



## investment strategy

This document sets out the investment strategy for Cundy Superannuation Fund. Here after, Cundy Superannuation Fund will be referred to as 'the Fund'.

### Objectives of the Fund

- |  |   |
|--|---|
| <b>Primary objective</b>                         | <ul style="list-style-type: none"><li>• To provide benefits for members of the Fund at retirement, in the event of death or disablement, or as otherwise allowed under superannuation legislation.</li></ul>  |
| <b>Maximise returns</b>                          | <ul style="list-style-type: none"><li>• Investing in a way to maximise member returns taking into account the risks associated with investing.</li></ul>  |
| <b>Diversify investments</b>                     | <ul style="list-style-type: none"><li>• Consider the benefits of investing across a number of asset classes.</li></ul>  |
| <b>Trust deed &amp; legislative requirements</b> | <ul style="list-style-type: none"><li>• The Trustees will ensure all investments are allowed under the Fund's Trust Deed, and are made for the sole purpose of providing benefits to members and their dependents.</li><li>• The Trustees will ensure all investments are permitted by the legislative requirements applicable to complying superannuation funds.</li></ul> |
| <b>Liquidity</b>                                 | <ul style="list-style-type: none"><li>• Ensure the Fund is able to pay benefits as members retire and pay other costs incurred by the Fund.</li></ul>   |
| <b>Insurance</b>                                 | <ul style="list-style-type: none"><li>• The trustees will consider holding insurance on behalf of the members.</li></ul>  |

### Type of investment strategy

- |                                   |  |
|-----------------------------------|--|
| <b>Pooled investment strategy</b> | <p>A single strategy, that combines all the member's needs, will be used when investing the money in the Fund.</p> <p>This is known as a pooled investment strategy.</p>                           |
| <b>Reserves</b>                   | <ul style="list-style-type: none"><li>• The Fund does not operate reserves.</li><li>• If reserves are established in the future, a separate reserving strategy will need to be prepared.</li></ul> |

## Asset allocation

### Target allocation

- The Fund's investments will be spread across various asset types. The table below details the target percentage allocation the Trustees will aim to maintain.

### Ranges

- There may be times when it is appropriate to hold more or less than the target allocation. The table below specifies the percentage ranges that the Trustees will remain within during these times.

Asset allocation (Pooled investment strategy)			
Asset class	Target asset allocation	Lower range	Upper range
Cash	5	0	100
Australian fixed Interest	5	0	20
International fixed Interest	5	0	20
Australian shares	40	0	90
International shares	35	0	50
Property	10	0	25
Other	0	0	15
Total	100%		

## Return objectives

### Fund performance

By adhering to the investment ranges listed above, the Fund aims to achieve an investment return (net of tax and charges) that exceeds CPI + 4.0% when measured over a rolling 6 year period.

The expected return range for this investment strategy is between -3.8% to 20.3%, in any given year.

## Cash flow, liquidity and liabilities

### Cash flow

Adequate funds will be held in cash to provide for the expected cash flow requirements of the Fund.

### Short term liabilities

The allocation to cash will enable the Fund to meet short term liabilities including, tax liabilities, annual return fees, accounting fees, audit fees and other operation expenses of the Fund.

### Future liabilities

When determining an appropriate level of cash to maintain, the Trustees will take into account the age of the members and their likely retirement dates.

How the member intends to receive their benefits (as a lump sum or pension) will also be taken into account.

**Investment opportunities**

Additional funds may be retained in cash to take advantage of investment opportunities as they arise.

**Membership changes**

The number of fund members is not expected to fall in the short-term. If, however, a membership is terminated, the Fund can choose to liquidate assets if necessary or pay benefits 'in specie', if allowable by the governing rules.

**Asset management**

**Permitted investments**

The Fund may invest directly in an asset or via any other investment vehicle such as a managed fund, unit trust, master trust or wrap account.

**Who benefits from the Fund's assets**

The Trustees will only undertake investment activity if it is within legislative requirements and the fund's investment strategy is in the best interest of all Fund members.

**Direct property considerations**

Prior to acquiring or disposing of any direct property investment the Trustee will consult a suitably qualified professional to ensure that the price of the property reflects true market value and constitutes a prudent investment/disposal on an arm's length basis.

In obtaining a tenant (if any) for a property, the Trustees will only enter into a lease with a Fund member, employer sponsor or their Part 8 Associates under SIS if it meets legislative requirements.

If this occurs, a written lease agreement will be made and the transaction will be of an arm's length nature.

In determining the proportion of the Fund assets to be invested directly in property, the Trustee shall take into account the liability profile and liquidity requirements of the Fund.

**Share considerations**

Prior to acquiring (or disposing) of any shares in companies, the Trustee will consider the diversification of shareholding across different market sectors/industries and the liquidity requirements of the Fund.

The trustee may also seek professional advice in relation to expected capital growth and dividend income.

**Fixed interest considerations**

Prior to investing in any fixed interest investments, the Trustees will consider the period of investment, the security offered, the accessibility of funds, the return, and the impact of any interest rate changes.

**Cash considerations**

Prior to making any cash investments, the Trustees will consider the rate of return and security of such investment against the expected rate of return offered by alternative investments.

<b>Managed investments considerations</b>	<p>Prior to acquiring (or disposing) of any managed funds, the Trustee will consider the diversification of assets across different asset sectors (cash, fixed interest, property, shares) and the liquidity requirements of the Fund.</p> <p>The Trustee may also seek professional advice in relation to expected capital growth and income.</p>
<b>Borrowing</b>	<p>The Trustees may borrow for investment purposes provided that the Fund ensures that it meets the superannuation regulations as applicable at the time of borrowing and on an ongoing basis.</p> <p>The Trustees will ensure that they have a plan for meeting any potential future liabilities or obligations in relation to the borrowing.</p> <p>While the Trustees will require cash flow from the asset(s) to assist in meeting debt commitments it is recognised that income received by the Fund may be insufficient to meet interest expenses incurred by the Fund. Any shortfall will be met by other Fund income or cash reserves and may also be met by way of contributions made to the Fund.</p> <p>In order to manage the additional risk to the Fund the Trustees will ensure that the level of borrowing will not exceed 80% of the value of the asset being acquired and not greater than 80% of the total value of the Fund assets.</p> <p>The Trustees will ensure that they have adequate cash flow to meet interest commitments for a period of 2 years without relying on the income generated from the asset which is encumbered. Alternatively, the structure of the arrangement is such that it is self financing and hence additional cash flow is not required.</p>
<b>Minimum holding periods</b>	<p>The volatility in the returns of growth assets means that it is ideal that they are held for a minimum of 5 – 7 years, whereas fixed interest investments generally need only be held for at least 2 –3 years and cash investments generally can be redeemed at any time.</p> <p>The Trustee will consider this before redeeming any investments to ensure any short-term fluctuations do not detrimentally affect the anticipated long-term returns of the Fund.</p>
<b>Tax resulting from asset disposals</b>	<p>Capital gains tax (CGT) is likely to be payable on the disposal of any investments that have increased in value since they were acquired.</p> <p>Before deciding to purchase or redeem any investments, the Trustees may seek advice regarding the taxation implications of any proposed transactions.</p>

**Review of investments**

To monitor the success of the investment strategy in achieving the investment objectives, the Trustees will:

Annually compare investment returns against the investment objectives of the Fund.

**Investment strategy review**

**Annual review**

The Investment Strategy will be reviewed annually to ensure it remains appropriate to the objectives, needs and circumstances of the Fund and its members.

Any changes to the Investment strategy will be communicated to the members in writing.

## Trustees minutes

### Re: Adoption of investment objectives and investment strategy

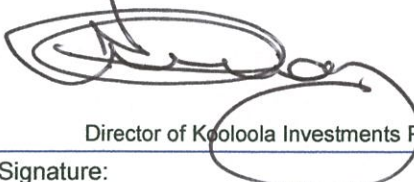

Investment strategy

The Fund has updated the investment strategy.

The Trustees agree  
with the Investment  
Strategy

The Trustees agree with the Investment Strategy dated 13 January, 2016.

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

Signature:  Neil Cundy Director of Kooloola Investments Pty Ltd ATF Cundy Superannuation Fund	Date: / /  22 / 2 / 2016
Signature:  Wendy Bruce Director of Kooloola Investments Pty Ltd ATF Cundy Superannuation Fund	Date: / /  22 / 2 / 2016