

# **The Dittmann Family Trust Staff Superannuation Fund Investment Strategy**

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# OSWALD DITTMANN AS TRUSTEE FOR THE DITTMANN FAMILY TRUST STAFF SUPERANNUATION FUND

Report by Trustees on their current investment objectives and strategy as at 30 June 1996.

## 1. Fund Details

The fund was established on 26 June 1996 for the purpose of providing retirement benefits for its members. The trustees are/trustee is Oswald Dittmann.

Since the formation of the fund there have been contributions received from the employer/member on behalf of and for the benefit of (its employees / the member). Income has been earned each year on those contributions.

## 2. Profile of Members and Future Fund Liability

Currently there are 2 members in the fund. The members' details and entitlements are included in the attached schedules and include the respective accumulations to 30 June 1996. Summarised below is the latest information on all current members as at that date:

	<b>Member</b>	<b>Member</b>
Date of Birth	17/12/1941	07/11/1947
Age at 1 July 1996	54	48
Years to Retirement (age 65)	11	17
Anticipated Retirement Date	2007	2013
Members Account Balance at 30/06/96	\$12750	\$12750
Life Insurance Cover	Nil	Nil

### Option 1

*There is no insurance cover to make up any shortfall between the member's current account balance and the anticipated accumulation at normal retirement date in the event of premature payout as a result of death. The trustees have decided not to take out such cover with agreement of each respective fund member.*

### Option 2

*Insurance cover for certain/all of the fund members has been taken out as detailed above to make up all or part of any shortfall between the member's current account balance and the anticipated accumulation at normal retirement date, in the event of premature payout as a result of death. The level of cover taken out (or not taken out) for each member has been ascertained by agreement with each respective fund member.*

### 3. Details of Investment Portfolio

At 30 June 1996 the investments of the fund were allocated to the following asset classes:

	<i>Market Value</i>	<i>Percentage of Total Fund</i>
Cash/Term Deposits	\$30000	100%
Managed Funds/Trusts		
Direct Property		
Property Trusts (unlisted)		
Property Trusts (listed)		
Equities (Australian)		
Equities (International)		
Other		
Total	\$30000	100%

### 4. Investment Policy Statement & Objectives

#### 1. Overview

The Dittmann Family Trust Staff Superannuation Fund (the fund) is an allocated accumulation fund established to provide benefits for members on or after the member's retirement as *well as death/disablement protection for members and the dependants of members*. Membership of the fund is voluntary, and upon joining, members are required to provide certain minimum information to the trustees.

#### 2. Investment Objectives

The trustees will at all times act prudently to pursue the maximum rate of return possible, subject to acceptable risk parameters, and the maintenance of an appropriate diversification across a broad range of assets.

The trustee will ensure that all investments are authorised under the trust deed.

In formulating the investment policy objectives and strategy of the fund the *trustees have/ trustee has* had regard to the following factors:

- The *trustee/s* considered the fund's membership profile and the benefit design of the fund. This enabled the *trustee/s* to ascertain the fund's cash flow requirements in general terms and its risk profile.
- The fund, being an accumulation fund, the retirement benefits received by members are linked to the contribution made by the *member / employer* and are directly influenced by the investment returns earned by the fund. As a consequence, the risks and rewards associated with investments are borne by the fund members.
- Members generally have different investment return expectations and therefore the *trustee/s* were careful to take this into account in deciding on the investment structure of the fund.

- The *trustee/s* are aware that investment returns are generally influenced by fundamental economic and financial factors which are unpredictable. Therefore, investments in any form will entail a certain degree of risk reflecting the uncertainty of future returns.
- Other investments of the members on the basis that superannuation represents only one portion of the members overall investment objectives, and that the superannuation fund should be invested so as to accommodate the member's investment objectives, within the limitations of superannuation fund investment rules;
- The insurance position of the member and the superannuation fund, and whether adequate insurances are held to cover short term contingencies, to enable a longer term perspective to be taken;
- Individual member expectations;
- The existing assets which are held within the fund, which may limit the ability to establish expansive objectives in the short or medium term;
- The balance of the fund, and therefore the ability of the fund to diversify; and
- The likelihood of future benefit payouts and the time frame within which they may be payable.

**The trustees have therefore adopted the following objectives for the investment of assets of the fund:**

- to achieve an investment return (after income tax) that exceeds movements in the Consumer Price Index (All States Average) by at least 2% per annum when measured over a rolling 5 year period.
- to achieve negative returns no more than once in any rolling 5 year period.

## **5. Investment Strategy**

In order to achieve the investment objectives of the fund, the trustee wishes to implement a strategy encompassing the following matters:

### **1. Diversification**

The trustee wishes to consider appropriate diversification between various asset classes over the longer term (ie *next ten years for funds with members under 50 / five years for funds with members over 50*). This diversification will be managed around the following ranges:

<b><i>Asset Class</i></b>	<b><i>Range</i></b>	<b><i>Actual as at 30/06/96</i></b>
Cash/Term Deposits	0 - 100%	100%
Managed Funds/Trusts	0 - 50%	%
Direct Property	0 - 50%	%
Property Trusts (unlisted)	0 - 50%	%
Property Trusts (listed)	20 - 50%	%
Equities (Australian)	0 - 30%	%
Equities (International)	0 - 10%	%
Other	0 - 10%	%
<b>Total</b>		<b>100%</b>

## **2. Crediting Rate**

The trustee does not propose to administer a reserve for the fund and the trustee will transfer amounts to members' accounts in accordance with the trust deed.

## **3. Performance Monitoring**

To monitor the success of the investment policy in achieving the investment objectives, the trustee will take the following action:

- compare investment returns against investment objectives on an annual basis;
- receive and examine investment reports (where appropriate) from investment managers of managed investments on, at least, an annual basis.

## **4. Consideration of Existing Fund Investments**

### ***Option 1 - Large Direct Property Investments***

*The trustees are aware that investments in direct property comprise a significant proportion of the total fund portfolio and consequently the fund could be regarded as overweight in this asset class.*

*Notwithstanding this, the trustees consider this asset allocation to be appropriate having regard to:*

- *the current depressed state of the property market (and in particular, commercial property/residential property/holiday property), lends itself to significant opportunities for counter-cyclical investment.*
- *the relatively poor current performance of alternative asset classes.*
- *the future potential for capital growth/income generation of the specific property/ies owned by the fund.*
- *the limited prospect of short term future payouts contained in the Member Profiles section of this document.*
- *the likely level of future contributions to be received from participating employers.*
- *the proposed long term diversification considerations of the fund set out above.*

### **Option 1 (a) - For funds with members approaching retirement (eg 50 years and over)**

The trustees are also aware that the retirement of certain members desiring a cash payout would require the fund to realise certain of its property investments. Having regard to this the trustees have obtained an undertaking from all members of the fund, that where possible, they would:

- provide the trustees with twelve months notice of their intention to retire;
- be prepared to accept their benefit entitlement in the form of an in specie distribution of any one or more of the assets of the fund;
- be prepared to, where necessary, accept their benefit entitlement in the form of a pension until such time as either:
  - (a) fund assets can be realised in an orderly manner; or
  - (b) an in specie distribution of assets can be effected
- be prepared to receive their benefit in the form of an allocated pension, the income for which would be generated from rental income derived by the property.

Future fund investments will be directed to more liquid investments so that, over time, the proportion of the fund in direct property is reduced, thereby facilitating the ranges of diversification between asset classes contemplated above.

### **Option 2 - Large Investments in Unlisted Property Unit Trusts**

The trustees are aware that investments in units in unit trusts holding direct property comprise a significant proportion of the total fund portfolio and consequently the fund could be regarded as overweight in this asset class.

Notwithstanding this, the trustees consider this asset allocation to be appropriate having regard to:

- the current depressed state of the property market, (and in particular, commercial property/residential property/holiday property), lends itself to significant opportunities for counter-cyclical investment.
- the relatively poor current performance of alternative asset classes.
- the future potential for capital growth/income generation of the specific property/ies owned by the unit trust.
- the limited prospect of short term future payouts contained in the Member Profiles section of this document.
- the likely level of future contributions to be received from participating employers.
- the proposed long term diversification considerations of the fund set out above and/or diversification by the unit trust/s.

**Option 2 (a) - For funds with members approaching retirement (eg 50 years and over)**

*The trustees are also aware that the retirement of certain members desiring a cash payout would require the fund to realise certain of its investments in these property trusts. Having regard to this the trustees have obtained an undertaking from all members of the fund, that where possible, they would:*

- *provide the trustees with twelve months notice of their intention to retire;*
- *be prepared to accept their benefit entitlement in the form of an in specie distribution of any one or more of the assets of the fund, including the specific units in the property trusts;*
- *be prepared to, where necessary, accept their benefit entitlement in the form of a pension until such time as either:*
  - (a) fund assets can be realised in an orderly manner; or*
  - (b) an in specie distribution of assets can be effected*
- *be prepared to receive their benefit in the form of an allocated pension, the income for which would be generated from income derived from the unit holding in the property trust.*

*Future fund investments will be directed to more liquid investments so that, over time, the proportion of the fund in direct property is reduced, thereby facilitating the ranges of diversification between asset classes contemplated above.*

**Option 3 - Existing Diversified Portfolio (ie existing asset allocation is broadly within the ranges of diversification contemplated above)**

*Having regard to the member profiles detailed earlier in this document, the trustees consider the existing asset allocation of fund investments is appropriate and represents a broad cross-section of readily realisable managed investments and shares. Future fund investments will be directed to ensure that future asset allocation remains within the ranges contemplated above.*

*This allocation should ensure there is sufficient liquidity for future payments of benefits as and when required.*

#### **Option 4 - Largely Term Deposits / Bank Deposits**

*The trustees are aware that fixed interest investments comprise a significant proportion of the total fund portfolio and consequently the fund could be regarded as overweight in this asset class.*

*Notwithstanding this, the trustees consider this asset allocation to be appropriate having regard to:*

- *The current economic uncertainty surrounding alternative investment options. In particular, the currently depressed property market and the uncertainty for potential capital appreciation. In addition, the instability in interest rates charged on borrowings produces uncertainty for the property market generally.*
- *The susceptibility of investments in the sharemarket, both direct and through managed investments, to significant short term material fluctuations. This may have an impact on the ability of the trustees to maximise payouts to members at a particular point in time.*
- *The risk profile of the member/s having regard to discussions held by the trustees with the members of the fund.*

#### **Option 5 - Newly established funds where all/most assets are in bank or term deposit**

*The trustees are aware that, at 30 June 1996, bank deposits comprise a significant proportion of the total fund portfolio and consequently the fund could be regarded as overweight in this asset class.*

*Notwithstanding this, the trustees consider this asset allocation to be appropriate having regard to:*

- *the fund was only recently established. Consequently, monies were only being held in this asset sector temporarily until suitable alternative investments could be identified.*
- *the risk profile of the member/s having regard to discussions held by the trustees with the members of the fund.*



## **Option 6 - Investments Largely in Shares in Public Companies**

*The trustees are aware that shares in public companies comprise a significant proportion of the total fund portfolio and consequently the fund could be regarded as overweight in this asset class.*

*Notwithstanding this, the trustees consider this asset allocation to be appropriate having regard to:*

- The current economic uncertainty surrounding alternative investment options. In particular, the currently depressed property market and the uncertainty for potential capital appreciation. In addition, the instability in interest rates charged on borrowings produces uncertainty for the property market generally.*
- The attractive after tax yields currently available on equity investments when compared to alternative asset classes.*
- The potential for capital growth on equity investments when compared to alternative asset classes.*
- The limited prospect of short term future payouts contained in the Member Profiles Section of this document provides the opportunity to maximise growth through this asset class.*
- The liquidity of this asset class in the event of unexpected payouts of member benefits.*

## **Option 7 - PRS Clients**

*The trustees have engaged White Hancock Financial Services to advise the fund on investment selection and asset allocation.*

*White Hancock Financial Services monitors the performance of fund investments on a regular basis and reports to the trustees as to the performance of individual investments and the fund as a whole. White Hancock Financial Services also makes recommendations to the trustees where changes in asset allocation are considered appropriate. These recommendations are based on information supplied by White Hancock Financial Services research house Lonsdale Ltd as to the asset allocation most likely to maximise the value of the fund.*

*In this regard, most, if not all funds are placed in investments which are readily realisable in the event of the retirement of members.*

## 5. Review of Economic Environment

The trustees have also considered the investment strategy contained in this document in the context of:


- the current Australian economic environment and future prospects
- the current international economic environment and future prospects
- the current and anticipated investment performance of the various asset classes

An overview of the current position in relation to these factors has been provided by White Hancock Financial Services research house Lonsdale Ltd and is set out in the attached report.

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*This strategy has effect from 1 July 1996 and the Trustees confirm that investments made between 1 July 1996 and the date of this document have been made in accordance with that strategy.*

*Agreed by the Trustee/s of the Dittmann Family Trust Staff Superannuation Fund on the day of 28 June 1996.*

  
Trustee