

## A guide to developing your SMSF investment strategy

Section 52(2)(f) of the Superannuation Industry (Supervision) Act 1993 and Regulation 4.09 of the Superannuation Industry (Supervision) Regulations 1994, require trustees of a self-managed superannuation fund (SMSF), to prepare and implement an investment strategy.

An investment strategy is a key component in maintaining the ongoing compliance of a SMSF. Without it, a SMSF will be in breach of superannuation law.

This guide has been developed to assist the SMSF Trustee(s) with the development of an SMSF investment strategy.

An investment strategy is essentially an investment plan made by the trustees of an SMSF taking into account the current and/or future financial needs the Fund and each of its members.

The trustee has a duty to make, carry out and document decisions about investing the assets of the Fund and to carefully monitor their performance.

The broader SMSF investment rules are some of the most important requirements of the SIS Act and failure to comply with these rules could result in trustees being imprisoned, removed as trustees, or fined. Furthermore the ATO has the ability to remove, the concessional tax rates provided to the SMSF should the SMSF be deemed to be a non-complying SMSF.

For an investment strategy to be sound it should consider the risks and return, diversification, and liquidity of an SMSF's investments.

It requires an investment objective and should detail the investment methods that the trustees will adopt to achieve these objectives.

In addition to these investment considerations, as part of developing and reviewing a fund's investment strategy, the fund trustee(s) must also consider whether insurance cover should be held by the fund for each of its members.

**Section 52(2)(f)**  
**Investment strategy**

**Prepared by**  
**J & S Nicol Super Pty Ltd**

**As trustee for**  
**J & S Nicol Superannuation Fund**  
**ABN 86 460 345 060**

**Prepared on 01 July 2019**

## Introduction

The purpose of this document is to record the investment objectives and strategy formulated by the Trustees of the **J & S Nicol Superannuation fund** ("the Fund") in relation to the investment of the assets of the Fund.

**Section 52(2)(f) of the Superannuation Industry Supervision Act 1993 (SISA) requires Trustees of superannuation funds to:**

Formulate and give effect to an investment strategy that has regard to the whole of the circumstances of the entity, including, but not limited to the following:

- The risk involved in making, holding and realising, and the likely return from, the entity's investments having regard to its objectives and its cash flow requirements.
- The composition of the entity's investments as a whole including the extent to which the investments are diverse or involve the entity in being exposed to risks from inadequate diversification.
- The liquidity of the entity's investments having regard to its expected cash flow requirements
- The ability of the entity to discharge its liabilities.

The Trust Deed of the Fund provides the Trustees with broad authority to invest the Fund's assets.

Prohibited investments (which are either specifically spelt out in the Trust Deed or are deemed to apply because of legislation) are as follows:

- Loans to members;
- Assets acquired from related parties, including members and their associates (limited exceptions apply); and
- In house assets exceeding 5% of the value of the Fund's total assets.

## Fund profile

The **J & S Nicol Superannuation Fund** is established to provide lump sum and pension retirement benefits for members, as well as death/disablement protection for members and the dependants of members. Membership of the Fund is voluntary, and upon joining, members are required to provide certain minimum information to the Trustees. The Fund is maintained as a Self Managed Superannuation Fund under section 17(A) the Superannuation Industry (Supervision) Act 1993 ("SISA").

The membership profile as at 1 July 2019 is as follows:

Personal details	James Nicol	Sonya Nicol
Date of birth	13/6/1937	27/10/1942
Current age	82	76
Health	Good	Good
Risk profile	Cautious	Cautious
Employment status	Retired	Retired



## Investment objectives of the Fund

The objective of this document is to formulate and give effect to an investment strategy that has regard to the whole circumstances of the Fund including but not limited to, those specified in Section 52(2)(f) of the SISA. The Trustee will at all times act prudently to pursue the maximum rate of return possible, subject to acceptable risk parameters, and the maintenance of whatever diversification that can be achieved with modest assets.

The Trustee will ensure that all investments are authorised under the Trust Deed, are made for the sole purpose of providing benefits to members and the dependants of members, and are made in accordance with the legislative requirements applicable to complying superannuation funds.

The Trustee will invest to ensure sufficient liquidity is retained within the Fund to meet benefit payments due, and will adjust its specific objectives where it believes the investment objectives of the Fund have changed.

## Investment objectives

The Trustee/s of the **J & S Nicol Superannuation Fund** have the following specific investment objectives for the short/ medium and long term:

### Short term

To invest the Fund's assets in a cash account until such time that a suitable investment is made in accordance with the Fund's investment strategy.

### Long term

To provide retirement benefits to the members of the Fund or benefits to their dependants in the event of the death of a member

In consideration of the short, medium and long term objectives of the Fund, the Trustee/s has the following investment objectives:

To invest some of the Fund's assets in the following specific asset classes:

- **Cash**
- **Term Deposits**
- **Fixed Interest**
- **Australian Shares**

The Trustee of the **J & S Nicol Superannuation Fund** has the following general investment objectives:

- To achieve an investment return (net of tax) that exceeds CPI + 1% when measured over a 5-7 year rolling period.
- To achieve an investment return (net of tax) in the range of -4% to 17.62%

## Investment strategy

The Trustee reserves the right to implement more than one asset allocation range as it sees fit, and to offer separate asset allocation ranges to members. The Trustee also reserves the right to implement separate and different action plans in the acquisition and disposal of assets pursuant to this strategy.

Investment risk will be mitigated by investing in a broad range of asset classes, and where appropriate funds will be invested via professional fund managers. A proportion of the Fund's assets will be invested in cash with some of this provisioned to meet benefit payments and fund expenses. This position will be kept under review.

In relation to liquidity, the Trustees have appropriately considered the age of the members and the likelihood that assets may need to be redeemed. The Trustees have also considered what proportion, if any, of the Fund's assets need to be held in highly liquid assets.

The Fund's assets will be exposed to the following asset classes in the following ranges:

Asset class	Range (%)
<b>Defensive asset sub-classes</b>	
Cash	2-100
Australian fixed interest	0-98
International fixed interest	0-30
<b>Growth asset sub-classes</b>	
Australian shares	0-35
International shares	0-17
Listed property	0-5
Direct property	0-1.5
Other*	0-7.5
<b>TOTAL</b>	<b>100%</b>

\* 'Other' includes alternative assets which refer to any non-traditional assets that would not generally be found in a standard investment portfolio. Due to the unconventional nature of some of these investments, they tend to be less liquid than traditional investments. Examples of alternative assets include hedge funds, private equity, infrastructure and 'real' assets such as commodities and agribusiness schemes.

The Trustees of the Fund believe that investing in the above assets will provide the members with sufficient income and capital growth potential to satisfy the member's long-term income and retirement objectives.

## Cash flow and liquidity

Adequate funds will be held in cash/fixed interest to enable the Fund to meet its short term liabilities including pension payments (where relevant), tax liabilities, accounting, audit and advice fees and any other operating expenses of the Fund. Trustees will decide from time to time on what is an appropriate amount of cash for the Fund to hold taking into consideration:



- Contributions to the Fund
- Pension payments to be made
- Fees, taxes and expenses required to be paid
- Investment asset running costs.

As a general rule, the Trustees will endeavour to retain \$20,000 in cash where the Fund is in pension phase. Cash funds in excess of these amounts will be invested into other asset classes in accordance with the Fund's investment strategy, often using dollar cost averaging for investment of large sums.

In handling the money and assets of the SMSF, the Trustees need to ensure that the money and other assets of the fund are kept separate from any money or assets held for purposes other than the fund. The Trustees are to operate through bank account established for the SMSF, and not bank account(s) established in the name of fund member(s). The Trustees also need to record assets of the the SMSF in the capacity of the SMSF trustee, and not in one or more member(s)' name(s) personally.

Also, the Trustees need to ensure that a statement of financial position and an operating statement are prepared for the fund in respect of each financial year.

### Performance monitoring

To monitor the success of the investment policy in achieving the investment objectives, the Trustees will take the following action:

- compare investment returns against investment objectives on a yearly basis; and
- compare investment returns against cash rates available over a 12month period.

### Insurance cover

The trustees are aware of the obligation to consider holding insurance cover and have considered whether insurance cover should be held by the fund for some or all members of the fund.

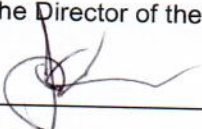
Having considered the personal circumstances of the fund member, the trustee of the fund has determined that additional insurance cover is not required given the member's age and current level of assets.

### Review

The investment objectives and insurance needs of the Fund will be reviewed at each trustee meeting or at minimum, once per each financial year and at such other times as a significant event occurs which affects the Fund.


Adopted by the Director of the Trustee on 1 July 2019

Signed



James Nicol

Signed



Sonya Nicol