Croquet Australia Investment Policy

Introduction

1. The Australian Croquet Association (ACA) has surplus assets invested which vary over each year from about $80,000 to $160,000. They are built up after receipt of affiliation fees in June and are depleted by running costs over the year.

2. For some years these resources were lodged in extremely conservative investments. Their real value, while not being actually eroded by inflation, was not increased at the rate which could have been possible. Responsible management requires the Association to adopt an investment policy which takes advantage of middle of the range investments. The assets of the Association should be increased as much as possible while not taking undue risks.

Types of Investment

3. The many different types of investment can be divided into five basic classes: cash, fixed interest securities, property, shares and “alternative assets”. All members of a class usually behave similarly to each other and differently to members of other classes. It is prudent for a well managed portfolio to include all classes of investment and when this is done it is called a well diversified portfolio.

4. Cash securities. Cash is effectively bank notes, coins and deposits at call or near-call, earning floating interest rates. A certain amount of cash is needed for normal operating expenses and as an emergency reserve. Cash should be kept to the minimum as it offers neither growth nor very much income.

5. Fixed-interest securities. Fixed-interest securities pay interest fixed for the duration of the investment. Examples are Government stock, debentures and term deposits. These securities pay a relatively high rate of interest but offer little growth. They are often, therefore, used as short-term investments.

6. Both cash and fixed-interest securities have a proper place in any diversified long-term portfolio but they do not grow in capital value. It is normal to complement them with growth investments such as property, shares and certain “alternative investments”. Property and shares are thus used as longer term investments.

7. Property. Property comes in many forms. The most popular are residential investment property, commercial and industrial property and rural property. Property generally produces a reasonable income (rent) and some capital growth. The combination of these factors usually outpaces inflation. On

the negative side there are some unique problems associated with tenants, physical deterioration and the inability to realise the asset (sell it) quickly. These problems can be minimised by investing in Property Management Trusts.

8. Shares. Shares are simply parts of businesses and can be as risky as the most volatile businesses and as safe as the most conservative consortiums. Share ownership has historically offered growth in excess of inflation and a reasonable and rising income in the form of dividends. Balanced portfolios normally contain both domestic and international shares. A well-diversified group of shares will be volatile but the risk of loss is much reduced by spreading the investments widely enough. To avoid the consequences of the volatility, shares are normally used as longer term investments.

9. Property and shares offer growing income streams over the long term (as rents and profits rise). As income grows, so does capital worth grow.

10. Alternative assets. There are many different types, such as unlisted equity investments, venture capital projects commodities, collectibles, traded options and futures. These investments are difficult for organizations, such as the ACA, as some expertise is usually required for the best results.

Managed Funds

11. Managed funds are investment schemes where the contributions of many people are aggregated into a single pool of money and actively managed by a fund manager. They are vehicles through which exposure to investments may be obtained. They offer professional management, wide diversification (reducing risk) and administrative convenience, in exchange for internal fees, costs and, sometimes, taxes. Funds are available that allow for indirect exposure to all the main asset classes. Balanced funds, which mix all the asset classes, are available. In these the fund manager takes responsibility for changing the mix whenever necessary to achieve the best result.

Policy

12. The ACA will invest its assets in a carefully chosen series of well-diversified investments as soon as they become available for investment.

13. The Executive Committee will approve recommendations submitted by the Treasurer before any investment is made or realized.

14. All investments will be made from the main bank account and realized by credit to that account.

Approval

15. Paragraphs 2 to 11, 13 and 14 above, together with paragraph 19 below, were approved at the Council meeting (AGM) in Perth on 2 April 2007, together with further paragraphs which are out of date. Paragraph 12 was amended slightly in December, 2010. The current position is given below.

Current Situation

16. On 30 October 2011 the following are the bank balances and investments (rounded to the nearest $1000).

16.1	Cash in main account	$5,000
16.2	Cash in Treasurer`s account	$14,000
16.3	Sandhurst Fund (at call)	$24,000
16.4	Bendigo Bank Term Deposits	$60,000
16.5	ANZ Bank Term Deposit	$10,000
16.6	MLC H6 Shares Portfolio Fund	$50,000
16.7	Westpac Australian Properties Fund	$26,000
		$189,000

17. The asset allocation is:

17.1	Cash	23%
17.2	Fixed-interest securities	37%
17.3	Shares Fund	26%
17.4	Properties Fund	14%

Proposed Future Action

18. The overweight in fixed interest will be resolved in December when one of the Bendigo Bank term deposits matures.

19. In the longer term the asset allocation should be maintained as:

20.1	Cash	10% to 25%
20.2	Fixed-interest securities	20% to 35%
20.3	Shares Funds	20% to 35%
20.4	Properties/Mortgage Funds	20% to 35%.

A. T. Hall
30 Oct 2011 Treasurer