

Investment Strategy

C Gibb Retirement Fund

Date of Ratification: 17 February 2015

Background:

The investment strategy, effective as at 1 July 2013, outlined below represents an expansion and clarification of the Investment Strategy agreed at the formation of C Gibb Retirement Fund. This Investment Strategy is the first Investment Strategy documented.

Objectives:

The objective of the fund is to:

- Provide superannuation benefits to the member to meet her retirement needs.
- Ensure that appropriate mixes of investments are held by the fund to support these needs.
- Ensure the fund has sufficient liquidity at all times to meet all commitments.
- Maximise the tax effectiveness of fund investments.

The Investment objective of the trustee is to aim to achieve the medium term growth. In recognition of the approximate 6-9 year investment time frame of member the fund will have a balanced portfolio of growth and defensive assets.

Investment Choice:

The Trustee has determined the fund's investment may include but not be limited to all or one of the following:

- Direct equities and stocks including the participation in dividend reinvestment programs, rights issues and the like.
- Property trusts and associated investments.
- Managed investments and associated products.
- Direct residential property investment including geared property investments purchased using allowable limited recourse borrowing arrangements.
- Bank and other financial institution securities including Offset Accounts, Term Deposits, Debentures, Secured and Unsecured Notes and Bonds.
- Any other investment that the trustee may feel prudent to achieve the objective of the fund.

The Trustee may from time to time decide to seek professional advice from Accountants, Solicitors or Financial Planners in the formulation of their investment strategy.

In formulation of this strategy the trustee has taken into consideration relevant features of the various investments in accordance with both the fund's objectives, appropriate legislation, and

- the risks involved in making each investment;
- the likely return from making each investment;
- the range and diversity of investments;
- any risks coming from limited diversification;
- the liquidity of the fund's investments;
- expected cash flow requirements; and
- The risks associated with investments purchased via limited recourse borrowing arrangements, including future repayments and debt obligations.

Policies:

The policies adopted by the Trustee in order to achieve these objectives are:

- Regular monitoring of the performance of the fund investments, to oversee the overall investment mix and the expected cash flow requirements of the fund.
- Balancing the fund's investment portfolio due to changes in market conditions, including consideration of sales and purchases of investments.

A copy of the current investment strategy of the fund will be made available to member of the fund.

Risk profile and risk tolerance:

The Fund has a relatively short to medium time horizon until retirement. The member is prepared to endure the risk of short to medium term volatility in expectation of achieving a combination of income and growth from the investment portfolio. The member has existing equity and property investments outside superannuation and is familiar with the variability of both returns and capital values which are associated with such investments.

Member understands:

- The trade-off between investment risk and long term capital and income growth and has indicated growth is a priority rather than capital stability.
- Limited recourse borrowing arrangements can magnify the risks associated with the underlying asset, including loss of income and capital value.
- Investment risk is borne by the member, as fluctuation in investment returns will affect the level of the member's benefits on withdrawal.

Limited Recourse Borrowing Arrangements:

The Trustee has elected to purchase a direct residential property using a limited recourse borrowing arrangement together with the use of an offset account against the Limited Recourse Borrowing Account. Super contributions will be deposited into the offset account to reduce the interest charged on the loan.

Liquidity:

The Member of the C Gibb Retirement Fund is aged 56 and has significant assets outside of superannuation. At the present time she does not expect to access her superannuation prior to age 60. Accordingly there is no anticipated benefit payment in the next few years. Cash in excess of anticipated liquidity requirement will be invested in accordance with the Fund's investment strategy.

Insurance:

The Trustee of the C Gibb Retirement Fund has considered whether the Fund will hold a contract of insurance that provides insurance cover for its member.

Based on a needs analysis by the Trustee,

- The member has significant assets outside of the Fund to dispose of if it is required.
- The member holds a reasonable level of Life/TPD/Trauma insurance outside of the Fund.
- The member does not have any financial dependents.

Therefore it is concluded that the Fund will not take up insurance cover for its member until its next review.

This decision will be reviewed annually as part of the investment strategy.

Asset Allocation:

The targeted asset allocation will recognise the need to have a diversified asset mix, however, given the medium term investment horizon of the member (of up to 20 years until life expectancy) and the significant assets outside of superannuation, the allocation will have a balanced investment mix of growth assets and defensive assets.

The Trustee recognises the higher risk in investing predominantly in growth assets and the volatility associated with the residential property. The volatility will be compensated by the prospect of achieving higher returns and growth in the medium to the longer term. In order to minimise this risk, the Trustee will consider investing in different asset classes where possible.

The final targeted asset allocation will be in the following ranges:

| <u>Growth Assets</u> | Range |
|--------------------------------------|--------|
| • Australian equities | 0-50% |
| • International equities | 0-15% |
| • Direct property | 0-100% |
| • Other growth assets | 0-15% |
| <u>Defensive assets</u> | |
| • Australian Fixed interest | 0-100% |
| • International Fixed interest | 0% |
| • Australian cash and fixed interest | 0-100% |
| • Other defensive assets | 0% |
| | 100% |

I, the director of the Trustee, C Gibb Pty Ltd and member of the C Gibb Retirement Fund, acknowledge and agree with the documented investment strategy dated 17 February 2015.

| | |
|---|-------------------------|
| Signature of Director of the Trustee Company: X <u>Carole Ann Gibb</u> Carole Ann Gibb | Date 17 / 2 / 15 |
|---|-------------------------|