

LEFRANK FAMILY SUPERANNUATION FUND

Investment Strategy
1 July 2019

FUND PROFILE

Purpose of Establishment

The Fund was established to provide lump sum and/or pension benefits for members on or after retirement, or at reaching their preservation age (as defined under the Superannuation Industry (Supervision) Act 1993 (SIS)) as well as the provision of benefits in the event of the death and/or disablement of members and their dependants.

Fund Demographics

Members can vary in age, the youngest member to be accepted should not be less than that provided in the Deed and there is no upper age limit. The Trustee(s) shall consider the age of the Fund members and their likely retirement ages when making its investment decisions.

Type of Fund

The Fund has been established as an accumulation fund. As such benefits are calculated based on the amount contributed to the Fund, earnings of the Fund and amounts attributed to the member.

The Fund will accept all types of contributions allowable under the governing legislation.

Fund Benefits

The Fund is anticipated to be in the accumulation phase until one of its members reaches their preservation age. From this time the Fund may be partially in an accumulation phase and partially in a pension phase, until the last member reaches their pension phase.

The current intention is to pay the member's benefits upon retirement in either a lump sum and/or pension. The Trustee(s) shall make investment decisions of the Fund having regard to the time horizon to the retirement of members and the future cashflow requirements of the Fund.

Insurance Cover

The Fund will allow each member to insure their life. The Trustee(s) of the Fund will take out the cover requested by a member given the cover meets one of the arms of the Purpose of Establishment of the Fund.

The Trustee(s) will not determine the level of cover required. This will remain the responsibility of the member. The Trustee(s) will endeavour to take all reasonable steps to ensure the requested insurance cover is effected within a period of 30 days. This period of time is however contingent on the insurer accepting the application and the insurer's requirements of the member to demonstrate their insurability. The Trustee(s) will not be held liable for any insurance cover which is not effected or delays caused in effecting the insurance cover due to the insurer's requirements.

Any benefit that becomes payable to the Trustee(s) of the Fund by the insurance company due to the death or disablement of the member, will be determined by the Trustee(s) in accordance with the SIS regulations as to its terms of payment. At all times the payment of any insurance benefit to a member or their dependants will remain at the discretion of the Trustee(s).

GENERAL OBJECTIVES

The Trustee(s) will act to ensure at all times the Fund complies with the regulations set out in SIS in accordance with the following key areas:

- borrowing restrictions (section 67 of SIS)
- lending and financial assistance prohibitions to members or their relatives (section 65 of SIS)
- acquisition of asset prohibitions from related parties of the Fund (section 66 of SIS)
- in-house asset limits (section 83 of SIS).

As such, within these objectives this document does not re-iterate the intent of the legislation.

The Trustee(s) will ensure at all times investments are authorised under the Trust Deed and are made in accordance with the Purpose of Establishment.

The Trustee(s) will ensure at all times the Fund remains a complying superannuation fund for taxation purposes.

The Trustee(s) will ensure at all times the investments undertaken are done so at arm's-length, or alternatively where the transaction is not at arm's-length the terms are not more favourable than if the transaction had been conducted at arm's-length (section 109 of SIS).

The Trustee(s) may consider and accept investment suggestions from members of the Fund, for the Fund generally or for a class of members. The Trustee(s) have ultimate discretion to consider, accept and/or implement the decisions given due consideration of the above SIS regulations and the below Investment Strategy principles.

INVESTMENT STRATEGY

This investment strategy documents the intent of the Fund when purchasing, holding and selling assets. A well-diversified portfolio is the general intent designed to support the Fund's requirements in meeting the member's needs.

Over time as members move from the accumulation to pension phase the Trustee(s) may adjust the composition and actual underlying assets of the Fund.

The Trustee(s) reserve the right to develop and offer more than one investment strategy to meet the individual needs of members or classes of members of the Fund. This may require implementing different decisions with respect to the purchasing, holding and/or selling of investments in order to meet the relevant strategy.

Investment Objectives

The Trustee(s) shall at all times act prudently to pursue the maximum rate of return, given the set risk parameters and in consideration of suitable levels of diversification.

Performance Objectives

The Trustee(s) have considered the current and likely benefit payments, the time frame to retirement of the current members and determined the following performance objectives:

- to provide a return sufficient to meet the costs of administering the Fund
- to provide a return on capital (net of taxes) at a minimum of 2.0% per annum above the underlying inflation rate each year
- to have an expectation of negative returns over any ten year time frame commensurate to the risk profile adopted.

Asset Diversification

In considering the degree of diversification appropriate to the Fund the Trustee(s) have taken into consideration the following:

- the existing assets of the Fund
- the Fund's access to expert research and investment advice
- the current and likely future membership of the Fund.

The Trustee(s) may consider and implement a single asset or single asset class strategy where it deems it appropriate given all other factors documented in this Investment Strategy.

Risk Profile

In light of the Investment Objective of the Fund and its Performance Objectives, the Trustee(s) having considered the following areas of the Fund:

- the Purpose of Establishment
- the Fund Demographics
- the General Objectives, and
- the Investment Objectives.

In doing so the Trustee(s) have determined the benchmark asset allocation and appropriate ranges meet the commensurate levels of risk.

The Trustee(s) have determined the appropriate asset allocation as follows:

Asset classes	Minimum %	Benchmark %	Maximum %
Cash	5	5	100
Fixed Interest	25	33	50
Property	0	0	0
Shares – Australian / International	25	62	75

It is the Trustee's intention to adopt the benchmark asset allocation over the longer term in order to achieve the investment objectives of the Fund.

Asset Management

In terms of the underlying investments within the Fund, when making an investment decision the Trustee(s) shall give consideration to the detailed principles for each asset class.

Cash

Cash is an important component of the Fund's assets in order to be able to meet ongoing administration costs and expenses as well as having sufficient funds to meet any benefit payments due to members.

Depending upon the investment markets cash may also act as a short term strategy to hold member contributions whilst determining appropriate investment options.

It is expected that the cash balance will vary significantly throughout the course of a reporting period. Cash is the most liquid form of investment.

Prior to investing in any cash funds or realising a cash holding, the Trustee(s) shall give consideration to the current liquidity of the Fund. It shall also give consideration to the prevailing interest return and security of the investment in comparison to alternate forms of investment.

Fixed Interest

Fixed interest investments provide more certainty in the level of income for the Fund over the term of the investment.

Fixed interest investments are an alternative form of investment to cash, with slightly less flexibility due to the investment being made for a term, or period of time. When considering such an investment due consideration must be given to the time frame of investment. Should capital be required prior to the end of the term of a fixed interest investment then a penalty fee may apply. Thus this asset class is slightly less liquid than cash.

The risk with this type of investment is movements in the prevailing interest rate. Should there be an upward move in the prevailing interest rate and the invested capital be required prior to the end of the term then a capital loss would generally occur. On the other hand should an interest rate decline occur over the term of the investment, then the Trustee(s) may consider the sale of the investment in order to realise a capital gain, in consideration of the other factors of the investment and needs of the Fund.

One final consideration is the security of the issuing company. Fixed interest investments are available across various rates of security. A fixed interest investment issued by a Government is typically more secure than an equivalent security which is issued by a publicly listed company.

Property

Property investments can be made in two forms, direct and listed.

Property in the form of owning a direct asset is typically the least liquid form of investment. Typically, it requires a buyer at the time of offer to purchase the entire building and/or land. This can have a considerable lead time.

However property can provide a relatively secure level of income. The risk is the inability of the tenant to meet their rental obligations.

One final consideration with direct property is the capital required to purchase one asset. Typically this can be the majority of the Fund's assets.

Should the Trustee(s) consider investment in a direct property they shall obtain appropriate valuations for the purchase price and rental income to satisfy themselves that the price or units of the property reflect the true value of the investment.

Property in the form of unit trusts provides a more liquid form of investment with more diversification through exposure to various properties.

In terms of direct property ownership the Trustee(s) will comply with the prevailing legislation. In terms of unit trust property ownership the Trustee(s) have greater flexibility in their decision making.

Shares - Australian

Share investments can be made in two forms, listed and un-listed (via unit trusts).

When considering investments in the form of direct shareholdings the Trustee(s) shall ensure the decision is based upon the anticipated longer term capital appreciation of the investment, as measured by the increase in its share price, as well as the potential dividend stream.

When investing in direct shares the Trustee(s) shall also give due consideration to the current exposure to the sectors of business the companies operate within (ie industrial, banking, retail, resources, etc), the manner in which the underlying companies act and respond in various market conditions, (ie recession, recovery, etc) and the requirement for ongoing monitoring of such investments on a regular basis.

Where the Trustee(s) are of the opinion they do not hold the requisite skill set or have the time to appropriately evaluate and monitor a portfolio of direct shareholdings, then the investments shall be made through unit trusts.

Unit trusts may also be used as an investment option in conjunction with a portfolio of direct shareholdings or in isolation.

The tax effectiveness of franking credits which are derived from holding investments where tax is paid at a rate higher than that paid within the Fund, produces an effect to reduce the tax paid by the Fund on its earnings. This tax benefit may form part of the investment decision.

Shares - International

Historically this asset class has provided investors with the highest capital return. Past performance is no guarantee of future performance and as such this asset class must be evaluated on its merits to provide:

- income return
- capital return, in excess of the prevailing inflation rate by a minimum of 2.0% per annum
- volatility in the capital value.

Again this asset class can be accessed through both direct investment and unit trusts.

Direct investment in international shares requires more time and administration than its counterpart. As such typically the Trustee(s) shall consider investing in this asset class primarily through the use of unit trusts.

Risk Management

In relation to the risks involved with investing the assets of the Fund, when making an investment decision the Trustee(s) shall give consideration to a range of possible risks.

Mismatch Risk

The chosen investment may not be suitable for the member's needs, goals and circumstances.

Inflation Risk

The real purchasing power of invested funds may not keep pace with inflation.

Reinvestment Risk

If the member(s) rely on fixed rate investments, maturing funds may have to be reinvested at a lower rate of interest.

Market Risk

Movements in the market mean the value of investments can go down as well as up – and sometimes suddenly.

Timing Risk

Trying to time entry to and exit from markets can involve exposure to potentially greater short-term volatility.

Risk of Not Diversifying

If all funds are invested into one market a fall in that market will adversely affect all of the capital.

Liquidity Risk

Access to funds may not occur as quickly as required without suffering a fall in value.

Credit Risk

The institution that funds are invested with may not be able to make the required interest payments or repay capital.

Legislative Risk

Investment strategies or products could be affected by changes in current regulations.

Value Risk

Too much may be paid for the investment or it is sold too cheaply.

Manager Risk

The personnel or ownership of the fund manager may change so that the manager no longer has access to the skills or attitudes that contributed to earlier performance levels.

Currency Risk

Investments in assets located in other countries may rise or fall in value due to the relative value of the Australian currency.

Monitoring the Investment Strategy

At a minimum, the Trustee(s) of the Fund will review the performance of the underlying assets of the Fund against the investment and performance objectives and performance measurements annually.

A review of the Fund's performance and/or investment strategy may be completed at such other times as a significant event occurs which affects the Fund.

Where required the Trustee(s) following the review may make decisions to purchase new assets, hold existing assets or sell existing assets in accordance with the overall Investment Strategy of the Fund.

At each review the Trustee(s) may also consider the ongoing appropriateness of the Investment Strategy of the Fund and make decisions to amend the strategy in consideration of the Fund's Profile.

Reporting to Members

Upon joining the Fund as a member, a copy of this 'Investment Strategy' will be provided to the member.

Where a material change occurs to the 'Investment Strategy' of the Fund a copy of the amended 'Investment Strategy' will be mailed to each member.

DECLARATION

The documented Investment Strategy and its included principles, conditions and regulations are accepted by the Trustee(s):

x  _____
Heinz Lefrank - Trustee

x  _____
Moira Lefrank - Trustee

Date: 01/07/2019

**Heinz Lefrank & Moira Lefrank
as trustee for
Lefrank Family Superannuation Fund**

**MINUTES OF A MEETING OF THE DIRECTORS OF THE TRUSTEE COMPANY OF THE FUND HELD
ON THE 1st JULY 2019.**

PRESENT: Heinz Lefrank
Moira Lefrank

CHAIRPERSON: It was resolved that Heinz be appointed chairperson of the meeting.

INVESTMENT STRATEGY: It was resolved that pursuant to Section 52(2)(f) of the Superannuation Industry (Supervision) Act 1993 the Trustee has adopted a new investment strategy for the Fund. This Investment Strategy has been approved by the members of the Fund.

CLOSURE: There being no further business the Chairperson declared the meeting closed.

Signed as a true and correct record

x 

Heinz Lefrank

- borrowing money (or maintaining an existing borrowing) on behalf of the fund except in certain limited circumstances (while limited recourse borrowing arrangements are permitted, they can be complex and particular conditions must be met to ensure that legal requirements are not breached)
- acquiring an in-house asset if the fund's in-house assets exceed 5% of the market value of the fund's total assets, or the in-house assets will exceed 5% of the market value of the fund's total assets by acquiring the asset (in-house assets are loans to, or investments in, related parties of the fund – including trusts – or assets subject to a lease or lease arrangement between the trustee and a member, relative or other related party)
- entering into investments that are not made or maintained on an arm's length (commercial) basis (this ensures the purchase or sale price of the fund's assets and any earnings from those assets reflects their market value).

Administration

I understand that the trustees of the fund must:

- keep and retain for at least 10 years
 - minutes of all trustee meetings at which matters affecting the fund were considered (this includes investment decisions and decisions to appoint members and trustees, the retirement of members and payment of benefits)
 - records of all changes of trustees, including directors of the corporate trustee
 - each trustee's consent to be appointed as a trustee of the fund or a director of the corporate trustee
 - all trustee declarations
 - copies of all reports given to members
 - documented decisions about storage of collectables and personal use assets
- ensure that the following are prepared and retained for at least five years
 - an annual statement of the financial position of the fund
 - an annual operating statement
 - copies of all annual returns lodged
 - accounts and statements that accurately record and explain the transactions and financial position of the fund including asset market valuation
 - copies of Transfer balance account reports lodged
 - copies of any other statements you are required to lodge with us or provide to other super funds
- appoint an approved SMSF auditor each year, no later than 45 days before the due date for lodgment of the fund's annual return and provide documents to the auditor as requested
- lodge the fund's annual return, completed in its entirety, by the due date
- review the independent audit report received from the approved SMSF auditor and take action as required
- notify the ATO within 28 days of any changes to the
 - membership of the fund, or trustees or directors of the corporate trustee
 - name of the fund
 - contact person and their contact details
 - postal address, registered address or address for service of notices for the fund
- notify the ATO in writing within 21 days if the fund becomes an Australian Prudential Regulation Authority (APRA) regulated fund.

DECLARATION

By signing this declaration I acknowledge that I understand my duties and responsibilities as a trustee or director of the corporate trustee of the self-managed superannuation fund named on this declaration (or if the fund's name changes, that name). I understand that:

- I must ensure this document is retained for at least 10 years or while I remain a trustee or director of the corporate trustee (whichever is longer) and, if I fail to do this, penalties may apply.
- Administrative penalties can be imposed on me for not complying with the legislation
- I may have to make this document available for inspection by a member of staff of the ATO and, if I fail to do this, penalties may apply.
- I do not have access to the government's financial assistance program that is available to trustees of APRA regulated funds in the case of financial loss due to fraudulent conduct or theft.

Trustee's or director's name

Heinz Jozef Le Frank

Trustee's or director's signature

[Handwritten signature]

Date

Day: 21 / Month: 04 / Year: 2020

Witness' name (witness must be 18 years old or over)

teresa Vannetiello

Witness' signature

[Handwritten signature]

Date

Day: 21 / Month: 04 / Year: 2020



Self-managed super fund trustee declaration

I understand that as an individual trustee or director of the corporate trustee of

Fund name

Le Frank Family Superannuation Fund

I am responsible for ensuring that the fund is operated in accordance with the *Superannuation Industry (Supervision) Act 1993* (SISA) and other relevant legislation. The Commissioner of Taxation (the Commissioner) has the authority and responsibility for administering the legislation and enforcing trustees' compliance with the law.

I must keep myself informed of changes to the legislation relevant to the operation of my fund and ensure the trust deed is kept up to date in accordance with the law and the needs of the members.

If I do not comply with the legislation, the Commissioner may take the following actions:

- impose administrative penalties on me
- give me a written direction to rectify any contraventions or undertake a course of education
- enter into agreements with me to rectify any contraventions of the legislation
- disqualify me from being a trustee or director of a corporate trustee of any superannuation fund in the future
- remove the fund's complying status, which may result in significant adverse tax consequences for the fund
- prosecute me under the law, which may result in fines or imprisonment.

Sole purpose

I understand it is my responsibility to ensure the fund is maintained for the purpose of providing benefits to the members upon their retirement (or attainment of a certain age) or their beneficiaries if a member dies. I understand that I should regularly evaluate whether the fund continues to be the appropriate vehicle to meet this purpose.

Trustee duties

I understand that by law I must at all times:

- act honestly in all matters concerning the fund
- exercise skill, care and diligence in managing the fund
- act in the best interests of all the members of the fund
- keep records of decisions made about the running of the fund, including the appointment of professional advisers and the retirement of members and payment of benefits
- ensure that my money and other assets are kept separate from the money and other assets of the fund
- take appropriate action to protect the fund's assets (for example, have sufficient evidence of the ownership of fund assets)
- refrain from entering into any contract or do anything that would prevent me from, or hinder me in, properly performing or exercising my functions or powers as a trustee or director of the corporate trustee of the fund
- allow all members of the fund to have access to information and documents as required, including details about
 - the financial situation of the fund
 - the investments of the fund
 - the members' benefit entitlements.

I also understand that by law I must prepare, implement and regularly review an investment strategy having regard to all the circumstances of the fund, which include, but are not limited to:

- the risks associated with the fund's investments
- the likely return from investments, taking into account the fund's objectives and expected cash flow requirements
- investment diversity and the fund's exposure to risk due to inadequate diversification
- the liquidity of the fund's investments having regard to the fund's expected cash flow requirements in discharging its existing and prospective liabilities (including benefit payments)
- whether the trustees of the fund should hold insurance cover for one or more members of the fund.

Accepting contributions and paying benefits

I understand that I can only accept contributions and pay benefits (income streams or lump sums) to members or their beneficiaries when the conditions specified in the law and the fund trust deed have been met.

Investment restrictions

I understand that, as a trustee or director of the corporate trustee of the fund, subject to certain limited exceptions specified in the law, I am prohibited from:

- giving financial assistance using the resources of the fund to a member of the fund or a member's relative (financial assistance means any assistance that improves the financial position of a person directly or indirectly, including the provision of credit)
- acquiring assets (other than business real property, listed securities, certain in-house assets and acquisitions made under mergers, allowed by special determinations or acquisitions from the trustee or investment manager of another regulated super fund as a result of a breakdown of a relationship) for the fund from members or other related parties of the fund