

# **Kealba Super Fund**

**("The Fund")**

## **SMSF Investment Strategy Report**

Trustee: Kealba Super Pty Ltd

Date: 21 March 2023

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## Compliance

**A Trustee is required to take a range of issues into account when formulating and regularly reviewing an Investment Strategy.**

**The Trustee must look at the fund as a whole and determine how the fund's objectives are to be met. After this determination has been made the trustee must consider risk and return, diversification, liquidity requirements, and the ability to discharge existing and prospective liabilities.**

The trustee are required to prepare an Investment Strategy that provides a framework for making investment decisions to increase members' benefits for their retirement. This duty is codified in section 52(2)(f) of the Superannuation Industry (Supervision) Act 1993 ("SIS Act") and is an operating standard set out in SIS Regulation 4.09, which applies to all trustees.

This Investment Strategy report considers, at the fund level:

- *The risk and likely return from investments;*
- *The diversification of the investments;*
- *The liquidity and cash flow requirements;*
- *The ability of the fund to discharge its liabilities; and*
- *Whether a contract of insurance that provides cover for one or more members is required.*

This written Investment Strategy has been prepared to demonstrate that investment decisions comply with the strategy and the various superannuation laws including:

- *Sole purpose test;*
- *Restrictions on investments and acquisitions from members;*
- *Ownership and protection of assets;*
- *Restrictions on lending;*
- *Restrictions on placing charges over fund assets;*
- *Investing in collectables and personal use assets;*
- *Investments being made on an arm's length basis; and*
- *Restrictions on holdings of in-house assets.*

### **Complying Status**

The Fund is an Australian Superannuation Fund as defined in subsection 295-95(2) of the Income Tax Assessment Act 1997 and Section 45 of the Superannuation Industry (Supervision) Act 1993 ("SIS Act").

## **Ongoing Monitoring**

The obligation for the trustee to formulate and implement an Investment Strategy also requires the trustee to monitor and regularly review the Investment Strategy on an ongoing basis to help ensure that the investments made by the trustee continue to be consistent with the Investment Strategy. Where this is not the case, the trustee will be required to amend the Investment Strategy to reflect the change in the investment approach.

## Fund Profile

Superannuation law requires that the whole of the fund's circumstances must be taken into account when formulating an Investment Strategy. This includes (but is not limited to) the membership profile, benefit structure, and fund phase (accumulation of pension), tax position and fund size.

Such circumstances affect the diversity and liquidity requirements of fund investment strategies.

|                                     |                                |
|-------------------------------------|--------------------------------|
| <b>Fund Benefit Design:</b>         | Accumulation Fund              |
| <b>Fund Structure:</b>              | Self-Managed Super Fund (SMSF) |
| <b>Current Fund Assets (\$):</b>    | 3,771,040                      |
| <b>Number of Fund Members:</b>      | 2                              |
| <b>Fund Phase:</b>                  | Accumulation                   |
| <b>Time horizon of the Fund:</b>    |                                |
| <b>Member directed investments:</b> | No (Pooled)                    |

## Age profile

| Age                | Number of Members |
|--------------------|-------------------|
| Less than 40 years |                   |
| 41-49 years        |                   |
| 50-59 years        | 1                 |
| 60-64 years        | 1                 |
| 65-69 years        |                   |
| 70 years and over  |                   |

## Fund Objectives

The Objective of the Investment Strategy is to provide retirement benefits for the members. In the event of the members' death before retirement, it is to provide benefits for the dependants of the members (sole purpose).

## Special Objectives

*[Select/tick from the following as appropriate]*

- To achieve the RBA cash rate return each year. It is expected that the capital value of the Fund is preserved at all times, and to avoid negative returns.
- To obtain a rate of return exceeding CPI by \_\_\_\_% over a period of \_\_\_\_ years. It is expected that the fund may incur occasional negative returns in any one year.
- To obtain a rate of return exceeding the \_\_\_\_\_ (benchmark indices) by \_\_\_\_% over a period of \_\_\_\_ years. It is expected investment returns will fluctuate, with the likelihood of negative returns in any one year.
- To provide real long term (minimum of \_\_\_\_ years) capital growth of at least \_\_\_\_% compounded and a level of income no less than \_\_\_\_%. It is expected that the fund may incur occasional negative returns in any one year.
- Other - \_\_\_\_\_  
\_\_\_\_\_

## General Objectives

*[Select/tick from the following as appropriate]*

- To provide retirement benefit for the members. In the event of the members' death before retirement, to provide benefits for the dependants of the members.
- To ensure that sufficient assets will be available to meet benefit payments when those payments are due to be paid (solvency).
- To ensure that sufficient liquid assets will be available to meet benefit payments as and when those payment are due to be paid (liquidity).
- Other - \_\_\_\_\_  
\_\_\_\_\_

## Overall

- The members are close to retirement and expect the Fund to invest in risk averse investments to achieve capital preservation and avoid volatility in returns.
- The Fund has a relatively long-time horizon. The members are prepared to endure a reasonable level of volatility of returns in expectation of long-term growth.
- The composition of the members is diverse, and the collective risk tolerance indicates that there should be a balance of reasonable risk and volatility to achieve long term capital and income growth.
- The Fund is paying a pension income stream(s). Investments should be made in risk averse investments, which combine reasonable security of capital with the prospect of long-term growth, with the view to prolonging the duration of the pension payments.
- Other (please specify) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Statement on Risk:

*[Select/tick from the following as appropriate]*

- Investment risk is borne by the members, as fluctuation in investment returns will affect the level of the members' benefits on withdrawal.
- Other (please specify) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Diversification

*[Select/tick from the following as appropriate]*

- Diversification across currencies, economies and asset classes is achieved through a mix of international and Australian investments. The Trustee recognises that diversification can result in significant reduction to return volatility while maintaining the level of anticipated return.
- Diversification is achieved through a mix of Australian investments across a range of asset classes. The Trustee recognises that diversification can result in significant reduction to return volatility while maintaining the level of anticipated return.
- The funds are primarily invested in equities. The Trustee recognised the higher risk in investing predominately in only one asset class and the volatility associated with shares. The volatility will be compensated by the prospect of achieving high return and growth in the longer term. The shares are invested in different industries and sectors, which will spread risk to a satisfactory level.
- The Fund is invested in a Unit Trust and the underlying assets of the Trust are primarily invested in shares. The Trustee recognises that the Fund is subject to higher risk associated with investing with investing predominately in one asset class and the volatility associated with shares. The Trustee considers that the higher risk will be compensated by the prospect of achieving higher return and growth in the longer term. The shares are invested in different industries and sectors, which will spread risk to a satisfactory level.
- The funds are primarily invested in fixed interest securities and deposits. It is considered that investment in this asset class is suitable for the Fund's policy of maximising capital preservation and avoiding negative return.
- The Fund is invested in a Unit Trust and the underlying asset of the Unit Trust is an investment in a real property. The Trustee recognises that the Fund is subject to a high level of property specific risks. The Trustee considers that the real property is a secure investment with the prospect of long-term capital appreciation while generating steady income growth.
- The Fund is invested primarily in real property. The Trustee recognises that the Fund is subject to a high level property specific risks. The Trustee considers that real property is a secure investment with the prospect of long-term capital appreciation while generating steady income growth.
- Other (please specify) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## Indicative asset mix and asset class strategic ranges formulated

*[Enter percentages from 0 – 100% in the table below]*

An asset allocation ranges should be of sufficient scope to allow for normal market fluctuations, but not so wide to be ineffectual to use as a monitoring tool.

|                         |
|-------------------------|
| <b>Strategic Ranges</b> |
|-------------------------|

| Asset Class  | From % | To % | Benchmark % |
|--|--------|------|-------------|
| Australian Shares  | 10%    | 25%  | %           |
| Australian Fixed Interest (incl. deposits 12 months & over)    | %      | %    | %           |
| Cash (CMT, Deposits < 12 months, A/c balances)                 | 0%     | 15%  | %           |
| Direct Property  | 45%    | 65%  | %           |
| International Shares   | 5%     | 25%  | %           |
| International Fixed Interest (incl. deposits 12 months & over) | 0%     | 5%   | %           |
| Listed Property  | 0%     | 10%  | %           |
| Mortgages  | %      | %    | %           |
| Other  | 0%     | 5%   | %           |
|  |        |      | <b>100%</b> |

## Liquidity

### Statement on Liquidity

*[Select/tick from the following as appropriate]*

- There is no anticipated benefit payment in the next \_\_\_\_\_ years. Surplus cash (above anticipated liquidity requirements) will be invested in accordance with the Fund's Investment Strategy.
- A lump sum benefit payment will be made. The Trustee will monitor the liquidity position to ensure that there will be sufficient liquid assets to meet the benefit payments as and when they fall due.
- Members are drawing pension payments at least annually. The Trustee will monitor the liquidity position to ensure that there will be sufficient liquid assets to meet the benefit payments as and when they fall due.
- The fund has entered into a Limited Recourse Borrowing Arrangement (LRBA). The Trustee will monitor the liquidity position to ensure that there will be sufficient liquid assets to meet loan repayments in accordance with the terms and conditions of the lender.
- Other (please specify) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Ability of Fund to discharge existing and prospective liabilities

*[Select/tick from the following as appropriate]*

- Sufficient cash flow will be maintained to discharge administration expenses, borrowing costs (where applicable) and other outgoings. The Fund is an accumulation fund and the members are entitled to the accumulation of contributions and earnings in the members' account on withdrawal. The Fund will be able to meet its obligations to the members and other parties at all times.
- Other (please specify) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

## Insurance considerations

A Trustee is required to give consideration whether they should hold a contract of insurance that provides insurance cover to one or more members of the Fund as required under the investment strategy requirements within the superannuation laws. Insurance considerations may include life insurance, total and permanent disablement, salary continuance or can extend to other general insurances to protect fund assets or reduce any liability exposure of the Fund.

- The trustee considers that a contract of insurance is appropriate for one or more members.

| Policy Holder | Insurance Type | Level of Cover | Comments |
|---------------|----------------|----------------|----------|
|               |                |                |          |
|               |                |                |          |
|               |                |                |          |

- The Trustees are satisfied that the member(s) have appropriate levels of insurance outside of the Fund.
- The Trustees have considered a contract of insurance for the fund members and are satisfied that they are at a stage in life where insurance is not required or is inappropriate.
- Member circumstances prohibit the ability to obtain a necessary contract of insurance.
- Other (please specify) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

## Derivative Risk Statement (DRS)

*[Select/tick from the following as appropriate]*

The Fund does not have derivatives.

The Fund does invest in derivatives.

- Trust Deed clause or rule allowing derivatives investments: \_\_\_\_\_

**If the fund wishes to invest in derivatives, then the Trustees are required by Regulation 13.15A of the SIS Regulations to prepare a Derivative Risk Statement (DRS). Derivatives include (but are not limited to) call/put options, CFDs and instalment warrants.**

**A DRS must contain –**

- **Policies for the use of derivatives that include an analysis of the risks associated with the use of derivatives within the Investment Strategy**
- **Restrictions and controls on the use of derivatives that take into consideration the expertise of the trustees and any appointment Investment Manager**
- **Compliance processes to ensure that the controls are effective**

If the Fund is required to complete a Derivative Risk Statement, this document should be prepared in conjunction with the Investment Strategy Report.

## Reserves Management Strategy

The covenants in the Superannuation Industry (Supervision) Act 1993 (SISA) require a trustee of a SMSF that has reserves “to formulate and give effect to a strategy for their prudential management, consistent with the entity’s Investment Strategy and its capacity to discharge its liabilities (whether actual or contingent) as and when they fall due”.

The Fund does operate reserves.

Type of Reserves operated by fund (if any):

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- Trust Deed clause or rule allowing for use of reserves: \_\_\_\_\_

*(Include some detail on types of reserves being used and comments on their prudential management)*

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This Investment Strategy supersedes all previous Investment Strategies.


The Trustees commit to manage the Fund's investments in line with this Investment Strategy.

The Trustees commit to arranging insurance cover for one or more fund members as deemed necessary.

Signed as a true and correct records in accordance with the resolution of the Trustee by:

Signature:  Date: 9-5-23

Name: Brian Pilbeam

Signature:  Date: 9/5/23

Name: Debra Thomson