**DEVELOPMENT OF INVESTMENT STRATEGY**

**CRAIG ROSS SUPERANNUATION FUND**

In the development and implementation of an investment strategy, the Trustees consider it is appropriate to adopt the following procedure:

1 Develop an investment policy;

2 Develop investment objectives;

3 Develop an investment strategy;

4 Implement that investment strategy; and

5 Review the investment strategy.

**1 Investment Policy**

i The fund will seek to control investment risk by ensuring appropriate diversification through the use of targeted ranges for individual asset classes.

ii The fund will aim to achieve an investment return sufficient to comfortably secure members’ benefits and meet their expectations in the medium to long term.

In developing the investment policy, objectives and strategy the following points were considered by the Trustees:

* The Trustees considered the profile of the fund members and the benefit design of the fund. This enabled the Trustees to ascertain the fund's cash flow requirements, in general terms, and its risk profile.
* The fund is an accumulation fund with retirement benefits linked to the contributions made by the member and/or the employer and directly influenced by the investment returns earned by the fund. As a consequence, the risks and rewards associated with investments are borne by the fund members*.*
* Members generally have different investment return expectations and, therefore, the Trustees were careful to take this into account in deciding on the investment structure of the fund.
* The Trustees are aware that investment returns are generally influenced by economic and financial factors which are unpredictable. Therefore, investments in any form will entail a certain degree of risk reflecting the uncertainty of future returns.

Without the benefit of perfect foresight, the uncertainties in future returns can never

be completely eliminated. The risks however, can be significantly reduced if the

investments are spread across various assets.

Diversification can be achieved in various ways:

. investing in different asset classes as opposed to one single type of asset;

. investing in a spread of investments within each asset class;

. investing in different countries;

. gradually building up an exposure to any investment instead of making one large investment;

. using more than one investment manager.

Assets with completely opposite return characteristics provide the best

diversification. In practice however, no two assets will behave in exactly the

opposite manner. In forming a portfolio therefore, assets with differing patterns of

returns should be selected.

The Trustees were also aware that at some stage it may be appropriate to invest a

significant part of the portfolio in a particular asset class (eg property) given the

inherent nature of this asset. This would need to be done bearing in mind the lack

of diversification involved in the short term and cognisant of the risks associated.

* In relation to equities, the Trustees acknowledge that portfolios with higher equity weightings cannot be expected to produce higher returns than more conservative portfolios over all time periods. There will certainly be some periods, even quite long ones, when the reverse is true. Nevertheless, it is reasonable to plan on the basis that, over the long term, a portfolio with a higher weighting to shares and property will provide a higher long term return but will also produce the occasional year(s) of very low and even negative returns.

**2 Objectives and Benchmarks**

Given the review of the above factors, the Trustees consider it appropriate to adopt an objective which is set out in an Appendix to this document. This objective is to be measured:

a By comparison to the cash return which is the published return on average of the cash management trusts

b After adjusting for tax by a reduction of 15% on the amount in (a) above;

c Annually as at 30 June each year.

**3 Investment Strategy**

The proposed strategic asset allocation to achieve this investment objective is set out in an Appendixto this document.

The Trustees develop an appropriate recommended asset allocation on the basis of predicted returns of the various asset classes over a five year period. Those asset allocations are re-weighted from time to time, based on the view of the various markets.

**4 Implementation of Investment Strategy**

Details of how the Trustees will implement the fund’s investment strategy are set out in an Appendix to this document.

**5** **Review of Investment Strategy**

A review of investment performance and the circumstances of the fund and its members will be made at least annually. This review will assist the Trustees in determining whether any changes to the investment strategy are necessary.

**APPENDIX A**

**CRAIG ROSS SUPERANNUATION FUND**

**Investment Objective**

The investment objective is to achieve a return of cash plus 4% per annum.

**Implementation of Investment Strategy**

The Trustees will implement the fund's investment strategy by investing in a mix of cash, fixed interest, Australian shares, Australian property, international shares and international property with the objective of achieving the overall asset allocation identified below.

**Target Asset Allocation**

|  |  |
| --- | --- |
|  |  |
|  | % |
| Australian Shares | 50 - 80 |
|  |  |
| International Shares | 0 - 20 |
|  |  |
| Property | 0 - 10 |
|  |  |
| Fixed Interest | 0 - 20 |
|  |  |
| Cash | Balance |