

The Craig Sole Superannuation Fund Investment Strategy

As per Regulation 4.09 of the Superannuation Industry Supervision (SIS) Regulations, this investment strategy has been formulated by the trustees with specific regard to:

- the risk and likely return from its investments having regard to the objectives of the fund and its cash flow requirements;
- the composition of the fund's investments as a whole, including the extent to which they are diverse or involve exposure of the fund to risks from inadequate diversification;
- the liquidity of the fund's investments, having regard to its expected cash flow requirements;
- the ability of the fund to discharge its existing and prospective liabilities;
- whether the trustees of the fund should hold a contract of insurance that provides insurance cover for one or more members of the fund.

Investment Objectives:

The investment objectives of the Craig Sole Superannuation Fund are as follows:

- To target a total annual real return of 3% per annum above the Australian inflation rate. For example, if the Australian inflation rate for the financial year is 3%, the return objective for the year would be 6%.
- To preserve the capital of the fund as much as possible through the investment cycle, whilst paying out income streams to members in the pension phase of the fund.

Cash Flow Requirements:

As the members of the fund are all in the Pension phase, the cash flow requirements of the fund will include pension payments and the expenses of the fund. This is estimated in total to be approximately 8% of the value of the fund at the start of the financial year.

Composition of Investments:

Asset Allocation:

The trustees will invest in a diversified portfolio of assets from across three broad types of investments, according to the trustee's assessment of risk and likely returns from each asset at any point in time, and taking into account the objectives and cash flow requirements of the fund:

- **Defensive assets:** these are highly secure with a very low risk of capital loss such as Cash and Term Deposits.
- **Moderately Defensive assets:** these are defensive assets with fixed income characteristics, however with added price and/or default risks of varying degrees. This includes Government bonds, investment grade corporate bonds & subordinated debt, mortgage trusts, property trusts, etc.

- **Risk assets:** these offer the highest potential returns but also the highest volatility and risk of permanent capital loss. This includes Australian and international equities, direct property, commodities, currencies, collectibles, and derivatives.

Diversification between asset classes and within each asset class will reduce concentration and underperformance risk.

The trustees will use an active strategic approach to allocating to the different types of assets to take advantage of positive market conditions where they exist, but also to attempt to actively manage risk in negative market conditions (particularly in Risk assets).

However this is managed within the framework of the following asset allocation limits, and long-term benchmarks:

	Investment Range	Benchmark
Australian Shares	30% - 70%	50%
International Shares	0% - 20%	0%
Cash	0% - 30%	10%
Australian Fixed Interest	20% - 60%	40%
International Fixed Interest	0% - 20%	0%
Mortgages	0% - 20%	0%
Direct Property	0% - 20%	0%
Listed Property	0% - 20%	0%
Other	0% - 20%	0%
Total		100%

Further to this, the trustees have decided that the fund would not be investing in Collectables, Commodities, Derivatives and Currencies.

Investment Selection:

The trustees will draw on a range of research sources to generate individual investment ideas.

The trustees will invest in a portfolio of medium to long-term core positions that it considers to be of high asset quality, and are priced at or below what it considers 'fair value'. Given all the members are in the pension phase, the income yield potential of each investment will be a key consideration.

This is combined with some shorter-term trading opportunities (predominantly in Risk assets) based on shorter-term indicators of price appreciation potential.

Liquidity to meet cash flow requirements

As the members are all in the Pension phase, the cash flow requirements of the fund (as stated above) are approximately 8% per annum of the fund assets.

The trustees will maintain a sufficient cash balance in the fund's bank account to meet its outgoing cash flow requirements when they fall due.

Further to this, the trustees will also ensure that the liquidity of the vast majority of underlying individual investments is sufficient such that any unexpected cash flow requirements can easily be met by selling assets.

Ability of the fund to discharge its existing and prospective liabilities

As the members of the fund are in the Pension phase, the existing and prospective liabilities of the fund will include:

- pension liabilities paid on a regular basis; and
- expenses that are paid on a semi regular basis; and
- death benefits from the unexpected death of a member where a death benefit nomination requires benefit payments to beneficiaries.

The composition and liquidity of all investments will ensure that all existing and prospective liabilities of the fund can easily be met.

Insurance for members

The trustees have offered Life and other Insurance cover to the members of the fund and the members have currently declined this offer.

The offer of Insurance Cover will continue and if a member of the fund decides to take the trustee up on the offer of Insurance the trustees will seek professional advice in order to source Life Insurance and other desired Insurance products for the member at competitive rates. The trustees will contact their financial adviser at Sherwin Financial Planners to obtain assistance with finding the most appropriate insurance cover for any members who want to be covered.

Signed :



Dr Craig Andrew Sole
Director
Craig Sole Superannuation Pty Ltd as trustee for
The Craig Sole Superannuation Fund

Date : 22/11/2012