

SMSF INVESTMENT STRATEGY

Fund Profile

Period of Existence

The Madeclaire Superannuation Fund ("the Fund") was established on 01/04/1985.

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.
- to their dependants in the event of death of members.

Membership of the Fund

The Trustee for the Fund is:

- Vanchem Pty Ltd

Membership of the Fund is voluntary and upon joining the member is required to become a Trustee of the Fund.

There are two members of the Fund. The member details can be found below:

Name	Date of Birth	Age Now	Years to Retirement	Anticipated Retirement Date
Anthony Young	28/08/1953	57	8	28/08/2018
Debra Leigh Young	19/03/1953	58	7	19/03/2018

Fund Demographics

Members can vary in age, the youngest member to be accepted should not be less than 16 years of age 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 continue to accept all types of contributions allowable under the governing legislation.

Fund Benefits

The Fund is anticipated to be in the accumulation phase until such time when its members meet a condition of release. From this time the Fund may be partially in an accumulation phase and partially in a pension phase.

The current intention is to pay the members their benefits upon meeting a condition of release 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 and income. 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. The intent of the strategy is to create and maintain a well-diversified portfolio designed to support the Fund's requirements in meeting members' retirement income 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 agreed risk management strategy and in consideration of suitable levels of diversification.

Performance Objectives

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

- to provide cash flow and liquid assets sufficient to meet the costs of administering the Fund and any currently foreseen payments of benefits;
- to provide a return on capital (net of taxes) over a 3-5 year time frame of a minimum of 5.0% per annum above the underlying inflation rate each year; and
- to be prepared for the possibility of negative returns over any ten year time frame commensurate with the risk tolerance 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 and expected contributions and benefit payments;
- the Fund's access to expert research and investment advice; and
- 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.

Circumstance & Attitude

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

- the Purpose of Establishment;
- the Fund Demographics;
- the General Objectives of members regarding their retirement incomes and
- the Attitudes of members to the various forms of risk and their management.

In doing so the Trustee(s) have determined the appropriate asset allocation as follows:

Asset classes	Minimum %	Benchmark %	Maximum %
Cash	5%	10%	25%
Fixed Interest	0%	0%	15%
Australian Equities	10%	50%	75%
International Equities	0%	5%	25%
Infrastructure	0%	5%	15%
Property	5%	10%	25%
Other	0%	20%	35%

It is the Trustees' intention to:

- have flexibility in the Fund's asset allocation in order to achieve the Investment Objectives of the Fund
- review the investment strategy as required.

Asset Management

In terms of the underlying investments within the Fund, when making an investment decision the Trustee(s) shall give consideration to the following and other attributes, as determined from time to time, of each asset class.

Cash

Cash is the most liquid and capital certain form of investment. This is reflected in its average rate of return being generally below that of other asset classes.

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 and/or benefits whilst determining appropriate investment options.

It is expected that the cash balance will vary significantly throughout the course of a reporting period. This is the basis upon which the allocation to cash is broad. A broad range allows for high levels of cash to be held when receiving the proceeds of investment changes before reinvestments, further contributions received, and to provide liquidity for any large lump sum or pension payments.

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 generally provide a higher and more certain level of income for the Fund over the term of the investment compared with cash but at the cost of lower immediate access.

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.

Fixed interest investments may come in various forms with differing investment characteristics. Term deposits are well known to most investors, and typically provide for capital stability.

Other types of fixed interest investments include bonds which can experience levels of capital value volatility based upon a range of factors.

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. The willingness for investment capital to be transitioned to other investment sectors through various stages in the economic cycle and investor sentiment changes can also impact on the value of these investments based upon supply and demand characteristics.

Another 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.

Enhanced Yield

Enhanced yield funds aim to produce higher levels of income than traditional fixed interest products by combining a diverse range of sources of yield to reduce risk for investors over the medium term. Whilst these investments tend to provide higher returns than traditional fixed interest investments, they also provide a lower level of capital security due to the increased risks taken to provide such returns.

Enhanced yield funds are suitable for investors who are prepared to accept a higher risk profile than that of cash or traditional fixed interest investments in order to gain extra return in addition to franking credits.

There are two main forms of enhanced yield products: high yield funds and hybrid income funds.

High yield funds invest in higher yielding corporate debt securities, generally with low credit ratings, and government debt securities from emerging markets. The major risks involved with high yield funds include credit risk - ie the ability of the security issuer to meet its scheduled repayments; and interest rate risk - ie the chance that interest rates may raise substantially and the security issuer may not be capable of servicing the higher interest costs.

Hybrid income funds invest in hybrid debt and equity securities listed on the ASX, such as asset-backed securities, convertible preference shares and higher yielding corporate debt securities. Hybrid income securities commonly have a blend of equity and bond qualities. The major risk for hybrid income funds is interest rate risk - as an increase in interest rates will result in a drop in the value of securities paying a fixed rate of interest. The credit quality of the security issuer is also of importance as any decline in credit quality will result in a decrease in value of the security.

As enhanced yield is considered a form of fixed interest investing, where such investment types are held they may be allocated as Fixed Interest or Enhanced Yield under the asset allocation of the fund, hence 'fixed interest' in reports could represent a combination of each of these asset classes.

Shares - Australian

Share investments can be made in three forms:

- Directly in Private and Public unlisted companies;
- Directly in Public listed companies; and
- Through Unit Trusts investing in private and public listed and unlisted companies.

When considering share investments, 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 shares the Trustee(s) shall also give due consideration to the:

- Current and anticipated exposure to the various sectors and businesses (i.e. industrial, banking, retail, resources, etc), in which the companies may operate;
- Manner in which the companies operate and respond to various market conditions, (i.e. economic recession and recovery, etc);
- Requirement for ongoing monitoring of such investments on a regular basis;
- Cash flow from dividends and distributions; and
- Benefits of franking credits which arise as a result of the income tax already paid by Australian companies.

When investing through Unit Trusts, the Trustee(s) shall also give due consideration to the:

- Performance, including with regard compliance and risk management regimes, of the Unit Trust Fund Managers;
- Costs of the management of Unit Trusts;
- The liquidity and costs associated with withdrawals or transfers; and
- Appropriate diversification of the Fund, including to the various investment styles of the Unit Trust Fund Managers

Unit trusts may be used solely for exposure to Australian companies or as an investment option in conjunction with a portfolio of direct shareholdings. Australian shares can include a combination of infrastructure and listed property trust investments given that at times it can be difficult to classify a particular investment, eg it could have characteristics of both equities and infrastructure. Also, manage funds which may be classified as Australian share funds may include LPT's and infrastructure as part of underlying holdings.

Shares - International

Historically this asset class has provided investors with the highest capital return and the potential for exposure to companies, industries and geographical diversification not available through investment in Australian shares. The returns measured in Australian dollars from International share investments have also shown considerable volatility, including extended periods of substantial negative returns. This has reflected the underlying performance of the investments and the varying value of the Australian Dollar against other currencies.

Investments in this asset class must be evaluated on:

- Their capacity to provide a suitable level and growth of income and capital return;
- The expected benefits of diversification of income and capital returns;
- The acceptable level of volatility of income and capital returns, including as a result of currency fluctuations;
- The costs of investment, management, withdrawals and transfers;
- Australian income and capital gains tax issues.

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. Typically, the Trustee(s) shall consider investing in this asset class primarily through the use of unit trusts.

When investing through Unit Trusts, the Trustee(s) shall also give due consideration to the:

- Performance, including with regard compliance and risk management regimes, of the Unit Trust Fund Managers;
- Costs of the management of Unit Trusts;
- The liquidity and costs associated with withdrawals or transfers; and
- Appropriate diversification of the Fund, including to the various investment styles of the Unit Trust Fund Managers

Infrastructure

Infrastructure investments incorporate assets such as Toll roads, Air ports, communication assets, materials handling facilities, rail facilities, transport assets, utility facilities including electricity power lines, and gas pipelines.

Generally Infrastructure assets have a predictable and inflation proofed income stream due to:

- long term contracts; and/or
- Government regulation; and/or
- the difficulty of competitors replicating the assets due to high construction costs, government regulation or local scarcity of suitable competitive construction sites.

Where the Trustee(s) deem it appropriate to invest in Infrastructure, this will be because of the intention to provide the Fund with a reliable and tax-advantaged cash flow as well as good potential for capital growth over time.

It is noted that infrastructure investments may also be classified as Australian shares, particularly when investing in ASX listed stocks or via managed funds that invest in such stocks. Therefore, the asset allocation to infrastructure could be at times included under the Australian shares asset allocation, whereby these asset classes can be reviewed in combination.

Property

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

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

Directly held property also will generally provide a less diverse level of income and exposure to tenant, industry and geographical and other risks than listed property.

Another consideration with direct property is the capital required to purchase one asset. Typically this can be the majority of the Fund's assets with adverse impact on the ability of the Fund to meet its diversification objectives.

Should the Trustee(s) consider investment in a direct property they shall obtain appropriate valuations for the purchase price and rental income to satisfy them that the price or units of the property reflect the true value of the investment and the expected return over the life of the investment is appropriate to the level of risk. This includes any impact on the diversification of the Fund.

Property in the form of unit trusts (listed) 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 listed property ownership the Trustee(s) have greater flexibility in their decision making.

Alternative Investments

These are alternative investment vehicles and will include hedge funds, warrants, options and futures contracts. Instruments such as warrants, options and futures contracts are broadly referred to as derivatives.

Hedge funds aim to deliver positive returns in both rising and falling share, fixed interest and commodity markets. Investment techniques adopted by hedge funds are different to methods employed by traditional fund managers. Hedge funds have the scope to use more exotic securities such as the derivatives described above. This will generally involve higher management costs and higher volatility of capital and income returns, including the possibility of low or negative returns or the loss of capital.

The Trustee(s) are permitted to use futures, options and other derivative instruments to assist with the effective management of the Fund's assets provided these instruments are not used to gear the portfolio.

The Trustee(s) expects that, over the long term, the use of these instruments will enhance the overall returns on the Fund's assets.

Management of Asset Allocation – Capacity to be Outside Benchmarks

It is the intention of the Trustees to remain within the guidelines of the Investment Strategy at all times. It is noted that during periods of excessive market volatility, when undertaking changes via transactions, the payment of large member benefits, and at other times for varying reasons, the asset allocation of the portfolio may be outside the documented ranges.

The benchmark asset allocation represents only a preferred position at a given point in time and is subject to change without needing to update the overall strategy, as long as the new benchmarks do not fall outside the ranges documented.

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, investment type or company, a poor performance will adversely affect all of the capital of the Fund.

Liquidity Risk

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

Credit Risk

The institution or company with which funds are invested with may not be able to make the required interest payments or repay capital at the scheduled time or at all.

Legislative Risk

Investment strategies or products could be affected by changes in legislation or government policies.

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.

Reviewing 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 annually.

At the Annual Review, the Trustee(s) shall compare the performance of the Fund against a sample of its public offer superannuation funds (peers) with a similar risk tolerance and performance objectives, or alternatively the review should consider performance against various index benchmarks on a weighted basis that are determined to be appropriate given the underlying investments of the fund. This review may not be an exact comparison as asset allocation may differ during the year, but should be seen as a guideline to measure performance.

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 or Members.

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 and the Circumstances, Needs, Objectives and Attitudes of Members.

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. Such transactions are not however limited to when a review is undertaken.

Reporting to Members

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

DECLARATION

The documented Investment Strategy and its included principles, conditions and regulations are accepted by the Trustee(s) of the Madeclaire Superannuation Fund

Signed	Signed
	
Name: Anthony Young	Name: Debra Leigh Young
As Director for Vanchem Pty Ltd	As Director for Vanchem Pty Ltd
Date	Date

ANTHONY AND DEBRA LEIGH YOUNG

ATF THE MADECLAIRE SUPERANNUATION FUND

MINUTES OF MEETING OF THE TRUSTEE(S) HELD ON 12 APRIL 2011 AT 44 HENZELL TERRACE GREENSLOPES QLD 4120

Present:	Anthony Young Debra Leigh Young
Chairman:	Anthony Young
Business:	The Trustees met to consider the Investment Strategy Report of the Madeclaire Superannuation Fund as tabled.
Resolved:	The Trustees resolved to accept the Investment Strategy Report and implement it. It is decided that the Trustees assume the role of investment manager although specialist advice is to be sought as required.
	Signed as a correct record.



ANTHONY YOUNG

CHAIRMAN