

JG & EJ Randell Family SMSF
Investment Strategy to apply from 1 July 2021

Investment Objective:

The Trustees of the Fund aim to:

1. Invest in such a way as to maximise member returns with regard to the risk associated in holding the investment;
2. Achieve appropriate diversification and the benefits of investing across a number of asset classes (for example, shares, property, fixed deposit) in a long-term investment strategy;
3. Ensure that the superannuation Fund can pay benefits as well as other costs of the superannuation Fund as they become due and payable.

The Trustees' general investment objective is to achieve real medium to longer term growth, while maintaining a low level of capital volatility.

To achieve this objective and to manage the risk and variability of returns over time, the Trustees have determined that the Fund will have the ability to spread investments across 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 thereof;
- Unlisted property investment;
- Cash and or interest-bearing securities; and
- Any other investments legally able to be made.

The Trustees determine the Fund may use various investment vehicles to implement its strategy. The use of the investment vehicles will be made at the discretion of the Trustees (subject to the requirements of the Fund's Trust Deed and the SIS Act) and may include managed investments (such as managed funds) or direct investments (such as listed securities or real property) or any other investment vehicle the Trustees believe will assist to meet the investment objectives.

It is noted that the Trustees may from time to time seek professional advice in the formulation of an investment strategy. In determining this strategy, the Trustees have taken into consideration the aspects of the investment in accordance with the Fund's objectives and appropriate legislation.

Policies:

The policies adopted by the Trustees to adhere to these objectives include:

- Regular monitoring of the performance of the Fund investments, rates of return, risk analysis and expected cash flow requirements;
- The Trustees recognise that members' benefits represent a liability of the Fund and they will endeavor to predict the level of benefit payments that will be required to be paid during the course of a financial year. It is noted that sufficient cash flow is available to meet expected benefit payments and expenses in the short to medium term and therefore there is no intention to avoid investments that require medium term time horizons;
- In determining the degree to which investments are adequately diversified across different classes of assets, the Trustees will consider the composition of the Fund's investments in conjunction with a member's other known assets where appropriate. Diversification may also be achieved within each asset class, for example, investing in commercial and residential property, domestic and foreign equities, and long and short-term fixed interest investments;
- Re-balancing the Fund's investment portfolio in response to proposed and actual legislative amendments which may impact on the Fund (such as changes to retirement income standards or tax arrangements) or changes to the economic climate and the status of specific investment markets.

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

Fund Background:

The following information is noted:

- The JG & EJ Randell Superannuation Fund was established in 1995 with Jeremy as the sole member.
- Erica became a member of the Fund effective 1 January 2006.
- During the 2020/21 financial year the fund will change its name to the JG & EJ Randell Family SMSF with a Corporate Trustee to replace the previous Individual Trustees.
- This will occur subsequent to a change in legislation allowing 6 fund members for a SMSF. Consequently, Jacob Randell and Sam Randell will become Directors and members of the fund during the 2021/21 financial year.
- Jeremy and Erica are both aged 67 years; have both retired and are drawing an annual pension from the Fund. This is their sole source of income.

The members have indicated that they would prefer a balanced portfolio of investments which should aim at producing an average investment return over a three to seven year time frame at least equivalent to 5% above the C.P.I. The return for 2020/21 was 26.67%. The 5 year return to 30 June 2021 was 12.2% per annum; the 10 year return to 30 June 2021 was 11.6% per annum; and the return for 26 years since Fund inception (in 1995) to 30 June 2021 was 10.8% per annum. In all years, the returns have been determined from the audited annual financial accounts prepared by Super Concepts and are after tax and all costs.

Asset Allocation:

The Fund value was \$3,969,214 at 30 June 2021.

After due consideration of the level of risk, diversity, liquidity, the ages of the members and the ability of the Fund to discharge the Fund's existing and prospective liabilities, the following indicative investment allocation is deemed appropriate:

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| • Cash | 10-25% |
| • Fixed Interest and Debt Securities | 0-20% |
| • Australian Equities (not including property) | 20-80% |
| • Global Equities | 10-35% |
| • Unlisted Property | 10-25% |

If the value of an asset class does not conform to the above indicative asset allocation ranges, 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 the indicative asset allocation ranges, the Trustees determine that the value of the asset class is acceptable; or
- Steps are taken to re-balance investments in accordance with the indicative asset allocation ranges within a reasonable time.

Investment Guidelines

1. A Fundamental strategy of the Fund shall be portfolio diversification with the assets spread over multiple industries and about 60 to 80 different equities (in addition to Corporate Bonds). The longer-term target is for a holding of 50% Listed Investment Companies, Trusts or Bonds within the range \$50 to \$70,000 each and 50% other equities within the range \$30 to \$50,000 each. Based on the average in each area, this would be $35 \times \$60,000 + 35 \times \$40,000 = \$3.5$ million. A core focus will be dividend yield noting that any initial investment in new equities will be dependent on the assessed risk exposure of that equity and its price. Listed Investment Companies and Trusts are specifically targeted for the immediate strong diversity which they offer.

2. In addition to direct share ownership, further diversification will be achieved through various holdings with Colonial First State. Specifically, CFS will be used to manage cash, fixed interest and global fund investments. However, the principal residence of Jeremy and Erica at 59 Waite Rd, Netherby is under mortgage and it is anticipated that over time the CFS holdings will be sold down to pay out the mortgage.
3. The benefit of purchasing into Unlisted Property Trusts has been tried over the last 10 years and has proved successful to date. These Funds are offering total returns in the range of 8 to 20% per annum including capital gains. They are Funds with a typical commitment period of 5 to 7 years with limited, or no, accessibility to the Funds during that period. The non-access timeframe presents no issue as the Fund invests with a long-term horizon.
4. The general philosophy for investment decisions will be that of “value investment” and regular investment alternatives will be assessed through subscription to “The Intelligent Investor”, daily reading of the “Financial Review” plus analysis of other regular online and magazine articles.

Review and Monitoring:

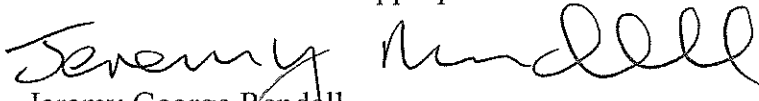
The Chairman of Trustees undertakes to monitor and review the Fund’s investment activities daily. The direct equities holdings are CHESS sponsored by Commonwealth Securities Limited (‘Commsec’). Share trading cash is held in a Commonwealth Direct Investment Account (CDIA) linked to the Commsec account. Dividends are paid into the CDIA account at the CBA.

The CFS investments will be monitored online using the CFS First Net website which offers daily investment balances (lagged by a couple of days). The Unlisted Property investments with Centuria and Charter Hall are available online and updated at least quarterly by the managers.

Subject to ongoing performance, the asset allocation investment strategy shall be re-assessed for suitability on an ongoing basis. A monthly spreadsheet statement of all investments will be maintained so that asset allocations against the targets can be reviewed on a monthly basis. The Trustees reserve the right to alter the asset allocation at any time.

Life Insurance:

Jeremy and Erica are both 67 and there is an adequate balance in the Fund to support retirement, so they have determined that there is no need to have life insurance. Sam and Jacob have appropriate insurances held outside the Fund.


Jeremy George Randall
Chairman of Trustees

1 September 2021