

# Grant Superannuation Fund

*Trustee – A&K Grant Pty Ltd*

## Investment Policy and Strategy

### 1 Investment Objectives

The investment strategy of the Fund is created in compliance with Subsection 52(2)(f) of the SIS Act to fulfill the principal objective of maximising Member returns, with specific regard to the following:

- The prudent management of risk in holding and realising investments, with consideration to the likely return, the Fund's objectives, and the expected cash flow requirements.
- Ensuring the composition of the Fund's investment portfolio is appropriately diversified through the application of exposure limits for individual asset classes.
- Ensuring there are sufficient assets providing an appropriate level of liquidity to meet benefit and liability payments as they fall due and in accordance with the Trust Deed.
- Maintaining sufficient cash flow to discharge administration expenses and other outgoings.
- Regular assessments of an opportune balance between short term returns and long term growth in excess of the CPI; tailored to Member's expectations and circumstances.
- Consideration given to the provision of insurance cover for one or more members of the Fund.
- Preserving the capital of the fund where possible through the investment cycle, particularly in regard to assets with moderate to high volatility.
- Provision of Member benefits in retirement.

### 2 Trustee Considerations

The investment strategy in fulfilling the objectives has been formed to reflect current market conditions and the requirements of the member/s, which were assessed on a number of factors including:

- the risk tolerance of members
- investment class preferences and diversification
- income and cash flow requirements
- wealth management requirements of members
- contributions made by members
- the time the members potentially have in retirement.
- market risk, legislative risk, liquidity risk, inflation risk.

### 3 Member Preferences and Risk

With the obligation to be prudent and exercise a degree of care, skill and diligence under the SIS Act, Trustees need to carefully consider the Fund's level of acceptable risk. The differing expectations and risk tolerance profiles of the Fund's Members can be assessed by the Trustee in determining the level of "aggression" they choose to adopt in the Fund's risk strategy. There is always a degree of uncertainty and risk inherent in each investment, exacerbated by unpredictable economic and financial factors to create variable returns. The resulting fluctuations in the return on investment (ROI) will affect the level of benefit on withdrawal, hence it is acknowledged that the associated risk and returns are ultimately borne by the Fund members. However these risks may be managed or reduced by spreading the investments across a range of assets to minimise the variability of investment return. This strategy is referred to as diversification.

### 4 Diversification

Diversification can be achieved by including assets with differing patterns of return in the Fund's portfolio, often through a mix of Australian and international investments and across different asset classes as opposed to a single asset type. Diversifying between asset classes will reduce concentration and under-performance risk. The size of the fund in terms of the dollar value held will also affect diversification decisions. Small funds have limited capacity to diversify, whilst high wealth funds may choose to afford a specialist investor in each diversified sector.

## 5 Asset Allocation

In assembling a portfolio of assets there are three broad types of investments to consider in line with the objectives and cash flow requirements of the Fund:

- **Defensive Assets:** eg cash and term deposits that are highly secure with a low risk of capital loss.
- **Moderately Defensive Assets:** eg Government bonds, investment grade corporate bonds & subordinated debt and mortgage trusts, have fixed income characteristics with added costs and varying degrees of risk.
- **Risk Assets (Growth):** eg Australian and International equities, property trusts, direct property, commodities, currencies, collectibles, and derivatives, which offer the highest potential for return yet involve the tradeoff of high volatility and the risk to capital loss.

It is important to consider that whilst growth assets are expected to yield a higher total return over the longer term than defensive assets, the associated volatility is higher, increasing the likelihood of a poor or negative return in the short term. Acquiring real estate through the Fund often involves borrowing through a limited recourse borrowing arrangement to fund the acquisition. It is important when considering a direct property investment to first assess the property and rental valuations to satisfy the price reflects true market value and constitutes a prudent investment on an arm's length basis. A number of factors need to be considered as the value of property often limits the liquidity of assets available and capacity to diversify.

## 6 Liquidity and cash flow requirements

A sufficient cash balance in the Fund's bank account needs to be maintained in order to meet its outgoings when they fall due. In addition, Trustees will ensure that the sufficient liquid assets are held, whereby they can easily be sold in the event of an obligation falling due or to meet unexpected cash flow requirements.

## 7 Ability of Fund to Meet its Obligations

All existing and prospective liabilities of the Fund will be met through maintaining sufficient cash flow to discharge administration expenses and other outgoings. The members are entitled to the accumulation of contributions and earnings in the members' account on withdrawal.

Depending on the phase each Member is in, prospective liabilities of the Fund may include:

- expenses that are paid on a semi regular basis;
- pension liabilities paid on a regular or irregular basis
- tax liabilities paid on an annual or instalment basis;
- death benefits from the unexpected death of a member where the death benefit nomination requires benefit payments to beneficiaries.

The Fund will be able to meet its obligations to the members at these times due to the composition and liquidity of its investments

## 8 Indicative Asset Allocation

It has been determined that the following spread of investments is appropriate for the Fund. The strategic ranges and associated target allocation can be reviewed regularly as circumstances change:

<b>Asset Class</b>	<b>Target Allocation %</b>	<b>Current Allocation %</b>	<b>Strategic Variation %</b>
<b>Cash &amp; Fixed Interest</b>	25	40	+/- 15
<b>Direct Shares incl options</b>	30	20	+/- 15
<b>Managed Funds incl. ETF's, LIC's &amp; mFunds</b>	40	34	+/- 15
<b>Domacom NDIS property</b>	5	6	+/- 6
<b>Cryptocurrencies</b>	0	0	n/a

The target allocation is the long term asset mix that the trustee will aim for. However, the Trustee may vary the investments of the fund within the Strategic Ranges without having to alter the investment strategy. It is also recognised that market fluctuations may sometimes require the asset allocation to exceed or fall below the stated percentages temporarily.

As the directors age, the Trustee is simplifying the management of the assets but also incorporating the Trustee's review of the performance of the various categories in the recent and current market conditions. ie

- historically three stock brokers have been utilized. This has been reduced to one with the transfer of holdings from Bell Direct (ASX listed) to CMC. The shares (ETF's) held via Six Park and brokered through OM have been transferred to CMC or sold.
- Retaining the investments in Domacom NDIS properties.
- Gradually selling down the direct shares purchased subsequent to recommendations from Fat Tail Investment Research and Motley Fool.
- Exiting cryptocurrency and transferring funds to cash with a view to cancelling the Swyftx account when EOFY accounting is complete.

## 9 Insurance for Members

The trustee has considered whether the Fund will hold a contract of insurance that provides insurance cover for its members.

Based on a needs analysis by the trustee, and taking into account insurance that is held outside of super and the ages of the member/s, the following was concluded:

Member	Insurance Type	Amount
1	n/a	Nil
2	n/a	Nil

## 10 Review

The Trustees may review this strategy as required. Regular reviews will be conducted annually to ensure compliance with relevant changes.

The current allocation reflects the current ASX and world-wide correction and the trustees gradual move to a more defensive position but a readiness to adjust to future market swings.

Signed by the Trustee's Directors:



A&K Grant Pty Ltd

Alan Douglas Grant

5 June 2023



A&K Grant Pty Ltd

Kathleen Anne Grant

5 June 2023