Resolution of Trustee of the

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

(the “Fund”)

**Dated this \_\_\_\_\_\_day of\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_20\_\_\_**

# The Investment Strategy

### Purpose and Scope

This document sets out the trustee’s approach to meeting the investment objectives of the Fund. The investment strategy is a guide as to how the Fund’s trustee should go about achieving the purpose of the Fund, in relation to the *Superannuation Industry (Supervision) Act 1993* *(SISA)*, and the *Superannuation Industry (Supervision) Regulations 1994* *(SISR),* and the expectations of the Fund members*.* This investment strategy is not meant to be prescriptive; its purpose is to set the foundations of how the Fund goes about meeting the Fund’s purpose through its investments. This investment strategy takes into consideration the scope as set out in *SISR 4.09* but is not limited to that scope.

The investment strategy is not meant to consider every possible investment or investment situation the Fund may face. The purpose of the strategy is to set the guiding principles on which the trustee may make investment decisions. If an investment conforms to and is consistent with this investment strategy the trustee needs no further documentation regarding the investment decision. However, if from time to time the trustee makes investment decisions that do not seem to be fully consistent with what is contained in this document, in making such decisions they do not need to amend or replace this document, unless the trustee feels The Investment Strategy no longer meets the needs of the Fund. However, the reasoning behind such decisions and how they meet the objectives and align with the investment strategy of the Fund should be documented by way of a trustee resolution.

### Areas Addressed by the Investment Strategy

1. the risk involved in making, holding and realising investments, and the likely returns from the Fund's investments, having regard to its objectives and expected cash flow requirements
2. the composition of the Fund's investments, including the extent to which the investments are diverse, and expose the Fund to risk from inadequate diversification
3. the liquidity of the Fund's investments having regard to its expected cash flow requirements
4. the ability of the Fund to discharge its existing, future and prospective liabilities
5. the Fund profile, including the members and their likely retirement ages
6. anticipated future contributions
7. past investment performance
8. the current investment portfolio and asset mix
9. Limited recourse borrowing
10. Member insurances
11. Investment ranges
12. Review and monitoring

### Investment Objectives

The objective of the Fund is to invest the Fund’s assets in such a way as to provide for the Fund’s members in retirement. This may be through providing a lump sum benefit, a pension or supplementing the aged pension. The Fund also has a number of ancillary objectives, as and where they are consistent with *SISA and SISR*, such as;

* Providing benefits after a member’s death,
* Providing benefits to member’s due to illness, including but not limited to
	+ totally and permanently disability,
	+ temporary incapacity.
* Providing assistance in time of financial hardship.

To meet the Fund’s objective the trustee will invest the Fund’s assets, other than cash held for liquidity purposes, to target a net investment return in line with the rate of inflation, as measured by the Consumer Price Index, plus \_\_\_% pa. The target is just that a target, it is not a prescriptive return, the actual return achieved by the Fund in any given period may exceed or fall short of the target depending on the prevailing investment conditions. The target rate of return is only to assist the trustee in selecting investments that may achieve the desired objectives. The trustee may mix and match investments of different time horizons in meeting the objectives of the Fund, but the Fund’s overriding investment horizon will be as stated in the ‘**Investment Asset Selection and Performance’** section.

Investment time horizons are defined by the trustee as being;

* Long term: investment period is equal to or greater than 10 years,
* Medium term: investment period between 5 and 10 years, and
* Short term: investment period less than 5 years.

### Investment Risk

The trustee of the Fund defines investment risk as being the likelihood that the Fund may experience variation in an investment’s expected return over the investment horizon, and that some capital returns may be negative over the investment horizon. In short ‘Investment Risk’ is measured as the expected volatility of the total returns on an investment over the investment period. The trustee understands that there is correlation between risk and return, and that higher expected returns, either income or capital, generally mean a higher level of risk for the Fund.

The trustee also recognises that the relationship between risk and return varies, depending on the investment asset. In addition, the risk associated with investing can be mitigated to some degree through diversification; holding a variety of assets across a number of asset types, classes and categories. The trustee also recognises, that diversification can minimise risk but cannot eliminate risk, there will always be the chance that the Fund may lose some or all of its invested capital.

The trustee may where they deem it appropriate hold a highly concentrated investment portfolio for the purposes of increasing the Fund’s opportunity of higher returns over the investment horizon. The trustee may even hold a single investment asset if the trustee deems it appropriate for the Fund to meet its investment objectives. When considering a single investment asset, cash for liquidity purposes it not considered to be an investment class asset unless the return exceeds CPI plus 1% or meets the Fund’s investment return objective.

While cash with a return of less than CPI plus 1% or the Fund’s stated return objective is not considered an investment class asset. The Fund may hold substantial cash for extended periods of time, more than required for liquidity purposes, to mitigate economic, investment and other risks identified by the trustee or while transitioning investments. The trustee does not need to provide any other documentation with regard to these investment decisions other than this investment strategy, unless the trustee decides that cash will form a major part of the Fund’s investments going forward.

### Liquidity

The trustee understands the need for liquidity to enable the Fund to meet its ongoing commitments. The trustee will endeavour to hold enough cash to meet at least [three months] of the Fund’s cash flow requirements at any given time. However, in assessing the Fund’s liquidity the trustee will take into consideration not only cash on hand but also expected cash inflows from contributions, investment returns and investment proceeds.

The Fund’s liquidity may exceed or fall short of the above objective from time to time, this does not mean the Fund has failed to meet its liquidity objectives, as long as the trustee takes steps to ensure sufficient funds will be available when required to meet the Fund’s liabilities as and when they fall due.

### Fund profile

|  |  |  |
| --- | --- | --- |
| **Member** | **Current age** | **Expected retirement age** |
| [mem 1 name] | [mem 1 age] | [mem 1 retirement age] |
| [mem 2 name] | [mem 2 age] | [mem 2 retirement age] |
| [mem 3 name] | [mem 3 age] | [mem 3 retirement age] |
| [mem 4 name] | [mem 4 age] | [mem 4 retirement age] |

### Contributions

The trustee expects that the members will direct their superannuation guarantee payments to the Fund, however the members may from time to time, at their discretion direct SGC to any regulated super fund of the their choosing, for clarity there is no guarantee members will direct their SGC to the Fund in any given year.

The members may from time to time make personal concessional and non-concessional contributions to the Fund as the *SISA and SISR* allows. The trustee expects that member contributions in addition to the Fund’s investment returns and cash will meet the Fund’s liquidity requirements.

**Investment Asset Selection and Performance**

The Fund may invest in a variety of assets, including but not limited to;

* Cash,
* Listed and unlisted Australian and international shares,
* Australian and international interest-bearing investments,
* Direct and indirect property,
* Managed investment,
* Hybrid investments,
* Derivatives and alternative investments, and
* Other investment types that meet the Fund’s objective, such as collectables, leased equipment, digital currency, etc.

The Fund may investment in any of the above types, classes or categories of investments as long as it is not specifically prevented from doing so under *SISA* or *SISR*. Investments may be acquired directly by the trustee through the purchase of shares, units, direct property or similar investments, or indirectly through managed or pooled investments, or other similar investment vehicles. The trustee will select investments though their own knowledge, experience and research, or by seeking appropriate advice from professionals and other sources, from time to time.

Given the age of and expected retirement ages of the Fund’s members, the trustee expect to produce satisfactory returns from the Fund's investments over the [investment term i.e. long term].

The trustee will review and monitoring the Fund’s investments at least annually, through a process of reviewing the past and expected future performance of the Fund’s investments, including risk. The trustee will make decisions as to whether an investment is in line with the Fund’s objectives based on the performance review. This is an ongoing process and does not require further documentation outsider of this investment strategy unless the investment decision is in conflict with, outside the scope of or involves considerable risk.

The trustee may select a single investment, or multiple investments in achieving the Fund’s objectives. While diversification will always be a part of the trustee consideration in selecting investments, it will not be their only consideration, or necessarily the most prominent consideration. The trustee’s prime consideration will be how to invest the Fund’s assets in the most effective way to achieve the Fund’s objectives, given the trustee’s knowledge, experience and research. While the trustee’s investment decisions may not always look to be prudent from an outside person’s perspective, the trustee will make all decisions based on the Fund’s objectives with regard to the expectations of the members, and given the intimate relationship between the trustee and the members it can be assumed (and is assumed) that all investment decisions will be made with the best interest of the members first and foremost.

Digital currencies: these investments pose a particular issue with regard to control, ownership and security. If the Fund invests in digital currency, such as Bitcoin, it will put in place mechanisms to safeguard the ownership and security of the investment. These may include but are not limited to;

* The use of a recognise digital currency broker or recognised exchange to ensure the asset ownership and existence of the asset can be confirmed by a third party.
* Storing the currency with an exchange, or with a third-party custodian provider, or
* In an offline wallet, but only if the trustees have a documented method of ensuing the wallet key can be passed on from trustee to trustee. This is to ensure that if a trustee dies or becomes incapacitated access to the digital currency is not lost.

### Limited Recourse Borrowing Arrangements (LRBA) (*SISA s67* borrowing)

The trustee understands the advantages of leverage in increasing the returns on the Fund’s assets. By leverage the trustee means borrowing against the expected future inflows of the Fund’s investments to increase the Fund’s future investment returns.

The Fund’s trustee may consider the use of borrowed monies to increase the Fund’s ability to invest in assets that the Fund would otherwise not have the current capital to invest in from time to time. The trustee believes where it is deemed appropriate the Fund may use the provisions under *SISA s67* (or any replacement provisions) to borrow money to invest.

In using a LRBA the trustee understands the Fund would be exposed to risks other than investment risk. However, the trustee understands the risks involved, and where the investment fits within the type, class or category of assets as set out in the Investment Asset Selection section the investment is deemed appropriate by the trustee.

**Member Insurance Considerations**

The trustee has given consideration to member insurances, including life insurance, total and permanent disability insurance, and income protection insurance. The trustee has also considered:

* the levels of insurance the members have outside the Fund
* the stage of life of the member’s and whether insurance is required or appropriate; and
* whether the members circumstances prohibit the ability to obtain a contract of insurance.
* In making these considerations the trustee sees no need to document them as it is rightly assumed the trustee and members have an intimate knowledge of each other’s financial affairs.

The trustee has decided that it is appropriate that each individual member decide on the type and level of insurance they should have, and how that insurance should be held. The trustee will take all reasonable steps to obtain insurance on a member should they request it. However, the trustee believes that it would be more appropriate and suitable for the members to make the necessary enquires and obtain suitable quotes of insurance before requesting the trustee take out an insurance policy on their behalf.

The Fund currently holds the following member insurance policies;

|  |  |  |
| --- | --- | --- |
| **Member name** | **Insurance type** | **Current level of cover** |
|  |  |  |
|  |  |  |

The trustee has considering all matters outlined above, and any requests, and believes it has met its obligation regarding member insurances.

**Investment ranges:**

The below investment rangers are only an indicative guide as to how the Fund may implement the Investment Strategy, and do not form a part of, and are not prescriptive as to the Fund’s Investment Strategy.

|  |  |  |
| --- | --- | --- |
| **Type, class or category of investment** | **Range %** | **Benchmark %** |
| Australian listed shares | 0 to 80 | 75 |
| Fixed interest and cash investments | 0 to 50 | 10 |
| Managed investments | 0 to 80 |  |
| Property (direct or indirect) | 0 to 90 |  |
| International shares | 0 to 30 | 15 |
| Unlisted shares | 0 to 50 |  |
|  |  |  |

**Monitoring and Review of Investment Strategy**

The trustee will monitor the performance of the investment portfolio on an ongoing basis to ensure the objectives of the investment strategy are meeting the needs of the Fund, and ensuring the investments fall within the parameters of the investment strategy.

**Definitions:**

**Investment horizon** is the period the Fund intends to hold the investment for or the expected life of the investment in which the fund expects to achieve the required level of return.

**Investment Risk** is the expected volatility of returns over an investment horizon.

**Investment rage** an upper and lower percentage the Fund might invest in a type, class or category of investment. This is not prescriptive and may vary by plus or minus 15% at any given time.

**Benchmark** the indicative percentage of the Fund’s assets invested in a type, class or category of investment. This is not prescriptive and may vary by plus or minus 15% or more at any given time, it is only a guide.

**Australian listed shares** include any unitised investment in an investment exchange legally registered in Australia and its territories.

**%** means percentage

**Fixed interest** includes but is not limited to any investment that returns a fixed periodic return, such as but not limited to term deposits, government bonds, corporate bonds, etc whether listed on an exchange or not, and where the capital is expected to be returned at the end of the investment.

**Interpretation:**

* The singular includes the plural and vice versa.
* Trustee includes the plural and vice versa.
* A term referring to gender has its broadest possible meaning and is not limited to the male or female.

**RESOLUTION:** The trustee resolves to adopt the Investment Strategy for the Fund, for the current and all future financial periods, and will implement the investment strategy to achieve the Fund’s investment objectives. The trustee will only adopt a new Investment Strategy if and when the current Investment Strategy no longer meets the needs of the Fund.

Signed by each trustee / director to signify their adoption of this Investment Strategy.

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[trustee 1]

…………………………………

[trustee 2]

…………………………………

[trustee 3]

…………………………………

[trustee 4]