Paul Roberts Superannuation Fund

INVESTMENT STRATEGY

FOR

PAUL ROBERTS PTY LTD ATF

PAUL ROBERTS SUPERANNUATION FUND

AS AT

02 FEBRUARY 2022

Contents

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About the Members

Number of existing members:	1 (One)
Time Horizon of Fund:	Minimum 10 Years
Age of Members:	Paul Roberts - 45
Anticipated Member Growth:	Year 1: 0 Years 2 - 3: 0 Years 4 - 5: 0

About the Fund

Fund status:	Accumulation Phase
Current size of the fund:	Approximately $150,000
Expected contributions & rollovers in next 12 months:	$5,600
Expected payouts to members in next 12 months:	Nil
Expected no. years before members might withdraw benefits:	Minimum 15 years

Objectives

The Trustee of the fund aims to:

- Invest in a manner which provides for a high degree of likelihood of achieving medium to longer term investment returns for the purpose of assisting members meet their retirement objectives.
- To provide retirement benefits for the members. In the event of the members death before retirement, to provide benefits for the dependents of the members.
- To ensure that sufficient assets will be available to meet benefit payments when those payments are due to be paid (Solvency).
- To ensure that sufficient liquid assets will be available to meet benefit payments as and when those payments are due to be paid (Liquidity).
- Establish, monitor and review the fund's investment portfolio to ensure that the appropriate mix of growth and income investments remain relevant to the prevailing investment environment and members circumstances.
- Invest with consideration of diversification and with sufficient flexibility to enable the Trustee to take advantage of short, medium and long term investment opportunities as and when they present and in the various manner in which they present.
- Invest with consideration of diversification and with sufficient flexibility to enable the Trustee to manage short, medium and longer term risks as and when they present and in the manner in which they present.

The Trustee's general investment objective is to achieve a real rate of return which will provide medium to longer term returns appropriate to the member's general tolerance for risk and longer term retirement objectives.

The Trustee of the fund is aiming to achieve annualised gross total returns within the range of 7% - 12% above the average rate of inflation, as measured by the Consumer Price Index of Australia, over any rolling 5 year term. The Trustee's medium to longer term asset allocation will be set to favour returns from growth rather than from income. The investment horizon of the members is in excess of 10 years, for all or for the majority of the balance of their member account balance.

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Investments will be made to aim to maximise the retirement benefits of members. Where members are approaching a timeframe where they draw on retirement benefits, the Trustee of the fund will consider investments to provide for a balance between returns from capital growth, returns from income, capital stability as well as protecting the purchasing power of the funds invested, to ensure that the fund is able to provide for members retirement needs.

To achieve this, the Trustee has determined that the fund will have the ability to invest in the following areas:

- Australian and international equities and associated investment opportunities
- listed and unlisted property trusts and associated investment opportunities
- managed investments and associated investment opportunities
- direct property
- cash and interest bearing investments and securities
- derivatives
- commodities
- alternative investments
- any other investment legally able to be entered

It is noted that the Trustee may seek professional advice with regard to the formulation of an investment strategy.

In determining this investment strategy the Trustee has taken into consideration member's investment objectives and appropriate legislation.

Policies

The policies adopted by the Trustee to adhere to these objectives are:

- Minimum annual reviews of the investment strategy and its appropriateness to the members of the fund.
- Regular performance monitoring of the fund's investments, rates of return, risk analysis and expected cash flow requirements.
- Adjustment to the asset mix of the portfolio as a result of changes to market conditions and circumstances of the members.

The Trustee will ensure investments continue to comply with the strategy, however, the Trustee reserves the right to alter the strategy at any time.

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Asset Allocation

The Trustee of the fund has resolved to maintain the following strategic asset allocation ranges for which the tactical asset allocations can be set.

Asset Class	Minimum Strategic Range	Maximum Strategic Range	Example Allocation "Growth" investor
Cash	2 %	20 %	10 %
Australian Income Securities	0 %	40 %	0%
International Income Securities	0 %	40 %	0%
Australian Equities	0 %	100 %	30 %
International Equities	0 %	100 %	30 %
Australian Property	0 %	100 %	10 %
International Property	0 %	50 %	10 %
Commodities	0 %	30 %	0 %
Alternative Investments	0 %	100 %	10 %
Derivatives (for profit)	As per underlying asset class		
Derivatives (for hedge)	0 %	100 %	0 %
Other	0 %	10 %	0 %

These strategic asset allocation ranges have been set with risk/return objectives of the members being considered under normal circumstances.

Where the Trustee deems necessary, either due to unforeseen circumstances, changes in the investment environment, member circumstances or other, the Trustee, at its discretion, has the right to move outside of these ranges so long as these movements are temporary in nature, and at a time deemed appropriate, the medium to longer term strategy is to restore the asset allocation of the fund's investments to within the strategic ranges.

Cash will be held in sufficient amount to meet the funds taxation and administration expenses.

Risk Management

Risk Tolerance:

- The members are prepared to endure a level of volatility of returns in expectation of longer term growth, so are prepared to invest in higher than typical levels of 'growth' assets (equities, property, alternatives, commodities and derivatives).
- The composition of the members is narrow and the collective risk tolerance indicates that there should be reasonable investment risk and volatility to achieve long term capital and income growth.
- Investments should be made in investments which combine reasonable security of capital with the prospect of long term growth, with the view to maintaining purchasing power and growing retirement benefits to pay retirement pensions.

Statement on Risk:

The Trustee of the fund will generally seek for the fund's assets to be diversified across a number of different, yet selective, asset classes and across a range of selective investments, however may decide to invest heavily in a specific investment opportunity where the risks are deemed appropriate to achieve the retirement objectives of members. Diversification will ensure that the fund is not over exposed to the underperformance of a particular asset class or investment should adverse outcomes arise, whereas allocation to a single investment can achieve significant benefit towards retirement if the investment performs as expected.

The Trustee of the fund can also selectively utilise exchange traded options and other derivatives, where appropriate, to partially or fully hedge an investment, class of investment or portfolio. Derivatives contracts can also be used to assist in entering identified investment positions. The Trustee has ultimate discretion to decide what and when to hedge and what and when derivatives should be used to enter investment positions and are not obliged to hedge or use derivatives at all if it is decided by the Trustee to be inappropriate.

Diversification:

- The Trustee recognises that diversification can result in a significant reduction to return volatility while maintaining the average level of anticipated return.
- The Trustee also recognises that a single investment which achieves outperformance can substantially enhance members retirement benefits, and diversification can dilute the overall performance of the fund.
- Diversification across currencies, economies and asset classes can be achieved through a mix of international and Australian investments.

Investment Methods

In recognition that investment markets do not always go up, the Trustee will conduct an active, yet tax aware, approach to investment. The Trustee can move capital into and out of investments and asset classes as they see appropriate.

The Trustee also has the flexibility to utilise exchange traded options and other derivative products to manage risk.

Investment methods utilised can include protecting the portfolio or parts of the portfolio from perceived risks as well as seeking to increase returns by taking advantage of markets moving up, down or sideways.

Investment methods to be utilised include but are not limited to:

- Buy and hold assets for capital growth, adjusting weightings to ensure the portfolio remains balanced and risks remain under control.
- Utilising borrowed funds to invest in cash flow generating assets including real estate or businesses.
- Increase exposure to higher yielding investments
- Use derivatives products to increase income returns
- Use options or other derivatives to hedge risk without triggering capital gains on underlying investments
- Change mix of investment assets to protect capital and/or potentially generate returns.

Derivatives

The Trustees many use derivatives to enhance the returns and manage the risks of the fund. The Trustees will not use derivatives for speculation. Further details on the funds derivatives strategy can be found in Appendix B.

Liquidity

The Trustee of the fund must ensure that at all times the fund holds sufficient liquid type investment to meet at least 6 months of future expenses, obligations and payment of member benefits.

Investments which are considered illiquid for the purpose of this investment strategy are those assets which do not display one of the following characteristics:

- cash or cash equivalent products or investments; or

- tradeable on a formal exchange, or
- the proceeds are generally accessible upon sale or redemption within 1 month or when called in.

Assets typically considered illiquid include:

- Direct property
- Some hedge funds
- Some property syndicates
- Some unlisted shares or property trusts

Gearing

The Trustee may decide to borrow money with the view to enhancing the return of the fund so as to meet the Fund's investment objectives.

The Trustee will ensure that any borrowing arrangements are in line with superannuation regulations at the time of borrowing and on an ongoing basis

The Trustee will have a plan for meeting any potential future liabilities or obligations in relation to borrowing. Further details regarding the funds gearing Strategy can be found in Appendix A.

Insurance

The director(s) hereby confirm that they have considered insurance as part of the above named self-managed superannuation fund's investment strategy.

The Directors have decided the following action (please tick)

- ☐ The fund **does** currently hold insurance for its members(s) which is considered sufficient based on current member(s) requirements.
- ☐ The fund **does** currently hold insurance for its member(s), but the Director(s) will undertake a review of their current policy.
- ☑ The fund **does not** currently hold insurance for its member(s) and the Directors do not consider insurance is required for its member(s)
- ☐ The fund **does not** currently hold insurance for its member(s) but the Directors will take necessary steps to have insurance for its member(s)

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Implementation of Investment Strategy

I, Paul Roberts, as director of Paul Roberts Pty Ltd, the Trustee of the Paul Roberts Superannuation Fund, resolve to implement the investment strategy detailed within this document dated 02 February 2022.

Paul Roberts
Director of
Paul Roberts Pty Ltd ATF
Paul Roberts Superannuation Fund

Date: 02 February 2022

APENDIX A - Gearing

The Trustees may decide to borrow money with the view to enhancing the return of the fund so as to meet the Fund's investment objectives.

The Trustees will ensure that any borrowing arrangements are in line with superannuation regulations at the time of borrowing and on an ongoing basis.

The Trustees will have a plan for meeting any potential future liabilities or obligations in relation to borrowing.

The Trustees must ensure that any borrowing is secured by the asset which is subject of the borrowing and that the lender has no recourse to the other assets of the fund.

The Superannuation Industry (Supervision) Act 1993 (SIS Act) permits borrowing provided that:

- The borrowed money is applied for the purposes of acquiring an asset other than one which the Fund is prohibited from acquiring.
- The asset is held on trust so the Fund acquires the beneficial interest in the asset.
- The Fund has a right to acquire the legal ownership of the asset.
- The rights of the lender against the Superannuation Fund for default on borrowing, or on the sum of the borrowing and charges related to the borrowing are limited to rights relating to the asset i.e. a limited recourse basis. Under Sec 67A SIS Act the existing assets of the Fund cannot be used as security.

Prohibited Assets

Under Sec 66 SIS Act Trustees are prohibited from acquiring assets from an associate of the member unless the asset is an excepted asset i.e. business property, listed securities. Acquisitions must be made at the present market value.

Beneficial Ownership

The Fund is not allowed to be the owner of the investment, however it must be the beneficial owner of the asset. As such the entity must hold the asset on trust for the fund.

The trust must not be an active trust as there may be adverse capital gains tax consequences if the fund calls for the transfer of legal title.

The entity holding the asset will hold it as a Bare Nominee. As a result the asset must be managed by the fund i.e. the fund must collect the rent, attend to repairs.

Interest and Cash flow

While the Trustees will receive cash flow from the asset(s) to assist in meeting debt commitments, it is recognised that the income received by the fund may be insufficient to meet interest expenses incurred by the fund.

Any shortfall will be met by other Fund income, cash reserves and may also be met by the way of contributions made to the Fund.

The Trustees have ensured that they have adequate cash flow to meet the interest and other debt commitments for the foreseeable future.

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APPENDIX B - Derivatives Risk Statement

The Superannuation Industry Supervision Act (SISA) requires a Derivatives Risk Statement (DRS) to be in effect for Superannuation Funds where a charge is given, in relation to the use of derivatives by the trustee of the fund.

The DRS of the Fund, has been designed to cover the specific requirements of Regulation 13.15A of the SIS act and to ensure that derivatives are used to support the fund's overall investment strategy.

The Use of Derivatives

The trustees intend to use derivatives for the following purposes:

(a) Writing (selling) covered options to produce extra income for the fund;

(b) Hedging the portfolio against the risk of adverse movements in market prices and thereby reducing volatility;

(c) Achieving diversified exposure to an entire market through market indices;

(d) Achieving transactional efficiency through reducing the cost of achieving a required exposure;

Risk Analysis

In using derivatives the Trustees have considered the various types of risks associated with derivatives. These can be broadly categorized as:

- Market risk (adverse movements in the market)
- Basis risk (value of derivative does not move inline with physical asset)
- Liquidity risk (unable to unwind position or unable to meet obligations such as margin loans on futures on contracts)
- Credit risk (counter party defaults on part of or in whole of the contract)
- Legal risk (contract is not legally enforceable)

Methods of Accessing Derivatives

There are many types of derivatives including, forwards, futures, options, warrants, contracts for difference, swaps etc.

Trustees can use derivatives in three broad ways:

- Invest directly in derivatives
- Invest in a collective investment scheme or schemes
- Employ an external investment manager to manage all or part of their investments as an individually managed portfolio and the manager uses derivatives in managing assets for the fund.

Improper Use of Derivatives

The Trustees will avoid the improper use of derivatives and speculation. Speculation means the use of derivatives which results in one or more of the following:

- The net exposure of an asset class (i.e. Australian Equities) being outside the limits set out in the fund
- The risk involved for the whole portfolio being outside that which the Trustees consider appropriate when they developed and approved the Fund's Investment Strategy.

- The fund holding uncovered derivatives.

Risk Management Policies

In order to manage and control the risks, the trustees undertake to consider implementing the following restrictions, controls, and processes:

- All open derivative positions are monitored closely on a daily basis.
- Ensuring prior to and during all derivative contracts that any and all potential expiry exercise obligations can be fulfilled by the fund, and that the exercise event is still consistent with the fund's overall investment strategy.
- Ensuring that positions in derivatives are covered. For the purposes of this DRS, cover consists of cash, or assets that are equivalent to cash and can be converted to cash within the settlement period. They must be sufficient to meet all potential obligations arising from the underlying asset exposure represented by the derivative position. Cover may also consist of securities for futures or options contracts.
- The setting and execution of a "stop loss" level for all futures and open "sold" option positions, to reduce "unlimited loss" risk on 'cash settled' contracts.
- Asset allocation targets and exposure limits specified in the investment strategy(s) of the fund include both physical and derivative exposures of the portfolio. The trustees must manage portfolios to these target allocations.
- When a derivative contract is entered into, the trustee takes into consideration the likelihood that the price of a derivative will move in line with the underlying physical position and assesses whether the level of basis risk is acceptable.
- The market depth of the derivative will be assessed to control liquidity risk.
- Sufficient cash reserves are maintained in the fund to fund deposits and margin calls equal to the impact of a considered maximum movement of the net (short plus long) derivative position.
- In order to minimize both counter-party and legal risk, the trustees will use exchange traded options and futures, which are subject to market standard documentation and settlement procedures. Participants in the exchange are subject to regulation.

Compliance Process to Ensure That Controls Are Effective

The compliance process for the fund includes ongoing monitoring by the trustees to ensure that the above controls and procedures are effective in controlling and managing the identified risks in the use of derivatives.

If deficiencies are identified, the trustees will take corrective action. The trustees will review its policies and procedures in an effort to keep current with the evolving derivatives markets and to ensure that they use derivative instruments appropriately and in the best interests of fund members.

The trustees will seek advice from an expert investment professional when required to assist with this process.