Investment Strategy
for
Sunshine Super Fund

Effective Date 01-07-2021

Introduction

This Fund is a complying superannuation fund. Accordingly, the trustees have formulated an investment strategy as required under the SIS Act. This strategy has taken due regard to the whole of the circumstances of The Fund including, but not limited to:

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

The Fund's trust deed provides the trustees with broad authority to invest the Fund's assets, outside the general prohibitions of loans to members, acquiring assets from related parties (unless an exception applies) and in-house assets exceeding 5% of the gross value of the Fund's assets.

This Investment Strategy supersedes any existing Investment Strategy.

Overall Objective

The primary objective of the Fund is to provide benefits for members in accordance with the sole purpose test accordingly the Fund will:

- accept concessional and non-concessional contributions and transfers from other superannuation funds
- provide appropriate benefits in the event of a member's retirement, death, terminal illness or disablement
- provide pensions including transition to retirement pensions as appropriate
- administer the Fund in accordance with relevant legislation, the provisions of the Trust Deed and this investment strategy.

The trustees will act prudently in attempting to maximise the rate of investment return on the Fund's assets subject to an acceptable level of risk and the diversification of the Fund's assets over a time frame that reflects the age, circumstances and requirements of Fund members

The trustees will ensure that all investments are authorised under the trust deed, are made for the sole purpose of providing benefits to members and the dependents of members and are made in accordance with the legislative requirements applicable to complying superannuation funds.

Considerations

Pooled Investment Strategy

The trustees reserve the right to implement more than one asset allocation range and to offer separate asset allocation ranges to members. The trustees may also implement separate and different action plans in the acquisition and disposal of assets under this strategy.

Notwithstanding the above, this investment strategy document incorporates a pooled strategy based on combined Fund assets irrespective of whether they are segregated or not. Where investment segregation applies, the trustees will ensure that the Fund's accounts and investment activities are in accordance with that segregation.

Taxation

Subject to the exempt current pension income rules, capital gains tax (CGT) may 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.

The trustees will also ensure that any related party dealings are both permissible and transacted on an arm's length basis to ensure that the punitive taxation measures triggered by non-arm's length income or expense activity are not invoked.

Risk and Return

The trustees acknowledge that volatility, risk and return are generally linked and that acceptance of a degree of risk within expectations of volatility and investment time frames will influence the expected Fund return. Investments have therefore been selected based on these considerations.

The trustees will not be investing in derivatives except, possibly, to the extent that a professional fund manager may choose to do so for hedging purposes.

Diversification

The trustees acknowledge that the degree to which investments are diversified across different classes of assets is an important tool in managing risk but that any such consideration may have regard to both the composition of the Fund's investments and that of the member's assets external to the Fund.

The trustees acknowledge that there is a fundamental trade-off between potential returns and volatility. A low volatile portfolio is more heavily weighted towards defensive assets (cash and fixed interest) but the prospect of higher returns is limited. By contrast, a high growth portfolio with over 85% exposure to growth assets will have a greater probability of achieving superior growth in the long term but be more susceptible to short term volatility. The trustees have applied the following benchmark as a guide.

Description	Growth Asset Weighting
High Growth	86% to 100%
Growth	61% to 85%
Balanced	46% to 60%
Defensive	26% to 45%
Conservative	0% to 25%

The trustees have decided to adopt a Growth strategy with a benchmark exposure to growth assets of 65%.

The fund is likely to have a significant exposure to Australian equities because:

- Trustees are being assisted by a specialist adviser.
- Over time, surplus funds can be directed to other asset classes to improve diversification if the trustees consider this appropriate.
- Even though there is a concentration of fund assets in this class, the trustees will diversify holdings across a range of shares in different companies and sectors within the class.
- The trustees acknowledge that this asset class can be illiquid between maturity dates. If the fund requires cash to fund unexpected payment obligations, e.g., a death benefit payment, the fund's deed allows benefits to be paid in specie.

A benchmark sector allocation is fundamental to the operation of the investment strategy. It is the objective of the trustees to maintain the asset allocation within the asset ranges below though there may be periods when the sector allocations will, of practical necessity, vary from these ranges such as when assets are in the process of being replaced resulting in a much larger percentage of cash then would normally be anticipated. In general, however, the fund's investment allocations will be as follows:

Strategic Asset Ranges

Asset Class	From %	To %	Benchmark %
Australian Equities	0%	80%	55%
Australian Fixed Interest	0%	80%	25%
Cash	5%	100%	10%
Direct Property	0%	0%	0%
Foreign Cash	0%	50%	0%
International Equities	0%	50%	5%
International Fixed Interest	0%	50%	0%
Listed Property	0%	50%	5%
Mortgages	0%	0%	0%
Other Investments (see below)	0%	0%	0%
Total	N/A	N/A	100%

The characteristics of each asset class included in this Investment Strategy are further considered below.

Australian Equities is characterised by a potential for capital growth with the added potential benefit of income through the payment of dividends with imputation credits. This investment class can be volatile so the trustees acknowledge that negative returns may be experienced. They expect that these will primarily be short term and, as this investment is long term in nature, expect that long term growth will outperform any short-term negative performance.

Australian Fixed Interest is characterised by a steady and reliable income stream with potential for capital growth and a higher interest rate, or yield, than cash. It includes Australian government, company, and infrastructure bonds. The trustees acknowledge that bonds may fall in value when interest rates are rising and will adjust holdings when appropriate.

Australian Cash is characterised by deposits in bank accounts, bank bills, cash management trusts and other similar securities. This investment provides income via interest. It is highly liquid and suitable for short-term needs such as the payment of expenses and benefits. The trustees acknowledge that, lacking a growth component, cash is exposed to the loss of value caused by inflation. It provides stability as it does not suffer from negative returns.

International Equities are characterised by a potential for capital growth. This class may also offer income through the payment of dividends with foreign tax credits. It can be volatile so the trustees acknowledge that negative returns may be experienced. They expect that that these will primarily be short term and, as this investment is long term in nature, expect that long term growth will outperform any short-term negative performance. The trustees acknowledge that there is a currency risk exposure if not hedged.

Listed Property is characterised by a potential for capital growth and income. It is subject to share market volatility but provides the benefits of diversification across multiple properties across the retail, office, industrial, tourism and infrastructure sectors. It is also highly liquid. Where international property is included, it is not uncommon for the risk of currency fluctuations may be hedged.

Liquidity, Cash Flow and the Ability to Discharge Liabilities

The Trustees will endeavour to predict the level of benefit payments that will be required to be paid during of the financial year. This will include that required for expected pension payments. Sufficient cash flow will be made available to meet expected benefit payments and expenses in the short to medium term and therefore there is no intention to avoid investments that require medium term time horizons.

The optimal cash holding is approximately 10% of the Fund value. This is the benchmark cash holding in the strategic asset allocation table however it may be higher from time to time particularly when reallocating asset sectors.

Other measures, specific to certain investments and sector allocations have already been mentioned.

Life Insurance

The Trustees have considered the need for member insurance cover having regard to member personal circumstances including insurability, existing insurance arrangements external to the Fund and both member and fund contingent liabilities and have decided against arranging member insurance cover.

Expected Returns

The Trustees believe that, given the proposed asset allocation of the Fund, the likely overall investment return of the Fund in the medium term (3-5 years) should be no less than 2% above the average rates of inflation over the period.

To monitor the success of the investment strategy in achieving investment objectives, the Trustees will compare investment returns against objectives, at least on an annual basis, and compare investment performance against appropriate industry benchmarks.

Investment Strategy Review

The trustees are committed to reviewing this strategy regularly, at least on an annual basis, or more frequently if required.

Declaration

This strategy has been adopted by the directors of Sweet Bliss Pty Ltd, as trustee of Sunshine Super Fund.

Janice Page

Chairperson