

Investment policy summary

Why do we have an investment policy?

We are responsible for the management and operation of those DIY super funds for which we act as trustee.

Our investment policy sets clear guidelines for our clients and employees about which investments are allowable. This ensures we, as trustee, comply with the law.

It also allows us to make investments on instructions from members provided certain conditions are met.

Our duties as trustee are also specified in:

- trust law
- the trust deed of each DIY super fund
- the Superannuation Industry (Supervision) Act 1993 and Regulations (SIS)
- the current product disclosure statement for our DIY Super Trustee Service
- our internal policies and procedures.

Our investment strategy

One of our key obligations as a trustee under SIS is to create, implement and monitor an investment strategy for those DIY super funds for which we act as trustee that takes into account:

- the risk involved in making, holding and realising investments and the likely return from these investments based on the fund's objectives and expected cash flow requirements
- the adequate diversification of the fund's investments
- the liquidity of the fund's investments taking into account its cash flow requirements
- the ability of the fund to discharge its existing and prospective expenses and obligations to members.

We retain the right to change this investment policy at any time. To receive the full investment policy, please contact your adviser or account manager.

Choosing an investment strategy

You can choose from one of our five investment strategies, which are detailed on page 4 of this document.

The investments you choose, and ask us as trustee to accept, must be in line with the asset allocation relating to your investment strategy.

We rely on you and/or your financial adviser to ensure all investment recommendations are appropriate for your individual objectives and financial situation.

All investment recommendations must be provided to us in writing and must remain within the following asset classification guidelines.

How we classify assets

We categorise investments as either growth assets or defensive assets.

- **Growth assets** include Australian shares, international shares and property assets.
- **Defensive assets** include cash and fixed income assets.

For those assets that exhibit both growth and defensive characteristics, such as alternative investments and some life policies, we will classify them as either growth or defensive on an individual basis.

What will we do when you recommend an investment to us?

As part of our formal due diligence process, we review all investments to ensure they remain appropriate and can be administered effectively by Perpetual.

Details of your proposed investment will need to be provided to your financial adviser or account manager, so that this compliance assessment can be completed.

You should allow enough time for this review to be completed prior to the time required to settle any transaction.

The type of information you may be asked to provide includes:

- product disclosure statement for each managed fund
- ASX listing details for listed securities
- investment rating of issuer or issue
- details regarding diversification of underlying assets in company or trust structures.

Investments that will generally be approved during this process include:

- ASX listed securities
- registered managed investment schemes
- cash management trusts
- Australian government bonds
- bank bills
- term deposits
- life insurance policies.

Assets which would require more detailed information include real property, fixed interest securities, unlisted or private companies, unlisted or private trusts, international securities and derivatives.

Please contact your financial adviser or account manager for further information.

Investments that do not meet our approval guidelines

Investment proposals that fall outside the approval guidelines mentioned above and/or our diversification rules (details on page 3) will be examined by our investment committee.

Your financial adviser or account manager will provide you with further details if this happens and if you need to provide any further information.

Investments we are unable to accept

Generally, we cannot accept investments that do not meet the sole purpose test or in-house asset restrictions, as prescribed under superannuation law.

Examples of these types of investments include:

- investments in the family home
- mortgages where the family home is security
- real estate that is not located within Australia
- futures contracts
- derivatives with a charge over assets or that have unlimited investment risk
- direct residential mortgages
- commodities
- investments in a business in which the member is associated
- investments in partnerships
- collectables, including art, jewellery or antiques
- motor vehicles or motor vehicle leases
- livestock
- arrangements that might involve the fund running a business
- illiquid assets with no mechanism to transfer to another owner.

Diversification

Diversification is a key consideration in managing investment risk.

To help manage the risk of only holding one investment, we require your fund's investment portfolio to be within our diversification rules.

Liquidity classification

To ensure your DIY super can meet its liabilities as required by SIS, you must ensure the maximum total exposure to 'illiquid' assets for each member account must be no more than 50% of the portfolio.

We define assets as being either 'liquid' or 'illiquid' as follows.

Liquid assets are defined as:

- collective (managed) investments, registered in accordance with provisions of the Corporations Act with constitutions that provide for the redemption of interests in under 70 days
- an asset where there is a recognised market for trading of the asset
- an asset where the manager or promoter will make a market for trading the asset
- an asset where the manager or promoter will redeem or transfer title of the asset to another owner.

Illiquid assets are defined as:

- collective (managed) investments, registered in accordance with provisions of the Corporations Act with constitutions that do not provide for the redemption of interests in under 70 days
- an asset with no recognised market for trading of the asset
- an asset with no means of redemption or trading.

We will only allow an illiquid asset that falls outside these definitions if the asset can be transferred to another owner.

We will also advise you, both at the time of investing and at the time of benefit payment, if any of your investments cannot be converted to cash within 30 days or if this conversion will adversely impact the value of your investment.

Ongoing monitoring of your investment strategy and guidelines

Our responsibility for your investment strategy does not finish once the investment is approved and purchased.

As trustee, we continue to monitor your fund to ensure that its investments remain within your chosen investment strategy and our diversification and liquidity rules.

There may be instances where market movements, contributions and benefit payments may cause your asset allocation to move outside your chosen strategy or our diversification and liquidity rules.

If this happens, we will help you change your investments. This may involve buying or selling assets, to ensure your fund remains within your chosen strategy.

If you do not respond within a reasonable timeframe, we may buy or sell appropriate assets to ensure your fund complies with our investment policy.

Assets that would cause your fund to continually fall outside your nominated strategy and/or our diversification or liquidity rules may not receive our approval.

In this situation, we would suggest you reconsider your investment objectives and nominated strategy.

Perpetual's DIY Super Trustee Service

Diversification guidelines

| Asset type | Definition | Exposure limit |
|---|---|--|
| Cash and fixed interest | <ul style="list-style-type: none"> ▪ Cash management trusts that are registered managed investment schemes ▪ Bank bills and bank accounts ▪ Australian government and semi-government bonds ▪ Bank-offered fixed income securities and debentures ▪ Deposits with an approved deposit taking institution (ADI) | Maximum 98% of total member account permitted in any single investment holding of this type (100% may be held in Perpetual Cash Management Fund). |
| | Credit union products | Maximum 50% of total member account in any individual holding |
| | Other fixed interest products not listed above (eg hybrid securities and unsecured notes) | Maximum 20% of total member account in all securities of this type |
| Direct shares, REITs, listed investment companies (LICs) and exchange traded funds (ETFs) | ASX listed securities | Maximum 15% of total member account to be held in any single security |
| | Australian shares outside the S&P/ASX300 Index | Maximum 20% of total member account invested in all securities of this type |
| Direct shares-international | International shares listed on selected international stock exchanges | Maximum 20% of total member account investor in all securities of this type and maximum 15% of total member account invested in any single security be held in all securities of this type |
| Listed investment companies and exchange traded funds | LICs and ETFs | Maximum 30% of total member account to be held in any single LIC or ETF |
| Direct property | <ul style="list-style-type: none"> ▪ Must satisfy the requirements of SIS and our property policy | Maximum 50% of total member account to be invested in direct property - available for Balanced Growth, Growth or High Ground investment strategies only |
| Managed funds | <ul style="list-style-type: none"> ▪ ASIC-registered managed investment schemes (including hedge funds, infrastructure funds, private equity funds and solicitors' mortgage funds) ▪ Investment linked or investment account life insurance policies ▪ Trustee company common funds | <ul style="list-style-type: none"> (i) Maximum 98% permitted in an individual managed fund with an acceptable rating by a research house of our choosing (ii) Maximum 50% of total member account may be held in any single sector geared managed investment scheme (iii) Maximum 20% of total member account to be invested in all managed funds that do not have an acceptable rating by a research house of our choosing |
| Other assets | <ul style="list-style-type: none"> ▪ Traded life insurance whole of life or endowment policies ▪ Private or closely held unit trust ▪ Shareholding in private or unlisted domestic company ▪ Derivatives without a charge over assets | Maximum 50% of total member account invested in 'other' assets and a maximum of 15% of total member account invested in any single holding of this type |

Note: These diversification limits are applied to each 'member account'. Where there is more than one member in a fund where assets are segregated, the member account is the aggregation of all sub-accounts relating to each member. If assets in the fund are unsegregated, the member account is the aggregation of all sub-accounts within the fund. Where there is only one member in a fund, the member account is the aggregation of all sub-accounts within the fund.

More information

If you have any questions about our investment policy or need any further information, please speak with your financial adviser or account manager.

Perpetual's DIY Super Trustee Service

Investment strategies

| | Secure | Conservative Growth | Balanced Growth | Growth | High Growth |
|-----------------------------|---|--|--|---|---|
| Investment objective | To provide a consistent level of income and preserve capital over the short term. | To provide a consistent level of income while retaining the ability to achieve some capital growth over the short to medium term. | To provide moderate levels of income and capital growth over the medium term. | To provide higher levels of capital growth over the medium to long term. | To maximise capital growth over the long term. |
| Strategy | This investment strategy provides for a substantial investment in defensive assets such as cash and fixed income assets, with little or no investment in growth assets. | This investment strategy provides for the majority of investments in defensive assets while providing some scope for investment in growth assets. | This investment strategy provides for a balance of investments in growth and defensive assets. | This investment strategy provides for the majority of investments in growth assets while providing some scope for investment in defensive assets. | This investment strategy provides for a substantial investment in growth assets such as equities and property assets, with only a small allocation towards defensive assets. |
| Risk | The risk profile of this strategy is low over the short term, with emphasis being on generation of income and preservation of capital. This strategy is suitable for those who seek regular income returns and are prepared to accept lower overall returns over time with lower levels of volatility in order to preserve capital over the short term. | The risk profile of this strategy is lower over the short term, with emphasis being on generation of income with the potential to achieve some capital growth. Investment in growth assets may result in some capital losses but the investments in defensive assets should act to limit losses of the portfolio. This strategy is suitable for those who seek regular income returns but who are prepared to accept a low level of volatility in capital values from year to year to achieve some capital growth. | The risk profile of this strategy ranks as medium. While it is possible that some growth assets may provide a loss in the short term, the investments in defensive assets should act to reduce losses of the portfolio. This strategy is suitable for those who seek a moderate level of income and capital growth over periods of typically three to five years with a medium level of volatility in investment returns and asset values in the short term. | The risk profile of this strategy is medium to high over the short term. Growth assets consistent with this strategy exhibit price volatility. It is possible that investments may provide a loss in the short to medium term. This strategy is suitable for those who seek a higher level of overall return over periods in excess of typically five years and who are prepared to accept a higher level of volatility in investment returns and asset values in the short to medium term. | The risk profile of this strategy is the highest over the short term. Growth assets consistent with this strategy exhibit price volatility. It is possible that investments may provide a loss in the medium term. This strategy is suitable for those with a long term investment horizon and who seek higher levels of overall return. Investors need to be prepared to accept higher levels of volatility in investment returns and asset values in the medium term. |
| Asset allocation | The fund must comply with its weighting to growth assets* and defensive assets ¹ at all times as described in the following columns. In all instances a fund must maintain a weighting of at least 2% in cash. | | | | |
| | Asset sector Growth assets Defensive assets | Asset sector Growth assets Defensive assets | Asset sector Growth assets Defensive assets | Asset sector Growth assets Defensive assets | Asset sector Growth assets Defensive assets |
| | Min 0% 90% | Min 10% 50% | Min 40% 20% | Min 60% 10% | Min 80% 2% |
| | Max 10% 100% | Max 50% 90% | Max 80% 60% | Max 90% 40% | Max 98% 20% |

*Growth assets include Australian shares, international shares, property and certain alternative assets.

¹Defensive assets include cash, fixed income and certain alternative assets.

Alternative assets and some managed funds, life policies and other asset types can display characteristics of either growth or defensive assets, depending on their type – we'll classify these assets in accordance with our due diligence process.

Perpetual Superannuation Limited ABN 84 008 416 831 AFSL 225246 RSE L0003315 (PSL) The current product disclosure statement (PDS) for Perpetual's DIY Super Trustee Service, issued by PSL, should be considered before deciding whether to use the service. The PDS can be obtained by calling 1800 645 227 or visiting www.perpetual.com.au.

Further information

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www.perpetual.com.au