

# Investment Strategies

October 2017

The Plan offers five diversified investment strategies to help you achieve your retirement goals.

Investment choice enables you to select the investment approach that best suits you at a particular point in time. You should bear in mind it is likely the best investment approach may change over your lifetime. You can change your investment choice at any time for no additional cost.

In this document we set out in more detail the investment options available to you. We also discuss the investment styles used by the Plan and our fund manager selection process.

## Investment Styles

There are three broad types of managed funds available to the Plan including:

- Sector Specialists
- Generalist Managers
- Indexed

### Sector Specialist

This approach involves using sector specialist investment managers to each invest a portion of the Plan's assets in their particular specialist investment class. For example, a number of managers would be used to invest in Australian shares while another completely different group would be used to invest in fixed interest.

As no single investment manager is likely to be among the best managers in every asset class, the sector specialist model allows access to the top managers in each particular asset class.

Under this approach the Trustee selects the groups of managers and allocates a proportion of the Plan's portfolio to each manager.

### Generalist Manager

This approach involves appointing investment managers to each manage investments across a range of asset classes. The investment manager takes responsibility for investment in all asset classes and for decisions about asset allocation between classes.

### Indexed

This is a more passive approach using investment managers who invest in proportion to pre specified indices. For example, if the index was the Australian 'All Ordinaries' index, the manager would hold a portfolio of stocks that proportionately replicated the companies included in the All Ordinaries index.

This option tracks the index very closely and thus aims to never underperform the index. Likewise it never outperforms the index.

## Pitcher Retirement Plan Approach

The Trustee has appointed panels of sector specialist managers across all major classes of assets on the view that the sector specialist approach is more likely to give superior returns to members over the longer term.

The Trustee may use other manager styles on a limited basis where it is determined to be in the best interests of members.

## Investment Advice

Pitcher Retirement Plan uses the investment and research services of Pitcher Partners Investment Services Pty Ltd for construction of investment options and selection of underlying investment managers.

The investment manager selection process is outlined below.

## Fund manager selection process

The objective of the fund manager selection process is to use qualitative and quantitative techniques to seek out fund managers that are likely to offer investors high levels of financial strength and superior risk adjusted returns.

The fund manager selection process enables members to have access to a range of investments managed by some of the most highly regarded fund managers in the market place.

## Financial Strength

The first step is a consideration of financial strength. We have a strong preference for large fund managers with strong long-term credit ratings. Where a fund manager is unrated by the major research houses, we focus on market capitalisation or the credit rating of the parent company.

Although most investments are held through a trust structure, we believe that financial strength is important in assessing a fund manager's ability to withstand adverse events. By focussing on financial strength we can avoid a number of unnecessary risks, without compromising potential returns. This offers an additional layer of comfort.

## Qualitative Analysis

The qualitative aspect of the fund manager review process is regarded as critical and involves an assessment of the fund manager's process and people. Specifically the investment process needs to be logical and well articulated, while the investment management personnel should be highly experienced.

Given the link between these qualitative factors (process and people) and fund performance, a detailed review is considered essential. The experienced research team conducts intensive fund manager reviews and is able to use their expertise to focus on the key issues that are likely to impact on the performance of certain fund managers. Given the subjective nature of a qualitative assessment we believe that there is no substitute for meeting 'face to face' with prospective fund managers.

## Quantitative Analysis

Quantitative analysis is used to assess a fund manager's historical performance and volatility characteristics. The aim is to establish whether a fund manager has shown the ability to outperform the relevant benchmark at an acceptable level of risk. This analysis is used as an overlay to the qualitative research to assess whether the manager's investment process has translated into out-performance over a business cycle (i.e. 3 - 5 years). The analysis also assists in determining whether the manager's performance track record over various stages of the business cycle is consistent with their investment style and process.

While short-term historical performance is of little use, longer-term historical performance can be a useful indicator. Fund managers offering an excellent process and top quality investment staff would be expected to add value consistently over time. We also place a high level of importance on risk control. By this we mean that we favour managers that have shown the ability to produce solid returns without excessive risk. Using standard deviation as a proxy for risk we can measure risk relative to a benchmark or as a comparison between a number of managers.

## Selected Specialist Managers

The following are the managers within each asset class that are current at the time of publication. The Trustee reserves the right to change managers at any time without notice to members. To confirm the current list of fund managers, please contact us.

Asset Sector	Manager/Fund
Australian Shares	Perpetual Ethical SRI Fund Greencape High Conviction Fund Bennelong Ex 20 Australian Equities Fund Ausbil Dexia Australian Active Equity Fund Pengana Emerging Companies Fund
International Shares	Magellan Global Fund Platinum Asia Fund Templeton Global Equity Fund T Rowe Price Global Equity Fund Arrowstreet Global Equity Fund Yarra Global Small Companies Fund RARE Infrastructure Value Fund Grant Samuel Epoch Fund Global Equity
Property	APN AREIT Fund Vanguard International Property Securities Fund EQT SGH Wholesale Property Income Fund
Alternatives	Partners Group Global Value Fund Infrastructure Partners Investment Fund
Australian Fixed Interest	AMP Capital Corporate Bond Fund Janus Henderson Tactical Income Trust Janus Henderson Australian Fixed Income Trust
International Fixed Interest	EQT PIMCO Global Credit Fund T Rowe Price Global Dynamic Bond Fund
Cash	ANZ AMP Bank of Melbourne NAB

## Tactical Asset Allocation

Tactical Asset Allocation is where we would decide to change the proportion of each asset class in accordance with a view of short term market influences that may affect the valuation of different asset classes.

Under Tactical Asset Allocation we may, for example, set a benchmark holding in Australian shares at 50% of the portfolio but be able to move the holding in a range of 40% to 60%. Australian shares may be sold down if the view was Australian shares were about to underperform.

## Pitcher Retirement Plan Approach

The Trustee's view is Tactical Asset Allocation rarely adds significant value to fund members. Benchmark holdings for each asset class are specified and held over time. Target benchmark holdings are reviewed at least quarterly.

The Trustee aims to rebalance the Plan's assets back to target benchmarks at least quarterly.

## Investment Objective and Strategy

The following sets out the investment strategies of the Plan. You should carefully consider the content of these strategies when determining your ongoing investment choice.

### High Growth Strategy

The High Growth Strategy is best suited to members with an 'aggressive' risk profile with a minimum investment term of at least 7 years.

#### Investment Objective

The investment objective for the High Growth Strategy is to achieve a return of not less than the rate of growth of CPI plus 5% pa, over any rolling five year period.

#### Investment Strategy

The Trustee will authorise and make investments on the basis of professional advice as necessary to achieve the Investment Objective using the following guidelines:

Asset Class	Strategic Benchmark
Listed International Shares	30%
Listed Australian Shares	45%
Listed Property	10%
Alternatives	6%
Australian Fixed Interest	7%
International Fixed Interest	0%
Cash	2%

(Percentage of total investment strategy assets)

### Growth Strategy

The Growth Strategy is best suited to members with an 'assertive' risk profile with a minimum investment term of at least 5 years.

#### Investment Objective

The investment objective for the Growth Strategy is to achieve a return of not less than the rate of growth over the period of CPI plus 4.5% pa, over any rolling five year period.

#### Investment Strategy

The Trustee will authorise and make investments on the basis of professional advice as necessary to achieve the Investment Objective using the following guidelines:

Asset Class	Strategic Benchmark
Listed International Shares	23%
Listed Australian Shares	31%
Listed Property	10%
Alternatives	6%
Australian Fixed Interest	18%
International Fixed Interest	10%
Cash	2%

(Percentage of total investment strategy assets)

### Balanced (MySuper) Strategy

The Balanced (MySuper) Strategy is best suited to members with a 'prudent' risk profile with a minimum investment term of at least 3 years.

#### Investment Objective

The investment objective for the Balanced (MySuper) Strategy is to achieve a return of not less than the rate of growth over the period of CPI plus 3.5% pa, over any rolling five year period.

#### Investment Strategy

The Trustee will authorise and make investments on the basis of professional advice as necessary to achieve the Investment Objective using the following guidelines:

Asset Class	Strategic Benchmark
Listed International Shares	16%
Listed Australian Shares	20%
Listed Property	8%
Alternatives	6%
Australian Fixed Interest	19%
International Fixed Interest	11%
Cash	20%

(Percentage of total investment strategy assets)

## Capital Stable

The Capital Stable Strategy is best suited to members with a 'conservative' risk profile with a minimum investment term of at least 2 years.

### Investment Objective

The investment objective for the Capital Stable Strategy is to achieve a return of not less than the rate of growth over the period of CPI plus 3.0% pa, over any rolling five year period.

### Investment Strategy

The Trustee will authorise and make investments on the basis of professional advice as necessary to achieve the Investment Objective using the following guidelines:

Asset Class	Strategic Benchmark
Listed International Shares	8.5%
Listed Australian Shares	10.5%
Listed Property	6%
Alternatives	5%
Australian Fixed Interest	19%
International Fixed Interest	14%
Cash	37%

(Percentage of total investment strategy assets)

## Cash Strategy

The Cash Strategy is best suited to members with a 'risk averse' risk profile with a minimum investment term of less than 2 years. Investment in Cash is appropriate for members seeking stable returns over the short term with a minimal level of volatility.

### Investment Objective

The investment objective for the Cash Strategy is to achieve a return of not less than the rate of growth over the period of CPI plus 1.0% pa, over any rolling five year period.

### Investment Strategy

This investment strategy is to be invested 100% in cash and term deposits.

## Contact Us

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