



Investment strategy

Section 52B(2)(f)

Prepared for Andrew Passmore and Caron Passmore as
directors of A & C Passmore Pty Ltd as trustee for the
Passmore Superannuation Fund

on 16 September, 2020



Introduction

The purpose of this document is to record the investment objectives and strategy formulated by the Trustees of the Passmore Superannuation Fund ("the fund") in relation to the investment of the assets of the fund.

Section 52B(2)(f) of the Superannuation Industry Supervision Act 1993 (SISA) requires Trustees of superannuation funds to formulate and give effect to an investment strategy that has regard to the whole of the circumstances of the entity, including, but not limited to the following:

- The risk involved in making, holding and realising, and the likely return from, the entity's investments having regard to its objectives and its cash flow requirements,
- The composition of the entity's investments as a whole including the extent to which the investments are diverse or involve the entity in being exposed to risks from inadequate diversification,
- The liquidity of the entity's investments having regard to its expected cash flow requirements, and
- The ability of the entity to discharge its liabilities.

The Trust Deed of the fund provides the Trustees with broad authority to invest the fund's assets.

Prohibited investments (which are either specifically spelt out in the Trust Deed or are deemed to apply because of legislation) are as follows:

- Loans to members,
- Assets acquired from related parties, including members and their associates (limited exceptions apply), and
- In house assets exceeding 5% of the value of the fund's total assets.

Fund profile

The Passmore Superannuation fund is established to provide lump sum and pension retirement benefits for members, 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. The fund is maintained as a Self Managed Superannuation Fund under section 17(A) the Superannuation Industry (Supervision) Act 1993 ("SISA"), and the Australian Taxation Office.

Membership

The members of the fund as at 16 September, 2020 are as follows:

- Andrew Passmore
- Caron Passmore

Objectives of the fund

The objective of this document is to formulate and give effect to an investment strategy that has regard to the whole circumstances of the 'Fund' including but not limited to, those specified in Section 52B(2)(f) of the SISA. The Trustee will at all times act prudently to pursue the maximum rate of return possible, subject to acceptable risk parameters, and the maintenance of whatever diversification that can be achieved with modest assets.

The Trustee will ensure that all investments are authorised under the Trust Deed, are made for the sole purpose of providing benefits to members and the dependants of members, and are made in accordance with the legislative requirements applicable to complying superannuation funds.

The Trustee will invest to ensure sufficient liquidity is retained within the fund to meet benefit payments due, and will adjust its specific objectives where it believes the investment objectives of the fund have changed.

Investment objectives

Short term

To invest the assets of the fund in a cash holding account until such time that a suitable investment is made in accordance with this investment strategy.

Medium term

To possibly use some of the surplus future cash for the purchase of additional investments to match the members investment strategy and risk profile.

Long term

To provide retirement benefits to the members of the fund or benefits to eligible dependants in the event of the death of a member

Nature of investment strategy

The Trustee reserves the right to implement more than one asset allocation range as it sees fit, and to offer separate asset allocation ranges to members. The Trustee also reserves the right to implement separate and different action plans in the acquisition and disposal of assets pursuant to this strategy.

Investment risk will be mitigated by investing in a broad range of asset classes, and where appropriate, funds will be invested via professional fund managers. A proportion of the fund's assets will be invested in cash with some of this provisioned to meet benefit payments and fund expenses. This position will be kept under review.

In relation to liquidity, the Trustees have appropriately considered the age of the members and the likelihood that assets may need to be redeemed. The trustees have also considered what proportion, if any, of the fund's assets need to be held in highly liquid assets.

Pooled investment strategies

As the members of the fund have similar investment requirements, the fund will operate into the foreseeable future with a pooled investment strategy. The asset allocation ranges below apply to each member equally.

Reserve account

The fund will not operate a reserve account into the foreseeable future. Should the need for a reserve account(s) arise, a separate reserving strategy will be prepared.

Asset allocation benchmarks

Investments of the fund will be spread across various asset types. The table below details the target percentage allocation the Trustees will aim to maintain. The ranges provided are a buffer between which the target allocation is reasonably met.

Pooled account

Defensive asset sub-classes	Range (%)	Target (%)
Cash	0.00% - 100.00%	2.00%
Australian fixed interest	0.00% - 20.00%	0.00%
International fixed interest	0.00% - 20.00%	0.00%
Growth asset sub-classes	Range (%)	Target (%)
Australian shares	0.00% - 80.00%	32.00%
International shares	0.00% - 50.00%	45.00%
Listed property & Infrastructure	0.00% - 99.00%	15.00%
Other – Alternatives*	0.00% - 20.00%	6.00%
Total defensive assets	0.00% - 100.00%	2.00%
Total growth assets	0.00% - 99.00%	98.00%

*Alternative assets are non-traditional assets that would not generally be found in a standard investment portfolio. Due to the unconventional nature of some of these investments, they tend to be less liquid than traditional investments. Examples of alternative assets include hedge funds, private equity and 'real' assets such as commodities and agribusiness schemes.

By adhering to the targets listed above, the fund aims to achieve an investment return (net of tax and charges) that exceeds CPI + 3.25% when measured over a rolling 10 year period.

The expected return range for this investment strategy is between -4.50% to 18.40%, in any given year.

At this time, the fund assets are not in line with the target asset allocation as detailed above due to specific investment choices made by the trustees. However, the trustees will work towards getting the assets in line with the target range over the longer term.

Over exposure to asset

The fund will be invested in direct property which will represent a large portion of the fund's total value. The Trustees and members wish to hold this investment while understanding that diversification of the fund suffers as a result. The remaining assets of the fund will provide diversification as best as possible. The Trustees are satisfied that the benefits of holding this asset outweigh the potential risks from inadequate diversification.

Asset management

Permitted investments

The fund may invest directly in an asset or via any other investment vehicle such as a managed fund, unit trust, master trust or wrap account.

Who benefits from the fund's assets

The Trustees will only undertake investment activity if it is within legislative requirements and the fund's investment strategy is in the best interest of all Fund members.

Direct property considerations

Prior to acquiring or disposing of any direct property investment, the Trustee will consult a suitably qualified professional to ensure that the price of the property reflects true market value and constitutes a prudent investment/disposal on an arm's length basis.

In obtaining a tenant (if any) for a property, the Trustees will only enter into a lease with a Fund member, employer sponsor or their Part 8 Associates under SIS if it meets legislative requirements.

If this occurs, a written lease agreement will be made and the transaction will be of an arm's length nature.

In determining the proportion of the fund assets to be invested directly in property, the Trustee shall take into account the liability profile and liquidity requirements of the fund.

Listed securities considerations

Prior to acquiring (or disposing) of any shares in companies, the Trustee will consider the diversification of shareholding across different market sectors/industries and the liquidity requirements of the fund.

The trustee may also seek professional advice in relation to expected capital growth and dividend income.

Fixed interest considerations

Prior to investing in any fixed interest investments, the Trustees will consider the period of investment, the security offered, the accessibility of funds, the return, and the impact of any interest rate changes.

Cash considerations

Prior to making any cash investments, the Trustees will consider the rate of return and security of such investment against the expected rate of return offered by alternative investments.

Managed investments considerations

Prior to acquiring (or disposing) of any managed funds, the Trustee will consider the diversification of assets across different asset sectors (cash, fixed interest, property, shares) and the liquidity requirements of the fund.

The Trustee may also seek professional advice in relation to expected capital growth and income.

Borrowing

The Trustees may borrow for investment purposes, provided that the fund ensures that it meets the superannuation regulations as applicable at the time of borrowing and on an ongoing basis.

The Trustees will ensure that they have a plan for meeting any potential future liabilities or obligations in relation to the borrowing.

While the Trustees will require cash flow from the asset(s) to assist in meeting debt commitments, it is recognised that income received by the fund may be insufficient to meet interest expenses incurred by the fund. Any shortfall will be met by other Fund income or cash reserves and may also be met by way of contributions made to the fund.

In order to manage the additional risk to the fund, the Trustees will ensure that the level of borrowing will not exceed 65% of the value of the asset being acquired and not greater than 80% of the total value of the fund assets.

The Trustees will ensure that they have adequate cash flow to meet interest commitments for a period of 20 years without relying on the income generated from the asset which is encumbered.

Alternatively, the structure of the arrangement is such that it is self-financing and hence additional cash flow is not required.

Minimum holding periods

The volatility in the returns of growth assets means that it is ideal that they are held for a minimum of 5 – 7 years, whereas fixed interest investments generally need only be held for at least 2 –3 years and cash investments generally can be redeemed at any time.

The Trustee will consider this before redeeming any investments to ensure any short-term fluctuations do not detrimentally affect the anticipated long-term returns of the fund.

Tax resulting from asset disposals

Capital gains tax (CGT) is likely to be payable on the disposal of any investments that have increased in value since they were acquired.

Before deciding to purchase or redeem any investments, the Trustees may seek advice regarding the taxation implications of any proposed transactions.

Cash flow and liquidity

Adequate funds will be held in cash/fixed interest to enable the fund to meet its short term liabilities including pension payments (where relevant), tax liabilities, accounting, audit and advice fees and any other operating expenses of the fund. Trustees will decide from time to time on what is an appropriate amount of cash for the fund to hold taking into consideration:

- Contributions to the fund,
- Pension payments to be made,
- Fees, taxes and expenses required to be paid, and
- Investment asset running costs.

Generally, the trustees will endeavour to retain \$10,000 in cash where the fund is in pension phase. Cash funds in excess of these amounts will be invested into other asset classes in accordance with the fund's investment strategy, often using dollar cost averaging for investment of large sums.

Performance monitoring

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

- compare investment returns against investment objectives on an annual basis, and
- compare investment returns against cash rates available over a 12 month period.

Insurance

The trustees are aware of the obligation to consider holding insurance cover and have considered whether insurance cover should be held by the fund for some or all members of the fund.

Having considered the personal circumstances of fund members, the trustees of the fund have determined that the following types of cover are required:

	Life	TPD
Andrew Passmore	N/A	N/A
Caron Passmore	\$211,063	N/A

Note: The members hold additional personal insurance cover external to this fund.

Reviews

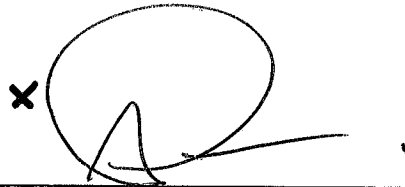
The Investment Strategy will be reviewed annually to ensure it remains appropriate to the objectives, needs and circumstances of the fund and its members.

Any changes to the Investment strategy will be communicated to the members in writing.

Adoption

Trustees of agree to adopt this investment strategy.

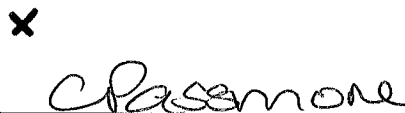
Andrew Passmore
Director of A & C Passmore
Pty Ltd ATF Passmore
Superannuation fund

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Signature

25/9/20.
Date

Caron Passmore
Director of A & C Passmore
Pty Ltd ATF Passmore
Superannuation fund

✕ 

Signature

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Date