



Investment Strategy (Version 3.0)

C & K Stubbings Superannuation Fund (“the Fund”)

Background

1. The Trustee Body of the Fund has formulated this investment strategy in accordance with the Trustee Body's obligations pursuant to and in accordance with:
 - The governing rules of the Fund;
 - Section 52 of the *Superannuation Industry (Supervision) Act 1993*;
 - The operating standards under the *Superannuation Industry (Supervision) Act 1993* including Regulation 4.09 of the *Superannuation Industry (Supervision) Regulations 1994*; and
 - All relevant law being any legislation or common law that may expressly, or impliedly, apply to the operation of a self managed superannuation fund.
2. In formulating this investment strategy, the Trustee Body has had specific regard to the whole of the circumstances of the Fund including, but not limited to:
 - The risk involved in investing the Fund's assets and the likely return generated from those investments in light of the Fund's objectives and cash flow requirements;
 - The overall composition of the Fund's investments, including the degree to which the investments are diverse or involve the Fund being exposed to risks arising from inadequate diversification;
 - The liquidity of the Fund's investments having regard to its expected cash flow requirements;
 - The ability of the Fund to discharge its existing and prospective liabilities; and
 - Whether the Trustee Body should hold a contract of insurance that provides insurance cover with respect to one or more members of the Fund.

Investment objectives of the Fund

3. The investment objectives of the Fund are designed to align with, protect and enhance the core purposes of the Fund. The core purposes of the Fund are, at any point in time, one or more of the following:
 - The provision of old-age pensions and retirement income streams to members on retirement. To this end, a principal investment objective of the Fund is to achieve an investment return sufficient to fund and maintain each members' target pension or retirement income stream;
 - The provision of benefits for each member on, or after, retirement. To this end, a principal investment objective of the Fund for members who have not yet reached retirement is to maximise the investment returns of the Fund and grow the capital of the Fund to ensure that, upon retirement, there is adequate capital to achieve a sufficient return to maintain each members' target pension or retirement income stream; and



- The provision of death benefits in respect of each member of the Fund on, or after, the member's death. To this end, a principal objective of the Fund is to preserve the capital value of the Fund as much as is reasonably possible.
4. In addition to the principal investment objectives, this investment strategy is consistent with the investment objective of ensuring that the Fund is solvent with sufficient liquidity to meet benefit payments, liabilities and cash flow demands at all times.
 5. The investment objectives will be pursued at all times having regard to this investment strategy in its entirety and the whole of the circumstances of the Fund including, but not limited to, the age of the members of the Fund, the overall membership profile of the Fund, the liabilities of the Fund and the total size of the Fund.

Asset allocation and diversification

6. The Trustee Body is permitted to invest in all assets considered appropriate by the Trustee Body and that is permitted by the governing rules of the Fund and the relevant law, including but not limited to:
 - Australian and international equities, through listed securities traded on an exchange, unlisted trusts such as managed funds or private companies;
 - Residential and commercial property accessed via listed vehicles traded on an exchange, unlisted trusts or held as a direct interest;
 - High yielding securities such as bonds, subordinated notes, preference shares via listed securities or unlisted trusts such as managed funds;
and
 - Cash and Term Deposits.
7. The Trustee Body appreciates that asset allocation and asset diversification work in tandem to help manage the risks associated with the Fund's investments. The Trustee Body recognises that diversifying investments across a range of asset classes can assist in reducing return volatility.
8. The Trustee Body will monitor the Fund's investments to ensure that an appropriate level of diversification is achieved across asset classes.
9. The Trustee Body considers it unsuitable to specify a benchmark target exposure across specific asset classes but rather reserves the flexibility to rebalance exposure to specific asset classes having regard to the investment objectives of the Fund, changing market conditions, the relative level of risk associated with each individual asset class and the overall risk framework of this investment strategy.

Risk framework

10. The Trustee Body will consider the risks associated with potential and existing investments in light of the investment objectives of the Fund to ensure the risks remain within acceptable limits at all times.
11. The risks to be considered include, but are not limited to:
 - Market risk: the possibility of incurring loss due to a decline in the price of an investment;
 - Longevity risk: the possibility that members of the Fund will live longer than the Fund can provide retirement income or savings;



- Currency risk: the possibility that changes in the exchange rate between currencies will affect the value of foreign investments;
- Inflation risk: the possibility that the growth of an investment may not keep pace with the average rate of inflation; and
- Liquidity risk: the possibility that the Fund will have insufficient liquidity to meet liabilities as and when they fall due, resulting in a loss.

12. Acceptable risk limits will vary depending on the circumstances of the Fund and members' proximity to retirement. The Trustee Body will manage risks within acceptable limits using a number of measures including, but not limited to:
- Diversifying assets across a range of asset classes except where the asset class is cash and the Trustee Body deems it prudent to concentrate investments of the Fund in the cash asset class given higher risk in other asset classes;
 - Considering an investment approach that is more closely aligned with a moderate-to-higher tolerance to capital volatility and a growth-based asset allocation, the further the Fund members' proximity to retirement and considering the Fund members' overall position in the life cycle; and
 - Undertaking research into the performance of asset classes and/or specific investments, which may include engaging a professional investment advisory service for strategic investment advice, prior to making investment decisions.

Liquidity of the Fund

13. The Trustee Body will ensure that, at all times, the Fund has sufficient liquidity to discharge all current and, as far as is reasonably possible, all prospective liabilities and outgoings as and when they fall due. Liabilities and outgoings include, but are not limited to, payment of member benefit entitlements, taxation liabilities and administration expenses of the Fund.

Ability to borrow money to invest

14. Where permitted by law, the Trustee Body may borrow money in order to make permitted investments. Without limiting the class of permitted investments, such investments may include residential and commercial real property and company securities.

Insurance

15. The Trustee Body will undertake an insurance needs analysis by giving consideration to the relevant law, the individual circumstances of each member of the Fund and the overall risk framework of this investment strategy to determine whether the Trustee Body should hold a contract of insurance that provides insurance cover with respect to one or more members of the Fund.
16. The insurance cover to be considered by the Trustee Body in respect of each member of the Fund includes, but is not limited to, Life Insurance, Total Permanent Disability Insurance and Income Protection Insurance.



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Regular reviews

17. The Trustee Body shall regularly discuss the investments of the Fund to ensure all investment activity is in accordance with this investment strategy.
18. The Trustee Body shall from time to time, but no less than once per annum, undertake a formal review of this investment strategy in light of the whole of the circumstances of the Fund.

SIGNED this 3rd day of February in the year 2014 by:

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Carl Stephen Stubbings

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Kim Maree Stubbings