

# SMSF Investment Strategy

## Isaac Family Superannuation Fund

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### Members

Anthony Isaac  
Kim Isaac

### Trustee

Individuals – Anthony Isaac & Kim Isaac

### Fund Objectives

Generally the members aim:

1. To provide retirement benefits for the members. In the event of the members death before retirement, to provide benefits for the dependants of the members.
2. To ensure that sufficient assets will be available to meet benefit payments when those payments are due to be paid (solvency).
3. To ensure that sufficient liquid assets will be available to meet benefit payments as and when those payments are due to be paid (liquidity).

Specifically the members aim to achieve the RBA cash rate of return each year. It is expected that the capital value of the Fund is preserved at all times, and to avoid negative returns.

### Investment Objectives

The trustees are required to prepare an investment strategy that provides a framework for making investment decisions to increase members' benefits for retirement. This duty is codified in section 52(2)(f) of the *Superannuation Industry (Supervision) Act, 1993* ('SIS Act') and is an operating standard set out in SIS Regulation 4.09, which applies to all trustees. The investment strategy has specific regard to the following:

1. 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.

2. Ensuring the composition of the Fund's investment portfolio is appropriately diversified through the application of exposure limited for individual asset classes.
3. 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.
4. Maintaining sufficient cash flow to discharge administration expenses and other outgoings.
5. 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.
6. Consideration given to the provision of insurance cover for one or more members of the Fund.
7. Preserving the capital of the Fund where possible through the investment cycle, particularly in regard to assets with moderate to high volatility.
8. Provision of Member benefits for retirement.

This written investment strategy has been prepared to demonstrate that investment decisions comply with the strategy and the various superannuation laws including:

1. The Sole Purpose Test;
2. Restrictions on investments and acquisitions from members;
3. Ownership and protection of assets;
4. Lending to members;
5. Placing charges over fund assets (with limited exceptions);
6. Investing in collectables and personal use assets;
7. Investments being made on an arm's length basis; and
8. Restrictions on holdings of in-house assets.

## Trustee Considerations

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

1. The risk tolerance of members;
2. Investment class preferences and diversification;
3. Income and cash flow requirements;
4. Wealth management requirements of members;
5. Contributions made by members;
6. The time the members have until they retire;
7. Market risk, legislative risk, liquidity risk, inflation risk.

## Fund Profile

<b>Fund Benefit Design:</b>	Accumulation Fund
<b>Fund Structure:</b>	Self Managed Superannuation Fund
<b>Current Fund Assets:</b>	\$104,297.46
<b>Number of Fund Members:</b>	2 people
<b>Fund Phase:</b>	Accumulation
<b>Member Directed Investments:</b>	No (Pooled)

## Age Profile

Age	Number of Members
< 40 years	0
41 – 49 years	2
50 – 59 years	0
60 – 64 years	0
65 – 69 years	0
70 > years	0

## **Member Preferences & Risk**

With the obligation to be prudent and exercise a degree of care, skill and diligence under the SISA, 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 will affect the level of benefit on withdrawal, hence it is acknowledged that the associated risks 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.

### ***Risk Tolerance***

The Fund has a relatively long time horizon. The members are prepared to endure a reasonable level of volatility of returns in expectation of long term growth.

### ***Statement on Risk***

Investment risk is borne by the members, as fluctuation in investment returns will affect the level of the member's benefits on withdrawal.

## **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 single asset type. Diversifying between asset classes will reduce concentration and underperformance 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.

The funds are primarily invested in fixed interest securities and deposits. It is considered that investment in this asset class is suitable for the Fund's policy of maximising capital preservation and avoiding negative return.

## **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:

1. **Defensive Assets:** e.g. cash and term deposits that are highly secure with a low risk of capital loss.

2. **Moderately Defensive Assets:** e.g. Government bonds, investment grade corporate bonds and subordinated debt and mortgage trusts, have fixed income characteristics with added costs and varying degrees of risk.
3. **Risk Assets (Growth):** e.g. Australian and International equities, property trusts, direct property, commodities, currencies, collectibles, and derivatives, which offer the highest potential for return yet involve the trade-off 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 may involve 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 and capacity to diversify.

## **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.

There is no anticipated benefit payment in the next 10 years. Surplus cash (above anticipated liquidity requirements) will be invested in accordance with the Fund's investment strategy.

## **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:

- a) Expenses that are paid on a semi regular basis;
- b) Pension liabilities paid on a regular or irregular basis;
- c) Tax liabilities paid on an annual or instalment basis;
- d) 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.

### Indicative Asset Allocation

It has been determined that the following spread of investments is appropriate for the Fund.

Asset Class	Strategic Ranges	
	From %	To %
Cash		
Fixed Interest		
Australian Equities		
International Equities		
Property (Direct & Indirect)		
Derivatives, Options, Futures etc		
Other Investments		

It is also recognised that market fluctuations may sometimes cause the asset allocation to exceed or fall below the stated percentages temporarily. Under these circumstances a new investment strategy would not be required as long as it can be demonstrated that the Fund soon returned within the normal ranges as outlined above.

### Insurance for Members

Trustees are required to give consideration as to whether they should hold a contract of insurance that provides insurance cover for one or more members of the Fund. Insurance considerations may include life insurance, total and permanent disablement, income protection or can extend to other general insurances to protect Fund assets or reduce any liability exposure of the Fund.

The trustee considers that a contract of insurance is appropriate for one or more members –

Policy Holder	Member	Insurance Type	Level of Cover
Isaac Family Superannuation Fund	Kim Isaac	Life	

## Derivative Risk Statement

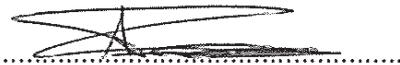
If the Fund wishes to invest in derivatives then the trustees are required by Regulation 13.15A of the SIS Regulations to prepare a Derivative Risk Statement. Derivatives include (but are not limited to) call / put options, CFD's and instalment warrants.

The Fund does not invest in derivatives

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

The investment strategy is effective from .....  
Date

Signed as a true and correct record in accordance with the resolution of the trustee by:



**Anthony Isaac**  
Trustee



**Kim Isaac**  
Trustee