

Adviser bulletin

Private Super Fund Guidance on investment strategies

As Trustee, it is crucial for us to ensure that each Private Super Fund makes appropriate investment decisions to protect their members retirement savings.

To do this successfully, we monitor and manage portfolio risk, through our investment strategies and investment guidelines. Whilst we do not primarily monitor, manage or consider potential returns from any investment, we rely on you as your clients investment adviser to determine member risk tolerance and construct investment portfolios that are suitable to their needs and circumstances.

Following is our response to the circumstances that lead members to continually fall outside of their investment strategy. Please note that our view is shaped by the responsibilities we ultimately bear in relation to the risk within the portfolio.

Out of strategy – asset allocation

With the recent adjustments to the minimum requirement of international share holdings, we do not anticipate any circumstance where members would be outside of their approved asset allocation. We believe that our asset allocation ranges are in line with our portfolio principles and broad enough to provide you with portfolio construction flexibility throughout the investment cycle.

Action: if members are outside of their asset allocation we request that you, within 180 days, either:

- buy or sell assets to bring the portfolio inline with the investment strategy or
- change the investment strategy to suit the revised objectives of the member. You can do this by submitting our 'Change Investment Strategy Form' which is attached to this briefing.

Out of strategy – over exposure to a 'non-speculative' investment

For investments we rate 'non-speculative' we deem them to have a low probability of capital loss, for example, managed funds and securities within the ASX200.

We understand that there may be certain circumstance which may drive you to continue a high exposure (beyond 25% of the portfolio) to a certain investment.



For example, where your client has a strong attachment to a well performing investment or is awarded a large amount of stock through employment contract or corporate action.

However, we remain responsible for the risk management of the portfolio and our view is that concentrated investment exposure, to any investment, can present unacceptable portfolio risk.

Action: given the risk rating of the investment is 'non-speculative' we are prepared to allow the current holding to continue provided both you and your client indemnifies us for your decision to continue the high concentration/single stock exposure. You can do this by submitting our Strategy Indemnity Form attached to this briefing, we will continue to provide you with alerts and reminders that the portfolio is out of strategy.

Out of strategy – over exposure to a 'cautious' investment

For investments we rate 'cautious' we deem them to have a medium probably of capital loss, for example, geared managed funds and stocks outside the ASX200.

Action: we are uncomfortable with the inherent risk and potential for capital loss, and will request that you take the necessary steps to correct your clients investment portfolio.

Where appropriate, you may consider recommending an 'off market' purchase of the over weight investment, whereby the member purchases the asset (or a portion of the asset if unitised) from their fund via standard transfer form or CHESS transfer form. The member retains ownership of the investment in their personal name and not via their fund. Please note that stamp duties and taxes may be payable on the transaction.

Out of strategy – over exposure to a 'speculative' and 'highly speculative' investments

For investments we rate 'speculative' and 'highly speculative' we deem them to have a high probability of capital loss, for example structured products and stocks within the ASX500.

Action: we cannot accept the inherent risk and high potential for capital loss, and as a result we will require that you correct your clients investment portfolio in line with the maximum allocations set out in the Product Disclosure Statement.

Out of strategy – continued out of strategy and no response from you

From June 2010 we will be reviewing each portfolio which has continued to be out of strategy for a period of 180 days or longer to determine what action we will take in order to bring the portfolio back within strategy. The actions that we take will be determined once we have completed our review of the portfolio.

You and your client will be advised of our proposed course of action prior to such action being taken.



Regarding frozen investments (investments with suspended redemptions) we will continue to inform you of redemption windows if the investment is listed on our Wholesale Access Fund Product List.

We acknowledge this outcome may be highly undesirable to either party, however, such action must be taken in order to meet our legislative obligations.

To provide you with background on this decision, it was determined that:

1. it was unacceptable, on our part, to set out a framework to manage portfolio risk and not adhere to it - particularly in relation to assets we have deemed to have a medium to high potential for capital loss; and
2. allowing portfolios to continue out of strategy while we are responsible for portfolio compliance may create undesirable situations where we are providing a portfolio hedge should investment performance not be realised.

If you have any questions, please contact the Client Services Team on 1800 254 180.

Yours sincerely



Client Services
Australian Executor Trustees Limited



Private Super Fund Strategy Indemnity form

You may only use this form for over exposure to 'non-speculative' investment.

Fund name (Fund)

Fund number

Member account number

Title

Surname

Given name(s)

To Australian Executor Trustees Limited ('AET') the Trustee for the above Fund

Financial adviser surname

Financial adviser given name(s)

Financial adviser dealer group

Section 1: Reason for out of strategy

Please provide details of the offending investment:

Name of investment – must already be rated 'non-speculative'	Asset code (ASX or APIR)	Amount of portfolio (%)

Section 2: Member declaration and signature

I/WE being the Member(s) of the Fund hereby acknowledge the following;

1. that AET is the Trustee for the Fund,
2. that the Fund's financial adviser has developed an investment strategy for the Fund,
3. that we have directed AET to adopt the investment strategy for the Fund
4. that AET has adopted and implemented the investment strategy for the Fund,
5. that AET has a statutory obligation to monitor the investment strategy established for the Fund,
6. that AET has informed the Fund's financial adviser that the Fund is currently out of strategy,
7. that the Fund's holding in the above investment has caused or is causing the Fund to remain out of strategy,
8. that I / WE are both satisfied and comfortable that the Fund is out of strategy,
9. that I / WE direct AET not to take any action to cause the Fund to fall back within the investment strategy established for the Fund,
10. that I / WE will not take any action against AET as a result of the Fund being out of strategy and for acting in accordance with paragraph 8 above,
11. that I / WE will not hold AET responsible for any loss suffered by the Fund as a result of AET acting in accordance with my/our directions.

Private Super Fund

Change of Strategy form

Please complete this form if you wish to change the investment strategy of your Fund.

Fund name

Fund number

Member account number

Title

Surname

Given name(s)

Section 1: Investment strategy selection

Please indicate (✓) the strategy you wish to choose (more information about each strategy is in the current Product Disclosure Statement):

- Strategy 1 – Conservative
- Strategy 2 – Moderately conservative
- Strategy 3 – Balanced
- Strategy 4 – Balanced to moderately aggressive
- Strategy 5 – Aggressive (shares)
- Strategy 6 – Aggressive (property)

Section 2: Declaration and signature

In selecting a new investment strategy for this Fund, I have:

1. Taken into account the personal needs and circumstances of the Fund members; and
2. Considered the following issues
 - i. the risk involved in making, holding and realising, and the likely return from, the Fund's investment having regard to its objectives and its expected cash flow requirements;
 - ii. the composition of the Fund'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;
 - iii. the liquidity of the Fund's investments having regard to its expected cash flow requirements; and
 - iv. the ability of the Fund to discharge its existing and prospective liabilities.

Member's signature

Date

 / /

Please return to Australian Executor Trustees Limited by:

Fax 1800 781 166
Email forms@aetlimited.com.au
or Post Australian Executor Trustees Limited
 Administration Services
 GPO Box 546
 Adelaide SA 5001

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