

SMSF investment strategy

Investment strategy for the Col Sheppard Superannuation Fund

Adopted by the Trustees on

29/7/2021
Date

Introduction

The purpose of this statement is to document the investment objectives and strategy formulated by the Trustees of the Col Sheppard Superannuation Fund ('the Fund') in relation to the investment of the assets of the Fund.

1. Fund overview

1.1. Fund details

The Col Sheppard Superannuation Fund will be maintained for the sole purpose of providing retirement benefits to members and death benefits to their beneficiaries in accordance with section 62 of the SIS Act.

The membership profile of the Fund is as follows:

Member name	Age	Retirement age	Accumulation / Pension phase balance
Garry Robert Sheppard	51	70	Nil
Colin Edward Sheppard	79	Retired	Accumulation 77.01% Pension 22.99%

1.2. Fund trustee

The trustees of the Fund are:

Trustees	
	Garry Robert Sheppard
	Colin Edward Sheppard

2. Investment objectives

2.1. General objectives

The Trustees of the Fund have the following general objectives:

- Ensure the Funds' assets are at all times invested in accordance with the trust deed and comply with the applicable legislative / regulative requirements.
- Consider the levels of diversification achieved within the Fund's portfolio, and assess the associated risks where it is determined that the portfolio lacks diversification and / or has elected to implement a sector bias.
- Consider the Fund's liquidity levels and its ability to meet payments and liabilities as they fall due.
- Consider whether the Fund should hold a contract of insurance that provides insurance cover for one or more members of the fund.

2.2. Specific objectives – investment

The Trustees of the Fund have the following investment objective:

- To establish and maintain an investment portfolio that will allow the members to generate sufficient benefits so as to provide for their retirement.

- The Trustees expect that returns will vary each year and acknowledge that there may be years when a negative return may occur.
- The Trustees may implement a gearing strategy to grow capital over the long term, provided the borrowing arrangement is carried out in accordance with the requirements set out in the trust deed and superannuation law.

Having considered the specific liabilities on the Fund in relation to the members, the trustee has determined to adopt the following investment objective for the Fund:

3. Investment strategy

In relation to liquidity, the Trustees have appropriately considered the age of the members and the likelihood that assets may need to be redeemed and considered what proportion, if any, of the Fund's assets need to be held in highly liquid assets.

3.1. Asset allocation

The strategic asset allocation ranges (benchmark range) that the Fund's sector exposures will be maintained within and the benchmark allocation for the Fund are as follows:

Asset class	Benchmark allocation	Benchmark range
Australian property (%)	5%	0%-50%
Australian equity (%)	16%	0%-26%
Alternatives (%)	0%	0%-10%
International equity (%)	24%	0%-35%
International property (%)	5%	0%-15%
Direct property (%)	0%	0%-90%
Cash (%)	15%	0%-100%
International Cash (%)	0%	0%-10%
Other allowable investments (%)	0%	0%-10%
International fixed interest (%)	17.50%	0%-45%
Australian fixed interest (%)	17.50%	0%-45%
Total	100%	

3.2. Review

The appropriateness of this investment strategy will be formally assessed at least once a year and will be kept under constant review to reflect any fundamental changes in the investment environment or changes to member's circumstances.

The Trustees may rely on a professional adviser for advice on insurance and investment-related matters including the management of the Fund's assets.

4. Reserves

The Trustees, subject to any restrictions in the trust deed, may maintain a reserve for the purpose of smoothing investment returns credited to member, the payment of the Fund's expenses, or as determined by the actuary in relation to defined benefit pensions provided by the Fund. The assets backing the reserve will be invested in accordance with the investment objectives and strategy as other assets of the Fund.

5. Monitoring

The Trustees shall monitor the overall performance of the Fund's investments in relation to the investment objective on at least an annual basis. As necessary, the Fund's investments will be rebalanced in accordance with the benchmark asset allocation.

If, as a consequence of a change in market values, the value of an asset class has ceased to conform to the strategic asset allocation ranges specified for that asset class, then the asset class shall nevertheless be treated as complying with this investment strategy if either:

- at its first meeting after learning that the asset or asset class is outside strategic asset allocation ranges, the Trustee determines that the value of the asset class is acceptable;
- steps are taken to re-balance in accordance with the strategic asset allocation ranges within a reasonable time.

The trustees shall monitor the overall appropriateness of the Fund's insurances in relation to the insurance objectives on at least an annual basis. The trustees will adjust the types and levels of insurances required, as when necessary.

6. Insurances

The Trustees will consider whether to hold a contract of insurance that provides insurance cover for one or more members of the Fund. When determining the insurance needs of each member the trustee will take into consideration their personal circumstances including:

- their existing insurance arrangements both inside and outside the Fund
- their income as well as their assets and liabilities
- what impact the death or disability of the member would have on their own / their beneficiaries standard of living and their ability to fund ongoing expenses as well as pay any associated medical bills and care costs
- the affordability of the cover having regard to the member's retirement savings and other financial goals.
- the availability of the cover given the member's personal circumstances.

6.1. Insurance decisions

The Trustees decisions in relation to the need to hold insurances, including the type and level of insurance to be acquired, will be documented in the minutes of Trustees meetings.


6.2. Review of insurance requirements

The Trustees will review the need to hold insurances for members as well as the type and level of insurance required on a regular basis. Any decisions to change the Fund's insurance arrangements will be recorded in the minutes of Trustee meetings.

Trustee declaration

I declare that:

- All the information provided to my adviser in this document is true, current and correct.



Garry Robert Sheppard as trustee for
Col Sheppard Superannuation Fund

29/7/2021
Date



Colin Edward Sheppard as trustee for
Col Sheppard Superannuation Fund

29-7-2021
Date

Risk and return

Understanding the basics.

When deciding which investments are right for you, it is important to understand the trade-off between risk and return and how to manage investment risk. A risk profile can help identify the type and mix of investments that will best help you achieve your financial and lifestyle goals.

Snapshot

- Understanding risk will help you make the right investment decisions to suit your situation.
- Getting to know your tolerance for risk can help reduce anxiety when investing, especially for first timers.
- Your Planner can help you complete a risk profile and advise on the best investment strategy for your needs to help you reach your goals faster.

What is risk?

Investors face many different kinds of risk. One of the most common is the variability of returns. If returns don't meet expectations, investors may not be able to meet their goals or fund their ideal lifestyle.

All investments carry some risk due to factors such as inflation, taxation, an economic downturn or a drop in a particular market. Even if you choose an investment traditionally considered 'safe', such as cash, there is still a risk of inflation eroding the value of your capital or falling interest rates reducing the level of your return. For more information about the different types of risk investors face, see the table overleaf.

Understanding risk vs return

The level of risk an investor takes relative to the investment return they expect to receive is sometimes known as the risk to return ratio. As a general rule, the larger the potential investment return, the higher the investment risk and the longer you need to remain invested to reduce that risk.

Managing investment risk

The amount of risk involved with an investment can be managed by matching it appropriately with the length of time you have available to invest and your tolerance towards fluctuations in returns.

For example, if you are saving for a house deposit and have only 12 months to go before you reach your goal, you would probably be unwilling to risk losing any of that money. If so, it would make sense to avoid growth investments and consider defensive investments like cash accounts or term deposits instead.

However, if you're investing your superannuation and you're not retiring for 15 years, you could ride out any short term losses in growth markets to achieve potentially higher returns over time.

Calculating your tolerance for investment risk

When selecting your investments, along with considering your investment time frame, it's also important to reflect on your personal tolerance level for investment risk. You need to make sure you feel comfortable with the amount of risk you're taking on and the potential consequences of your investment decisions.

Some people can remain relaxed while their account balance fluctuates, while others become nervous if their account shows even a small drop in value. If you're going to lie awake at night worrying about your investments, no matter what returns you earn, they're not likely to be worth the personal cost.

Several factors will affect your tolerance for investment risk:

- your reasons for investing
- your performance expectations
- how long you intend to invest (investment time frame)
- your knowledge of investment markets and past experiences

- how you feel about sudden increases and decreases in the value of your investments.

Keep in mind that your tolerance for investment risk may change as you gain investing experience and confidence. If you feel that the investments in your portfolio don't match your risk tolerance or financial goals, it's important to talk to your financial adviser. They can help rebalance your portfolio to suit your appetite for risk, investment time frame and current financial situation.

Investment risks

It is important to understand the different kinds of risk that may affect your investments. The table below summarises some of the common types of risk.

Ways your Planner can help

- Your Planner provides professional financial advice for your super and investments.
- They have the knowledge and experience to match your risk profile with your investment strategy, to help you try and achieve the returns you need and make the process of investing easier.
- They keep track of the latest changes in laws and regulations on tax and super to save you time and help optimise your returns. Your Planner can also review your situation and make recommendations as your circumstances and appetite for risk change.
- You should periodically review your financial plan to ensure it continues to meet your needs and objectives. You should contact us for a review of your financial plan as you move through key life events and transition through life stages, or if you have any concerns about changes in legislation, products and services. A change in key life events and life stages can include, but is not limited to; starting a family, starting a new job, separation and divorce, or retirement. Not periodically reviewing your financial plan could have an impact on meeting your needs and objectives.

Types of risks:

Market risk	The possibility that market movements could cause the value of your investment to fall in value.
Investment risk	The risk that the investment(s) you have selected do not deliver the expected returns. This may impact your ability to achieve your financial goals within the required time frame.
Regulatory risk	The risk that changes in rules, legislation or government policy could have an impact on your financial strategy.
Inflation risk	The possibility that your investment delivers returns below the inflation rate, which would erode the purchasing power of your money over time.
Interest rate risk	The risk that an increase or decrease in interest rates could adversely affect your investments.
Liquidity risk	The risk that you are unable to readily access your funds because they are invested in illiquid (difficult to sell quickly) assets.
Credit risk	The risk that a borrower may default on their repayments.
Timing risk	The risk that the time you choose to enter or exit the market may not deliver the best results for your investment goals.
Concentration risk	The risk that if you have placed all your investment capital into one asset class (e.g. Australian shares), a fall in that market will adversely affect all your capital.
Currency risk	The possibility that investments held in other countries may rise or fall in value due to changes in the value of international or domestic currency.

Speak to us for more information

If you would like to know more about risk and return, talk to a Planner. They can give you more detailed information on the best approach for your situation.