

The P & T Pedersen Super Fund

Minutes of Meeting of Trustees of the Fund
held at 16 Connolly Street, Marlborough
on 20.6.04 at 4.00 am/pm

Present

Philip Andrew Pedersen
Tabitha Joy Pedersen

Chairman

Philip Pedersen

acted as Chairman of the Meeting.

**Establishment of The
P & T Pedersen Super
Fund**

The Chairman tabled a trust deed establishing The P & T Pedersen Super Fund (**Fund**) a superannuation fund of which the Trustees have agreed to act jointly as trustees.

- (1) It was resolved that the Trustees elect that the Fund become a regulated superannuation fund under the *Superannuation Industry (Supervision) Act 1993*, and that they sign and lodge with the Australian Taxation Office a notice in the prescribed form.

**Admission of
Members**

The Chairman tabled applications by Philip Andrew Pedersen and Tabitha Joy Pedersen for admission as Members.

It was resolved:

- (2) That Philip Andrew Pedersen and Tabitha Joy Pedersen be admitted as Members.
- (3) That an Admission Notice and Member Entry Statement be delivered to each member, and that they be asked to provide their tax file number for superannuation purposes.

**Admission of
Participating Employer**

The Chairman tabled an application for the admission of Baywood Products Proprietary as a Participating Employer in the Fund.

- (4) It was resolved that Baywood Products Proprietary be admitted as a Participating Employer in the Fund and given notice of its admission.

Confirmed as a Correct Record



Chairman

MINUTES OF A MEETING OF THE TRUSTEES OF THE P & T PEDERSEN SUPER FUND

HELD 26th August 2004

PRESENT Philip Andrew Pedersen
Tabitha Joy Pedersen

INVESTMENT STRATEGY

An investment strategy statement was tabled at the meeting.

Discussion took place between members as to the appropriateness of this statement taking into account matters such as risk to members, likely returns, fund liabilities and diversification of assets.

It was resolved that the statement fully reflected the investment policy, objectives and strategy that the Trustee(s) and Member(s) believe appropriate for the Fund and that the Trustee(s) should adopt this investment strategy.

COFIRMED AS A TRUE AND CORRECT RECORD by



Philip Andrew Pedersen



Tabitha Joy Pedersen

Dated : 26th August 2004

INVESTMENT STRATEGY FOR THE P & T PEDERSEN SUPER FUND

In the development and implementation of an investment strategy the Trustee(s) consider that it is appropriate to follow the following procedure:

1. Develop an investment policy
2. Develop investment objectives
3. Develop an investment strategy
4. Implement that investment strategy
5. Monitor the performance to confirm that the investment strategy is appropriate and that the objectives are being met.

1. INVESTMENT POLICY

The fund will seek to control investment risk by ensuring appropriate diversification by the application of specified exposure limits for individual asset classes.

The fund will aim to achieve an investment return sufficient to comfortably secure member's benefits and meet their expectations in the medium to long term.

In developing the investment policy, objectives and strategy the following points were considered by the Trustee(s) :

- The Trustee(s) considered the fund's membership profile and the benefit design of the fund. This enabled the Trustee(s) to ascertain the fund's cash flow requirements in general terms and its risk profile.
- The fund being an accumulation fund, the retirement benefits received by members are linked to the contribution made by the member and/or the employer and are directly influenced by the investment returns earned by the fund. As a consequence, the risks and rewards associated with investments are borne by the fund members.
- Members generally have different investment return expectations and, therefore, the Trustee(s) were careful to take this into account in deciding on the investment structure of the fund.
- The Trustee(s) are aware that investment returns are generally influenced by fundamental economic and financial factors, which are unpredictable. Therefore, investments in any form will entail a certain degree of risk reflecting the uncertainty of future returns.

Without the benefit of perfect foresight, the uncertainties in future returns can never be completely eliminated. The risks however, can be significantly reduced if the investments are spread across various assets.

Diversification can be achieved in various ways:

- investing in different asset classes within each asset class;
- investing in a spread of securities within each asset class;
- investing in different countries;
- gradually building up an exposure to any investment instead of making one large investment;
- using more than one investment manager.

Assets with completely opposite return characteristics provide the best diversification. In practice however, no two assets will behave in exactly the opposite manner. In forming a portfolio therefore, assets with differing patterns of returns should be selected.

The Trustee(s) were also aware that at some stage it may be appropriate to invest a significant part of the portfolio in a particular asset class (eg. Property) given the inherent nature of the asset. This would need to be done bearing in mind the lack of diversification involved in the short term and cognisant of the risks associated.

- In relation to equities, the Trustee(s) acknowledge that portfolios with higher equity weightings cannot be expected to produce higher returns than more conservative portfolios over all time periods. There will certainly be some periods, even quite long ones, when the reverse is true. Nevertheless, it is reasonable to plan on the basis that, over the long term, a portfolio with a higher weighting to shares and property will provide a higher long term return but will also produce the occasional year of very low and even negative returns.

2. OBJECTIVES AND BENCHMARKS

Given the review of the above factors, the Trustee(s) consider it appropriate to adopt an objective which is equal to cash plus 4%. This objective is to be measured by comparison to:

- (a) The cash return is the published return on average of the cash management trusts;
- (b) Adjusted for tax by a reduction of 15% on the amount in (a) above; and
- (c) Is to be measured annually as at 30 June each year.

3. INVESTMENT STRATEGY

The proposed strategic allocation to achieve this investment objective is set out in **Appendix A** attached.

In relation to the investment objectives, given that they are expressed in the form of a rate of return above the cash return, the Trustee(s) use a predicted cash return figure for the medium term and add the required margin as set out in the investment objectives. The Trustee(s) develop an appropriate recommended asset allocation on the basis of predicted returns on the various asset classes over a five year period. Those asset allocations are re-weighted in the current period, based on the view of the various markets. On this basis and on the basis of the ages of the membership of the fund, the Trustee(s) then select the appropriate managers or direct investment, as appropriate.

4. IMPLEMENTATION OF INVESTMENT STRATEGY

The Trustee(s) will specifically implement this strategy as follows:

By investing in growth assets such as shares and property either directly on the market or through managed trusts allowing sufficient cash moneys to meet fund expenses as and when they arise.

5. MONITORING PERFORMANCE

A review of investment performance by the Trustee(s) should be made at least annually. This review will assist the Trustee(s) in determining whether any changes to the investment strategy are necessary.

APPENDIX A

PROPOSED ASSET ALLOCATION OF THE P & T PEDERSEN SUPER FUND

	Minimum	Neutral	Maximum	Current Target
Australian Shares / Unit Trusts				
International Shares				
Property/Other assets				
Australian Fixed Interest			50%	
Cash			Balance	