

Investment Strategy 2019 to 2020

(Supplement to Investment Policy Statement)

Last Update & Ratification by Board: 05 December 2019

Purpose of this Document

This Investment Strategy Document (“the Document”) provides an overview of the process undertaken in formulating the investment strategy for the investment assets of TasBuild Limited (“TasBuild”), as Trustee for the Construction Industry Long Service Fund (“the Fund”).

The broader framework for the management and oversight of the investment assets of the Fund is set out in a separate document; the Investment Policy Statement, which should be read in conjunction with this Document.

Investment Goals

The purpose of the Fund is the provision of portable long service benefits and entitlements. In fulfilling this purpose, the primary goal of the Fund is to generate income and growth as follows:

- Income: To enable TasBuild to carry out its objectives as determined by the Trustees.
- Growth: To increase the Fund’s asset base to ensure assets held in the Fund outweigh those of the liabilities

As such, the Board has established investment objectives for the Fund which is aligned with the achievement of the stated Investment Goals.

Investment Objectives

The primary objectives for the Fund have been considered in respect of the expected return, risk and solvency characteristics of the Fund. The objectives are as follows:

- To achieve a return at least in line with Average Weekly Ordinary Time Earnings + 1.5% over rolling 5 years periods after investment fees
- The likelihood of a negative return to be no worse than 1 in 5 years
- To outperform the asset weighted benchmark return, comprised of relevant market indices, by 0.5% p.a. (after investment management fees) over rolling 12 month periods.
- To achieve and maintain an asset value that is not less than 110% of the financial statement value of liabilities as measured by the Fund Actuary

Strategic Asset Allocation Review Process

TasBuild engages specialist investment advisors, in determining an appropriate Strategic Asset Allocation (“SAA”) for the Fund.

The SAA is determined with reference to the Investment Objectives of the Fund. The General Investment Principles and Investment Guidelines as set out in the Investment Policy Statement apply as part of this process. (See Section 6 and Section 10).

The SAA for the Fund is reviewed on an annual basis, taking into account advice provided by advisors to TasBuild including the Fund Actuary and the Implemented Investment Consultant.

As part of this process, due regard is paid to the solvency position of the Fund (the relative level of assets to the level of liabilities of the Fund), the expected employers contribution rate to the Fund, and the desired return and risk profile.

The SAA review process entails the following steps,

- 1) Consideration of the investment objectives of the Tasbuild investment portfolio in light of the purpose of the Fund
- 2) Assessing the suitability of the current investment strategy relative to the investment objectives
- 3) Consideration of refinements to the investment strategy, supported by quantitative investment modeling analysis and qualitative analysis, to determine an appropriate investment strategy.

Strategic Asset Allocation and Asset Class Ranges

The current approved SAA, and asset class ranges for the Fund is set out in the table below:

	Strategic Asset Allocation (%)	Asset Class Ranges (%)
Equities	42.0	22 - 62
Australian Shares	21.0	5 – 35
International Shares	9.0	0 – 20
Hedged International Shares	6.0	0 – 20
Global Small Companies	2.0	0 – 10
Emerging Markets Shares	4.0	0 – 10
Real Assets	23.0	0 – 55
Australian Direct Property	10.0	0 – 15
Global Listed Property	2.0	0 – 15
Global Listed Infrastructure	2.0	0 – 10
Global Unlisted Infrastructure	9.0	0 – 15
Debt	35.0	0 – 70
Global Credit	5.0	0 - 10
Emerging Market Debt	3.0	0 – 10
Australian Sovereign Bonds	8.0	0 – 25
Australian Inflation Plus	5.0	0 – 10
Global Absolute Return Bonds	6.0	0-15
Cash – Term Deposit	8.0	0 – 20
Total	100	

The table below provides the current investment characteristics relating to the Current SAA.

Investment Characteristics – Current SAA	
Investment Horizon	5 Years
Objective	AWOTE + 1.5%
Expected Return (before tax, allowing for active management and after fees) %	7.00%
Expected Risk - Volatility of Returns (Standard Deviation) %	8.28%
Return per risk ratio	0.84
Probability of negative return in any 1 year over next 5 years %	16.2%
Frequency of a negative return in a 20 year period	1 in 6.6 years

Key Related Document

This Document should be read in conjunction with the TasBuild Investment Policy Statement, which provides further detail on the framework for actively managing the investment assets of the Fund.

Document Review

This document will be reviewed on an annual basis or more frequently if required as determined by TasBuild.

Version	Reason for amendment	Date approved by Board
1	Document created	06 / 10 /2016
2	Reviewed	18/10/2018
3	Amended	05/12/2019
4	Amended	07/02/2019