INVESTMENT STRATEGY
for
Taylormade4BG Super Pty Ltd
ATF Taylormade4BG Retirement Fund

Prepared by Trustees
Barbara G. Taylor and Graham T. Taylor

Dated: 30 October 2019

Reviewed 30 March 2020

G Taylor

With the bushfires during the 2019-20 Summer and the outbreak of COVID-19, the Trustees reviewed this Investment Strategy and decided to sell Sydney Airport and IAG, both of which would be negatively impacted by these events, and invest the proceeds from both sales in CBA.

BG Taylor

Overall Aim of Fund's Investment Strategy

The Trustees overall aim of the fund are in accordance with section 52(2)(f) of the Superannuation Industry (Supervision) Act 1993 ('SIS Act) and are as follows:

- Maximize member returns with regard to the risk associated in holding the investment;
- Achieve appropriate diversification by investing across a number of asset classes (eg. shares, property, cash and term deposits);
- Ensure the superannuation fund can pay benefits as well as other costs as they become due and payable.

The Trustees general investment intention is to achieve real SHORT to LONG term growth, while maintaining a low level of capital volatility.

To achieve this aim, the Trustees have determined the fund will have the ability to invest in the following areas:

- Equities and stocks including the participation in dividend reinvestment programs, rights issues and any other investments offered in this area.
- Property trusts and associated investments.
- Managed investments and associated products.
- Direct/real property.
- Cash/interest bearing securities.
- Any other investments legally able to be made.

It is noted that the Trustees may from time to time seek professional advice in the formulation of an investment strategy and the asset mix.

In determining this strategy, the Trustees have taken into consideration the fund's objectives and appropriate legislation ... AS WELL AS current personal assets of the sole member and her spouse (including an existing annuity, individually held share portfolios, real property and a Defence Force Retirement Pension).

Specific Objectives

The fund's investment strategy seeks to implement the following specific objectives:

- Achieve cash related returns subject to the requirement that the capital value of the Fund is preserved over rolling five-year periods to avoid negative returns over that timeframe.
- Achieve a long-term rate of return in excess of CPI. It is expected that year-on-year returns will vary considerably with a moderate probability of a negative return in any one year given ongoing uncertainty and volatility in global and local markets.
- To provide retirement benefits for the member. In the event of the member's death to provide benefits for the member's dependants.
- To ensure that sufficient liquid assets are available to meet benefit payments when those payments are due...**without the need for life insurance.**[1]

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[1] In accordance with current regulations, Trustees consider life insurance is not necessary as total assets are well in excess of liabilities.

Policies

The policies adopted by the Trustees to achieve these objectives are as follows:

- Regular monitoring of the performance of investments, rates of return, risk analysis and expected cash flow requirements.
- Balancing the asset portfolio as a reflection of market conditions.
- Monitoring the tax policies of both Federal Labor and Conservative Parties.

The Trustees will ensure investments continue to comply with the strategy, although they reserve the right to alter the strategy at any time.

Compliance

The Fund is a complying superannuation fund under Part IX of the Income Tax Assessment Act 1936 and Section 45 of the Superannuation Industry (Supervision) Act 1993.

Fund Profile

Fund benefit design:	Allocated Pension Fund
Fund structure:	Self Managed Superannuation Fund
Current size of the Fund:	$1,727,781.98 as at 30 June 2019 Pension portion $25,081 in Accumulation component
Annual pension drawdown this financial year:	$86,400.00 (5% of pension portion)
Percentage of unrestricted non-preserved benefits in Fund:	100%

Risk Tolerance

The Fund is paying an allocated pension. Investments should be made in risk adverse assets, which combine reasonable security of capital with the prospect of long-term growth, with the view to prolonging the duration of pension payments.

Statement on Risk

Investment risk is borne by the member, as fluctuation in investment returns will affect the level of member benefits.

Asset Mix

After due consideration of the level of risk, diversity, liquidity, the member's age and the ability of the fund to discharge its existing and prospective liabilities, the following asset mix is deemed to appropriate:

	Low %	High %		Low %	High %
Australian Equities	20%	95%	**Mortgages**	0%	15%
International Equities	5%	25%	**Direct/Real Property**	0%	40%
Cash/Term Deposits	3%	40%	**Listed Property**	5%	25%

Debt Securities/Bonds	0%	20%	**Unlisted Property**	5%	25%
International Fixed Interest	0%	20%			

Liquidity

Number of existing members	One
Time Horizon of Fund	2010 - 2035

Age distribution of members as at 30 October 2018

Number of Members	One
Age	69-74 years

Anticipated membership growth: Nil

Statement on Liquidity

- The Trustees 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.
- Pension payments are paid monthly. The difference between the total of monthly pension payments and the annual drawdown will be taken as a lump sum each financial year.
- Anticipated benefit payments as at 30 October 2019 are as follows:

Timeframe	Member's Age	Minimum drawdown
Dec 2013 – Nov 2021	66-74	5% of Fund's value as at 30 June each year
Dec 2022 +	75+	6% of Fund's value as at 30 June each year

Economic Overview

In October 2019, the International Monetary Fund (IMF) released its semi-annual World Economic Outlook forecasting Global growth at 3.0 percent, its lowest level since 2008–09 and a 0.3 percentage point downgrade from the April 2019 World Economic Outlook.[2]

In October 2019, the Reserve Bank of Australia released the following Minutes in relation to international economic conditions:

- Members noted heightened policy uncertainty was affecting international trade and business investment...apparent in a range of indicators, including new export orders and

[2] https://www.imf.org/en/Publications /WEO/Issues/2019//10/15/world-economic-outlook-october-2019

investment intentions. Conditions in the manufacturing sector remained subdued, partly because of ongoing US–China trade tensions. These tensions had led to a contraction in bilateral trade between the United States and China, which was resulting in diversion of some activity to other economies. Members noted that trade and technology disputes continued to pose significant downside risks to the global economic outlook.[3]

In relation to Domestic Economic Conditions, members noted:[4]

- The Australian economy had grown by 0.5 per cent in the June quarter. Year-ended growth had slowed to 1.4 per cent, the lowest outcome in a decade. Nevertheless, there had been a pick-up in quarterly GDP growth over the first half of 2019 compared with the second half of 2018...driven by stronger growth in exports, led by exports of resources and manufacturing goods. Members noted that export demand was being supported by the lower level of the Australian dollar. Public demand had also been growing strongly, partly because of spending on the National Disability Insurance Scheme. Members observed the drought had continued to affect the rural sector to a significant extent and that, as a result, farm output was expected to remain weak over the following year.

- Consistent with the ongoing low growth in household disposable income, household consumption had increased by only 1.4 per cent over the year to the end of June. Members noted that there had not yet been evidence of a pick-up in household spending following the recent reductions in the cash rate and receipt of the tax offset payments, although they acknowledged that it may be too early to expect any signs of a pick-up. Retail sales had remained subdued in July and car sales had decreased in August. Despite weak reported retail sales conditions generally, on a slightly more positive note some contacts in the Bank's liaison program had reported a mild pick-up in retail sales since July. Responses to consumer surveys in September had suggested that, on average, households planned to spend around half of their lump-sum tax payments, broadly in line with what had been assumed in the Bank's most recent forecasts.

- The residential construction sector had contracted further and this was expected to continue for some time (and) dwelling investment would decline further over coming quarters.

- Business investment had decreased a little in the June quarter, driven by a decline in non-residential construction outside the mining sector. Nevertheless, the outlook for non-mining business investment remained favourable, supported by investment in infrastructure. Mining investment had picked up largely as expected. Survey measures of business conditions had remained around average in August; members noted that conditions in retailing were reported to have been very weak, while conditions in the mining industry had remained well above average.

- Conditions in the labour market continued to be mixed. Employment growth in August had remained stronger than growth in the working-age population, and the employment-to-population ratio had reached its highest level since late 2008. Employment had increased by 2½ per cent over the preceding year, the third successive year of strong employment growth. The participation rate had also increased to another record high. Members noted that the strong demand for labour had been met by an equally strong increase in supply. The unemployment rate had been around 5¼ per cent since April and the underemployment rate had remained above its recent low point. Looking ahead, job vacancies and advertisements

3 https://www.rba.gov.au/monetary-policy/rba-board-minutes/01/10/2019-10-02.html
4 Ibid.

had declined, suggesting that employment growth would probably moderate over the subsequent few quarters. Members noted that the ongoing subdued growth in wages implied that there continued to be spare capacity in the labour market.

Diversification

The Trustees recognize that diversification is best achieved by investing in a mix of quality assets across a range of classes and companies including those operating in international markets. However, while diversification can reduce exposure to volatility and risk, it can also result in lower returns. Furthermore, there are only a certain number of quality Australian assets in the equities market. The strength of some lies in providing solid dividend income while others provide growth in the share price.

Current Objectives

- Given continuing low interest rates, investment in term deposits will remain at the lower end of the end of the asset mix at less than 3%. Subordinated and Capital Note type products or Options will remain an alternative, but need to be monitored given the impact of misconduct allegations across the banking and financial sectors.

- Investments in Australian equities will continue to dominant the Asset Mix over the 2019-20 financial year. However, as the Trustees recognize risks and volatility associated with this asset, the focus will be on the ASX Top 50 companies, and where possible the portfolio will include a range of industries and sectors. Opportunities will also be sort to sell shares that have a history of non-performance with a view to re-investing for capital gain to off-set the losses. The intention is to maximize income return to fund pension payments, while at the same time achieving capital growth in the longer term.

- The member and spouse will also continue to examine the spread of their joint investments within the broad context of asset allocation, bearing in mind that they carry no debt.

Ability of Fund to discharge existing and prospective liabilities

Sufficient cash flow will be maintained to discharge administration expenses and other outgoings including benefit payments. The Fund is structured as an account-based pension with a small accumulation component and the member is entitled to benefit payments in accordance with ATO drawdown requirements.

The continuation of franking credits is critical to building the income needed to fund the required minimum pension drawdown without having to sell assets within the super fund. The loss of franking credits would reduce life of that fund, given the minimum drawdown increases with age.

Cash Strategy

The Fund operates a Macquarie Bank Cash Management Account with a minimum balance (given low interest rates) equivalent to one year's drawdown plus operating expenses. In addition, the Fund also operates a Commonwealth Bank Investment Account which is linked to the Fund's CommSec Trading account. It also acts as a reserve for any share rights issues and the purchase of new shares

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Barbara G. Taylor Date: 30 October 2019

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Graham T. Taylor Date: 30 October 2019

Trustees Taylormade4BG Super Pty Ltd (ACN 145 377 206)

Barbara G. Taylor
U20709 Gallery House
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HAMILTON QLD 4007

30 March 2020

The Trustees
Taylormade4BG Retirement Fund
U20709 Gallery House
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HAMILTON QLD 4007

As at 30 June 2019, the balance held in the Pension Component of my self-managed super fund Taylormade4BG was $1,727,781 and the minimum drawdown for the 2018-19 financial year was $86,400.

Another $25,081 was held in the Accumulation Account. I hereby advise I have withdrawn an additional $21.800 from that account to meet costs associated with replacing my motor vehicle.

This is in-keeping with the constant review I undertake with my husband in terms of our joint assets and the fact we carry no debt.

Yours sincerely

Barbara Taylor

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Barbara Taylor