

INVESTMENT STRATEGY FOR THE PETERS FAMILY FOUNDATION 2013/2014 FINANCIAL YEAR

Investment Objectives

The Trustee believes that the following investment objectives are appropriate for The Peters Family Foundation ('the Foundation'):

- ☞ To generate a regular and growing income stream; and
- ☞ To have a high probability of achieving positive growth in the value of the net assets of the Foundation (after allowing for the impact of grants to charitable institutions), with the extent of growth being at least equal to inflation.

General Matters Considered

In determining an investment strategy for the Foundation to meet the desired investment objectives, the Trustee has taken into account the following general matters:

- ☞ The prudence management of the investment of the Foundation assets is considered to be one of the key responsibilities of the Trustee;
- ☞ The Foundation should be invested in such a way as to ensure that *sufficient liquidity* is maintained to meet the minimum 5% per annum grants required to be made to charitable institutions with DGR status;
- ☞ The Foundation assets must at all times be invested in accordance with the Guidelines applicable to Private Ancillary Funds ('PAFs') which are regulated by the Australian Taxation Office. In particular, PAFs are prohibited from making investments on a non "arms-length" basis;
- ☞ Provided the Foundation complies with the Guidelines applicable to PAFs, the investment income earned and donations received are not taxable;
- ☞ As a PAF, the Peters Family Foundation is prohibited from borrowing money (except in limited short term "bridging" circumstances) and providing security over any of its assets;
- ☞ The Foundation should be invested in such a way as to *maximise the rate of investment return within an acceptable level of risk* (where risk is defined as volatility of market values of assets held as well as the possibility of permanent capital loss) and over a time frame that reflects the risk profile of the founder; and
- ☞ The need for *adequate diversification* of investments to minimise specific risk of holding any one asset.

Investment Strategy

On the basis of the points outlined above, the Trustee believes that the best way to achieve the Foundation's objectives is to invest the assets in growth-oriented investments (i.e. shares /units in unlisted trusts) with a bias to Australian investments. The bias to Australian investments is to provide additional benefits from the dividend imputation system.

The Trustee also considers it prudent to have exposure to cash and/or fixed income securities particularly when:

- ✳ Share market valuations appear stretched by reference to the number of standard deviations from their long term trend values; and/or
- ✳ There appears to be a better risk/return trade-off in the immediate future.

Asset Allocation

Based upon the investment strategy outlined above, the Trustee has determined that:

- ✳ The indicative broad investment ranges for the Foundation should be:
 - 70% -95%** Growth oriented investments (i.e. shares/units in unlisted unit trusts); and
 - 5% - 30%** Cash and/or fixed income interest securities
- ✳ Growth-oriented investments may include:
 - Unlisted investments, whether domestic and/or international, including property and private equity (0% - 100% of the total market value of all growth-oriented investments at the time of purchase)
 - Australian listed shares/securities (0% - 50% of the total market of all growth-oriented investments at the time of purchase)
 - International listed shares/securities (0% - 25% of the total market of all growth-oriented investments at the time of purchase)
- ✳ The cash and/or fixed interest investments may include domestic and/or international:
 - Government and semi-government bonds; and/or
 - Bank and other corporate debt securities (including fixed or floating rate securities, bills of exchange, promissory notes, negotiable certificates of deposit, term deposits, debentures, at call deposits and/or mortgages).

The cash and/or fixed interest investments held in the Foundation will be invested primarily in investment grade securities.
- ✳ The assets of the Foundation may be held directly or indirectly through a pooled fund arrangement.

Investment Responsibilities

The Trustee will maintain full oversight of the investment objectives, strategy and performance of the Foundation. However, day to day responsibility for managing the investment portfolio in



compliance with the strategy set by the Trustee will rest with Wayne Victor Allard Peters, who is considered to be an appropriately qualified investment professional.

Review and Monitoring

The Trustee intends to monitor and review the Foundation's objectives and strategy on at least an annual basis and will monitor the investment performance of the Foundation on a continuous basis, with an emphasis on long term performance.