising capital growth/preserving capital/ensuring capital stability. On advise from Ord Minnett stockbrokers.

The Trustees recognise the higher risk in investing predominantly in growth assets and the volatility associated with shares and property. The volatility will be compensated by the prospect of achieving higher returns and growth in the longer term. In order to minimise this risk Trustees will consider investing in different industries and sectors where possible.

The final targeted asset allocation will be in the following ranges:

Note : whilst a table with numeric asset allocation ranges or target is not a legislative requirements it is a simple and clear way for the Trustees to describe the fund's investment objectives. In the table below the "Long term range" allows for normal market fluctuations and periods when the fund may have limited exposure to a particular asset class. The "Current target" provides an indication of the fund's planned

investment allocation over the next 6-12 month period. In the absence of some form of table with indicative asset allocation ranges we (as auditors) would look for a broad statement as to preferred asset classes and mix eg. *"The fund will have a strong bias towards a diversified mix of listed Australian shares paying fully franked dividends with \$xx cash held to meet liquidity requirements in both cash accounts and term deposits"*.

| Growth Assets | Long term range | Current target |
|---------------------------------|-----------------|----------------|
| | | |
| • Australian listed equities | 0-5% | 0% |
| • International listed equities | 0-5% | 0% |
| • Direct Property | 10-15% | 14-15% |
| | | |
| Defensive assets | | |
| • Cash and term deposits | 70-80% | 84-85% |
| | | 100% |

All Trustees/Directors of the Trustee Company to sign

Signed & dated



Trustee

Trustee

Best performing super funds over 5 years (to September 2019)

OCTOBER 26, 2019

Being in a good performing super fund is one of the key factors for growing your super balance. The recent Productivity Commission (PC) review of superannuation identified that members of consistently poor performing funds would have substantially lower super balances at retirement.

The PC produced an example of a 21-year-old on a \$50,000 starting salary. If they joined a super fund that is consistently in the top quarter of funds rated by performance, they could expect to retire at 67 with a super balance of \$1.2 million. If instead they joined one of the super funds that is consistently in the bottom quarter of funds, they would retire with \$560,000 – 54% less.

We're grateful to SuperRatings for providing the following list of top 30 performing balanced funds over the last 5 calendar years up to September 2019. SuperRatings' balanced category includes super fund investment options with 60% to 76% of their assets invested in growth assets.

The gold medal goes to AustralianSuper which achieved an average of 9.6% per year over the last 5 years, closely followed by Hostplus with 9.5% and UniSuper with 9.4%.

Industry funds dominate the top performers list. Among the top 20, 17 are industry funds, compared to just one retail fund. Learn more about the [different types of super funds](#).

| Fund and option | Type | Fees (based on \$50,000 balance) | Return over 5 years (% per year) |
|--------------------------------|-------------|---|---|
| AustralianSuper – Balanced | Industry | \$417 | 9.6% |
| Hostplus – Balanced | Industry | \$533 | 9.5% |
| UniSuper Accum (1) – Balanced | Industry | \$366 | 9.4% |
| Cbus – Growth (Cbus MySuper) | Industry | \$538 | 9.1% |
| MTAA Super – My AutoSuper | Industry | \$443 | 9.1% |
| Sunsuper for Life – Balanced | Industry | \$533 | 9.0% |
| Mercy Super – MySuper Balanced | Corporate | \$660 | 9.0% |

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|---|---------------|-------|------|
| QSuper – Balanced | Public sector | \$415 | 8.9% |
| CareSuper – Balanced | Industry | \$583 | 8.7% |
| Media Super – Balanced | Industry | \$510 | 8.6% |
| Catholic Super – Balanced (MySuper) | Industry | \$629 | 8.5% |
| HESTA – Core Pool | Industry | \$530 | 8.4% |
| Equip MyFuture – Balanced Growth | Industry | \$432 | 8.4% |
| Club Plus Super – MySuper | Industry | \$599 | 8.4% |
| VicSuper FutureSaver – Growth (MySuper) Option | Industry | \$588 | 8.4% |
| Intrust Core Super – MySuper | Industry | \$558 | 8.4% |
| First State Super – Growth | Industry | \$527 | 8.4% |

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|--|---------------|-------|------|
| Vision SS – Balanced Growth | Industry | \$498 | 8.3% |
| Local Government Super Accum – Balanced Growth | Industry | \$636 | 8.1% |
| Aust Ethical Pers – Balanced | Retail | \$657 | 8.1% |
| NGS Super – Diversified (MySuper) | Industry | \$615 | 8.1% |
| MLC MKey – Horizon 4 – Balanced Portfolio | Retail | \$913 | 7.9% |
| AMIST Super – Balanced | Industry | \$423 | 7.9% |
| Energy Super – Balanced | Industry | \$512 | 7.8% |
| LGIAsuper Accum – Diversified Growth* | Industry | \$598 | 7.8% |
| CSC PSSap – MySuper Balanced | Public sector | \$599 | 7.8% |

| | | | |
|--|-----------|-------|------|
| Mercer Super Trust – Mercer Growth | Retail | \$829 | 7.8% |
| IOOF Employer Super Core – IOOF MultiMix Balanced Growth Trust | Retail | \$852 | 7.7% |
| TelstraSuper Corp Plus – Balanced | Corporate | \$553 | 7.7% |
| smartMonday PRIME – Balanced Growth – Active | Retail | \$847 | 7.6% |

Note: Returns are net of investment fees, tax and implicit asset-based administration fees. Fees are based on a \$50,000 balance as at 30 September 2019. Fees include percentage-based administration fees, member fees, investment management fees (including performance-based fees), indirect cost ratios (ICRs) and taxes, but exclude any applicable employer size rebates.

It's important to note that the performance for the SR50 balanced index (the average across the 50 funds in the balanced investment option reviewed by SuperRatings) was 7.8% per year, so not all the funds listed above performed better than the average.

Although the difference between the top performer and the average may not seem that significant (1.8% per year), the difference builds up significantly over time due to compounding. The Productivity Commission example quoted earlier is a good example of this, and we have developed the *SuperGuide's* Super fees and returns calculator to help readers understand the difference the fees they pay and projected returns may make over time.

For example, a 20-year-old with \$5,000 in super and earning \$50,000 per year, paying 0.8% in fees and achieving 9.6% per year, could retire at 65 with a super balance of approximately \$1,016,749. All other things being equal, achieving 7.8% instead would mean a super balance of approximately \$604,095 – a difference of \$412,653, or 40% less.

Fees are an important part of the equation, and there was a significant variation in the fees charged (based on a \$50,000 balance) across the 30 funds. The most expensive fund (the only retail fund) charged \$913 per year, while the average was \$580 per year and the lowest was \$366 per year. Discover the super and pension funds with the lowest fees, (<https://www.superguide.com.au/how-super-works/feeding-frenzy-super-fund-fees>) and find out what are the average super fund fees.

Important: Past performance is not indicative of future results. Superannuation is a long-term investment. It's useful to know the top performers over five years, but you can get a better idea of which funds are consistently the strongest by looking at longer periods.

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