

## **Impaired security policy**

### ***Introduction***

An important role of the GMI Superannuation Scheme's Investment Manager ("Manager") is to monitor the liquidity of securities held in members' accounts and sell any securities at risk of becoming impaired.

It is possible, however, that at some point members' accounts may hold an impaired security. The Manager and Trustee, therefore, have agreed on the approach that will be taken in the event a security does become impaired.

### ***Policy***

The guiding principles in dealing with impaired securities are that the Manager must (a) act as fairly as possible to all members and (b) provide transparency around its intentions and actions when dealing with such securities.

A security is classified as impaired when there is no acceptable market for the security. The decision as to whether there is an acceptable market for the sale of the security is made by the Manager in its sole discretion with consent from the Trustee.

The current test used by the Manager to classify a security as impaired is where one or both of the following is satisfied:

- No trades of the security have occurred over the preceding three months; or
- The Manager cannot responsibly allow new members' funds to be allocated to the security because it has reasonable grounds to believe that the value of the security will continue to decline and there is a real possibility that in the foreseeable future the security will become valueless or there will be no acceptable market for the security.

### ***Materiality Test***

In addition, the following materiality test will apply: if the last traded aggregate value of the security in a Portfolio was less than \$10,000, the Scheme will be deemed to have an immaterial holding. If deemed immaterial, the Manager will leave the security in the Portfolio but will assign no value to it, thereby preventing any new members' funds being allocated to it. Ownership of the security will be calculated on the same basis as all other securities in the Portfolio, thus allowing for continued compliance with the Portfolio Investment Entities rules. A different materiality test will apply to individual exiting members (see below).

### ***Material Securities***

In the event a security is classified as impaired and is material, the security will be transferred into a special-purpose Impaired Security Portfolio (ISP) to hold only that impaired security. The members who own the security will have their interest in that ISP recorded. There may be more than one ISP at any time, one to hold each impaired security.

The Investment Direction of members who owned the impaired security will not be affected given that their interest in the ISP is consistent with the Investment Direction originally specified.

Once an ISP is established, the status of the security within it will be reviewed by the Manager no less than once each quarter to ensure the criteria for the security's classification continue to apply. If the criteria are no longer met (for example, the security starts trading again), then the security will be sold and the transaction recorded in members' accounts or,

in the case of any member who has left the scheme, the funds will be transferred to the exiting member's bank account.

When a member with an interest in an ISP withdraws from the Scheme the following process will be followed:

- Apply a materiality test: using the last traded price, if the value of the member's interest in the impaired security was less than \$100, then the member's security will be deemed to have zero value and the member's ownership claim distributed on a pro rata basis to all remaining members.
- Where the Manager considers it practicable, the member leaving the Scheme will be delivered the scrip for the impaired security.
- Where the Manager considers it not practicable to deliver the scrip to the withdrawing member, the member will either:
  - retain an interest in the ISP containing the impaired security until such time as some value can be realised
  - if the Manager and Trustee agree to close the relevant ISP having, on reasonable grounds, satisfied themselves that no value will be realisable, forfeit title to the impaired securities.

In any event the Manager will notify the member as soon as practicable.

If some value is realised for an impaired security and a member has previously withdrawn the balance of their account from the Scheme and cannot be traced within 6 years, the funds will be dealt with in accordance with clause 37.1 of the Trust Deed (unclaimed benefits).

No fees will apply to an ISP.

## **Non-marketable security policy**

### ***Introduction***

A fundamental rationale for people saving via a scheme such as the GMI Superannuation Scheme is the ability to aggregate relatively small individual savings accounts. By aggregating savings, the Manager can more easily diversify members' savings, access investment opportunities not available to small savers, and achieve lower brokerage rates or, in many cases, avoid brokerage by netting off new funds against member withdrawals.

However, from time to time the Scheme may have more members wishing to withdraw funds than there are new funds coming into the Scheme. At that point the Manager must sell some of the securities that make up the withdrawing member's account.

But, an individual member's account may contain a number of holdings that are too small to sell on their own, or the brokerage incurred would severely affect the net funds the member receives. In other words the member may have a number of non-marketable securities.

### ***Policy***

The Manager will apply the following process to members with non-marketable securities:

- Allow up to six months to realise the securities of a withdrawing member; or for the aggregation of withdrawal requests to translate into marketable parcels of assets; or for new funds entering the Scheme to purchase the assets of withdrawing members; or for the Manager to decide to sell the relevant asset for all members. Any funds

from the sale of marketable securities would be transferred to the member's bank account. Additionally, the member would receive a report from the Manager detailing all non-marketable securities within six weeks of the member giving the Scheme a withdrawal notice.

- After six months if none of the above is fully performed, any remaining non-marketable securities (but not impaired) would be purchased by GMI Purchaser Ltd (a company set up by GMILP) at the prevailing market price and the funds transferred to the member's bank account. GMI Purchaser Ltd would be a GMI client and therefore the title to the non-marketable securities would be transferred within the custodian from the Scheme to GMI Purchaser Ltd. At this point, and not before, the person would no longer be a member of the Scheme.