

# **JOHN ROBERTS 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<br>% | Benchmark<br>% | Maximum<br>% |
|------------------------|--------------|----------------|--------------|
| Cash                   | 1            | 1              | 100          |
| Fixed Interest         | 0            | 0              | 50           |
| Property               | 0            | 0              | 50           |
| Shares – Australian    | 0            | 99             | 99           |
| Shares - International | 0            | 0              | 50           |

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.

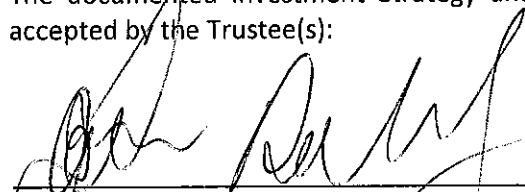
**Reporting to Members**

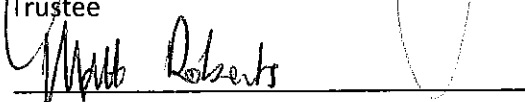
Upon joining the Fund as a member, a copy of this 'Investment Strategy' will be provided to the member.

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):

  
\_\_\_\_\_  
John Roberts  
Trustee

  
\_\_\_\_\_  
Matthew Roberts  
Trustee

Date: 01/07/2019



**John Roberts & Matthew Roberts  
as trustee for  
the John Roberts Superannuation Fund**

**MINUTES OF A MEETING OF THE DIRECTORS OF THE TRUSTEE COMPANY OF THE FUND HELD  
AT XX ON THE 1<sup>st</sup> JULY 2019.**

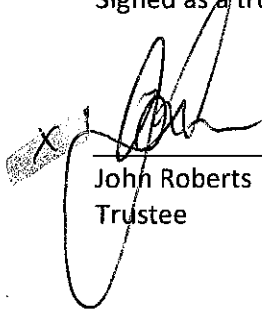
**PRESENT:** John Roberts  
Matthew Roberts

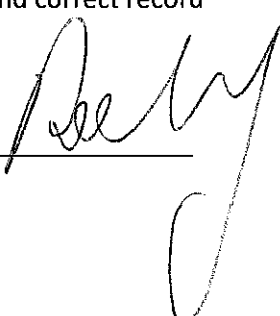
**CHAIRPERSON:** It was resolved that John be appointed chairperson of the meeting.

**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

  
\_\_\_\_\_  
John Roberts  
Trustee



## Trustees Declaration

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The trustees have determined that the Fund is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

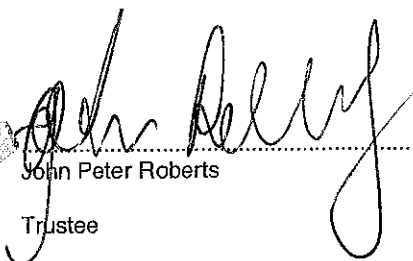
The trustees declare that:

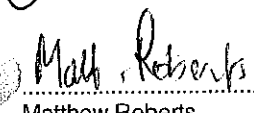
- (i) the financial statements and notes to the financial statements for the year ended 30 June 2019 present fairly, in all material respects, the financial position of the Superannuation Fund at 30 June 2019 and the results of its operations for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;
- (ii) the financial statements and notes to the financial statements have been prepared in accordance with the requirements of the trust deed; and
- (iii) the operation of the superannuation fund has been carried out in accordance with its trust deed and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993 and associated Regulations during the year ended 30 June 2019.

Specifically, the trustees declare that:

- in accordance with s120 of the Superannuation Industry (Supervision) Act 1993, no individual trustee has been or is a disqualified person;
- the Fund has satisfactory title to all assets, all assets are unencumbered and free from charge as prescribed by s50 of the Superannuation Industry (Supervision) Act 1993 and reg13.14 of the Superannuation Industry (Supervision) Act 1994; and
- to the knowledge of the trustees, there have been no events or transactions subsequent to the balance date which could have a material impact on the Fund. Where such events have occurred, the effect of such events has been accounted and noted in the Fund's financial statements.

Signed in accordance with a resolution of the trustees by:

  
x John Peter Roberts  
Trustee

  
x Matthew Roberts  
Trustee

Dated this 6th day of June 20