



# Public Trust Investment Service.

Diversified Funds  
Quarterly Update  
30 September 2021

## Funds Update

### What is the purpose of this update?

This document tells you how the Public Trust Investment Service Diversified Funds have performed and what fees were charged.

The document will help you to compare the Funds (the Funds) with other funds. Public Trust has not prepared this update in accordance with the Financial Markets Conduct Act.

The Financial Markets Conduct Act 2013, the Securities Act 1978 and the Securities Regulations 2009 do not apply to this offer.

This information is not audited and may be updated.

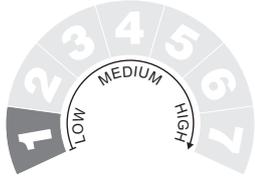
The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a non-consultable customer.

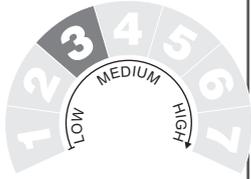
The Funds are not open to members of the public.

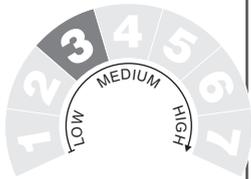
Any reference to us, we or our, refers to Public Trust.

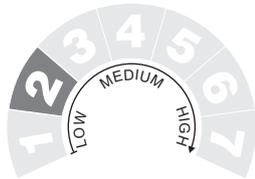
# Description of the funds

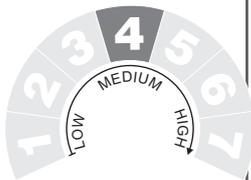
There are seven options offered in the Public Trust Investment Service Diversified Funds. The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a non-consultable customer. The Funds are not open to members of the public. These options are summarised below.

Cash Fund	
Aims to produce low risk returns by investing in short-term bank deposits and fixed interest securities.	 Risk indicator
Management fee	0.40% of your balance each year
Third party management fees	Nil
Total value of the Fund	\$67.6m
Unit price (redemption)	1.0605
Fund start date	28 July 2014

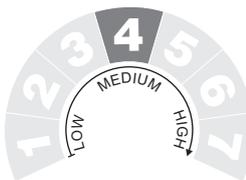
Conservative Portfolio	
Aims to produce stable returns with some capital growth and low to medium risk over the medium-term by investing 62.5% in the Defensive Fund and 37.5% in the Balanced Fund.	 Risk indicator
Management fee	1.11% of your balance each year
Third party management fees	0.03% of your balance each year
Portfolio start date	28 July 2014

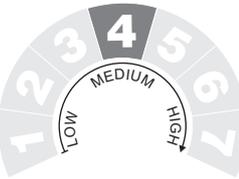
Moderate Portfolio	
Aims to produce moderate capital growth with moderate risk over the medium-term by investing 25% in the Defensive Fund and 75% in the Balanced Fund.	 Risk indicator
Management fee	1.16% of your balance each year
Third party management fees	0.04% of your balance each year
Portfolio start date	28 July 2014

Defensive Fund	
Aims to produce stable returns with low capital growth and low risk over the medium-term by investing 80% in diversified income assets (cash and bonds) and 20% in diversified growth assets (shares and listed property).	 Risk indicator
Management fee	1.05% of your balance each year
Third party management fees	0.02% of your balance each year
Total value of the Fund	\$179.5m
Unit price (redemption)	1.2024
Fund start date	28 July 2014

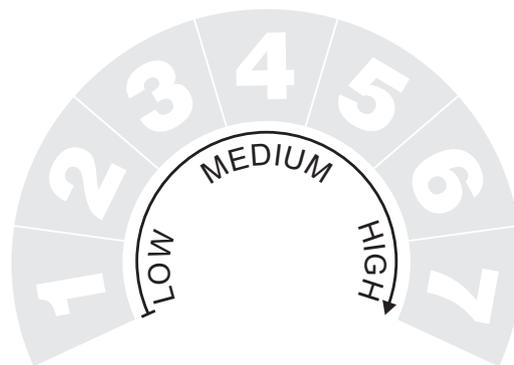
Balanced Fund	
Aims to produce long-term capital growth with medium levels of risk by investing 60% in diversified growth assets (shares and listed property) and 40% in diversified income assets (cash and bonds).	 Risk indicator
Management fee	1.20% of your balance each year
Third party management fees	0.05% of your balance each year
Total value of the Fund	\$308.5m
Unit price (redemption)	1.5197
Fund start date	24 July 2014

# What are the risks of investing?

Balanced Growth Portfolio	
Aims to provide significant long-term capital growth with medium to high levels of risk by investing 50% in the Balanced Fund and 50% in the Growth Fund.	 <p>Risk indicator</p>
Management fee	1.225% of your balance each year
Third party management fees	0.06% of your balance each year
Portfolio start date	28 July 2014

Growth Fund	
Aims to produce high long-term capital growth by investing 80% in diversified growth assets (shares and listed property) and 20% in diversified income assets (cash and bonds).	 <p>Risk indicator</p>
Management fee	1.25% of your balance each year
Third party management fees	0.08% of your balance each year
Total value of the Fund	\$25.4m
Unit price (redemption)	1.6512
Fund start date	28 July 2014

**Risk Indicator**



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of a Fund's assets goes up and down. A higher risk rating generally means higher potential returns over time, but more ups and downs along the way.

Note that even the lowest category does not mean a risk-free investment.

The risk indicator is not a guarantee of a Fund's future performance. Because the Funds are relatively new it is not possible to base the risk indicator on long-term actual performance. Instead the risk indicator is based on historical fund performance for similar funds managed by Public Trust for the five years ended 30 April 2014. While risk indicators are usually relatively stable, they do shift from time to time.

See the Information Statement for more information about the risks associated with investing in these funds.

## Important note

None of Public Trust, the Government of New Zealand or any other person guarantees the repayment of any investment in the Funds or the performance of the Funds.

# What are the fees?

You will be charged fees for investing in the Public Trust Investment Service Diversified Funds. These fees are deducted from your investment, and will reduce your returns. If Public Trust invests in other funds, those funds may also charge fees. The fees you pay will be charged in two ways:

- Public Trust management fee.  
This fee is expressed below as a percentage of your balance each year.
- Third party management fee.  
This fee is expressed below as a percentage

## Management fee & third party management fee

Option	Public Trust management fee	Third party management fee
Cash Fund	0.40%	Nil
Defensive Fund	1.05%	0.02%
Conservative Fund	1.11%	0.03%
Moderate	1.16%	0.04%
Balanced Fund	1.20%	0.05%
Balanced Growth Portfolio	1.225%	0.06%
Growth Fund	1.25%	0.08%

Third party management fees are calculated on the value of each Fund's investment in funds offered by the sub-contracted investment manager appointed to manage international shares. These fees are calculated and deducted daily from the third party funds in which these Funds invest.

## Management fee rebate

Accounts with larger amounts invested qualify for a rebate of part of Public Trust's management fee, as outlined in the table below:

Amount Invested	Rebate
On the first \$500,000	0.00%
On the next \$500,000	0.40%
On the next \$1,000,000 plus	0.80%

The rebates are calculated daily and applied quarterly to your account held with Public Trust. Certain administration expenses may be charged to the Funds where they are necessary in exercising our powers, as permitted under the Trust Deed. These include, but are not limited to brokerage and settlement and clearing services expenses. These expenses are not fixed and cannot be completely known ahead of time, but are not expected to be material.

Public Trust does not charge entry or exit fees, establishment fees, termination fees or any other fees or charges unless disclosed in this Information Statement.

## Example of how fees in a Fund apply

Bob invests \$10,000 in the Balanced Fund. Over the next year the average value of Bob's investment in the Balanced Fund is \$10,000. Bob is charged fees which work out to \$125.00 for that year:

Public Trust management fee 1.20% of \$10,000	= \$120.00
Third party management fee 0.05% of \$10,000	= \$5.00

These fees might be more or less if Bob's account balance has increased or decreased more substantially over the year.

Estimated total fees for the first year:

Public Trust management fee:	= \$120.00
Third party management fee:	= \$5.00

See the latest Fund update for an example of the actual returns and fees investors were charged during the most recent year.

This example only applies to the Balanced Fund. If you invest in other Funds in the Public Trust Investment Service Diversified Funds, this example will not be representative of the actual fees you may be charged.

## The fees can be changed

Public Trust publishes an update for all its Funds showing the fees actually charged during the most recent year. The Fund update, including past reports, is available at [www.publictrust.co.nz](http://www.publictrust.co.nz)

# Market Update

## Markets at a glance

	Returns	
	Quarter	Year
New Zealand shares	5.20%	13.70%
Australian shares	1.70%	30.60%
Global shares (Unhedged)	0.20%	22.10%
Global shares (Local)	-0.40%	27.40%
New Zealand property	3.20%	9.60%

	Returns	
	Quarter	Year
New Zealand cash	0.10%	0.30%
New Zealand bonds	-1.20%	-6.10%
Global bonds	0.10%	-0.60%
NZD/USD	-1.30%	4.40%
NZD - TWI	0.00%	3.00%

## Review of markets over the third quarter of 2021

**Global equities posted the first quarterly loss since the March 2020 market low due to the Covid-19 induced market sell off, with the MSCI ACWI Index in local currency terms, returning -0.40%. Global equities declined the most in September as concerns over the spread of the Delta variant, unwinding monetary stimulus measures, inflation, and a possible default from China's property giant Evergrande weighed on financial markets.**

**Emerging market (EM) equities lagged most markets (down 6.7%) due to concerns about the possible default of Chinese property developer Evergrande and weak economic data pointing to a slowdown in the Chinese economy. In contrast, the US equity market managed a small positive return of 0.30%. The New Zealand equity market outperformed world markets including Australia over the quarter returning 5.2%. NZ equities benefitted from stronger than expected second-quarter GDP growth, with the local economy expanding 2.8% and unemployment falling to 4% for the 3 months ended 30 June.**

**Central banks (including the US, UK and Europe) have signalled their intentions to withdraw monetary stimulus. Some of the reasons noted were evidence of high inflation levels and better than expected economic growth. However, the debate continues on whether inflationary pressures are temporary or persistent and what the longer run economic impacts of Covid-19 will be on the global recovery. The NZ inflation rate for the June quarter of 1.3% or 3.3% annually, increased market expectations that the Reserve Bank of New Zealand (RBNZ) would raise interest rates. Following the Delta outbreak in August, the RBNZ raised the Official Cash Rate (OCR) in October to 0.50% (previously 0.25%).**

**The combination of inflationary pressures, strong economic activity and higher interest rates weighed on NZ fixed interest markets with government and corporate bonds, returning -1.2% and -1.3% respectively.**

**The outlook remains positive but economic uncertainty remains elevated over the near-term. There could be higher levels of financial market volatility as global growth has weakened somewhat due to the spread of the Delta variant, ongoing global supply chain issues, and the rising risks of a slowing Chinese economy.**

**Central banks remain supportive even though many have signalled a reversing of the accommodative stimulus measures. The pace of the global economic recovery is projected to continue but risks remain as to what the longer-run economic impacts of COVID-19 will be and the length of time that Auckland and the rest of the NZ remain at higher alert levels.**

## Global markets

Global equities, as measured by the MSCI ACWI Index in local currency terms, posted a negative return of -0.40% during the quarter. Concerns over the Delta variant, unwinding monetary stimulus measures, inflation, and a possible default from China's property giant Evergrande pushed global equities to their first quarterly loss since the pandemic low in March 2020.

The US equity market, as measured by the MSCI US Index in local currency terms, posted a small positive return of 0.30% despite some volatility late in the quarter. The small gain was underscored by a continued rally from the financial sector as the prospect of higher interest rates favours banks.

The US economy registered robust economic growth during the quarter. Gross Domestic Product grew at an annual rate of 6.7% in the second quarter of 2021, supported by the continued reopening of businesses while the unemployment rate fell to 5.2%, the lowest rate since March 2020. However, the US inflation rate reached a 13 year high of 5.4% in September amid ongoing supply disruptions and labour shortages resulting in higher costs.

The sharp lift in inflation above target, prompted the US Federal Reserve (the Fed) announcement in September that it could soon begin to slow the pace of its quantitative easing program by unwinding stimulus measures. Meanwhile, the Fed kept interest rates on hold, but brought forward its projections for interest rates rising sooner than expected to 1.75% by the end of 2024.

The European Central Bank (ECB) followed a similar approach, keeping its benchmark interest rate unchanged but confirming its intentions to reduce monetary stimulus over the coming months. While inflation reached a decade-high of 3.4% in September, the ECB reiterated

that interest rates will remain low until inflation stabilises at 2% over the medium term. The European equity market gained 0.5%, as measured by the MSCI Europe Index in local currency terms. Sector returns were mixed, however, the energy sector rallied 9% on the back of rising oil prices.

In the UK, the Bank of England took a similarly hawkish tone, signalling it could raise interest rates by the end of the year. Despite the possibility of lower stimulatory action, the UK equity market rose 2.2%, as measured by the MSCI UK Index in local currency terms.

Emerging market (EM) equities declined -6.7%, as measured by the MSCI World Emerging Markets Index in local currency terms. Chinese stocks led the index lower mostly due to concerns about the possible default of Chinese property developer Evergrande and weak economic data (including industrial production and retail sales) pointing to a slowdown in the Chinese economy. A large liquidity injection by the Chinese central bank helped calm markets over Evergrande, however, uncertainty remains as to the impact of it defaulting may have on the wider financial system.

Global bonds as measured by the Barclays Global Aggregate Bond Index, was largely flat for the quarter, returning 0.1%, in NZ dollar hedged terms. Global bond yields rose strongly in September on the back of expectations that central banks globally would soon remove monetary stimulus measures. Some central banks including South Korea and Norway have already become the first developed economies to raise interest rates since the onset of the Covid-19 pandemic.



## New Zealand

The New Zealand equity market outperformed world markets over the quarter returning 5.2%, as measured by the NZX50 Index. NZ equities benefitted from strong second-quarter growth data, with the local economy expanding 2.8% in the three months ended 30 June, while the unemployment rate in the June quarter fell to 4%, from 4.7% in the previous quarter. Business confidence remained resilient despite the country's change to higher Covid-19 alert levels, with business confidence rising 7 points in ANZ's Business Outlook survey for September.

The strong level of economic activity and the reported inflation rate for the June quarter of 1.3% or 3.3%

annually, increased market expectations that the RBNZ would raise interest rates by 0.25% in August. After the period of review, the RBNZ raised the OCR in October to 0.50% (previously 0.25%) and have signaled that another interest rate rise is likely soon.

The Australian market underperformed the New Zealand market but outperformed world markets, rising 1.7% for the quarter. As Australia also contends with the spread of the Delta variant, the Reserve Bank of Australia kept the cash rate unchanged which supported the local economy and equity market.

NZ listed property posted solid gains returning 3.0% and outperformed global property by 3.5% for the September quarter. Global property lagged partly because of the financial risks stemming from the potential collapse of the Chinese property company Evergrande.

The NZ bond market returned negative -1.2% during the quarter, as measured by the Bloomberg NZ Bond Composite Index. Longer dated bonds sold off (yields rose) as the combination of inflationary pressures, strong economic activity and higher interest rates weighed on fixed interest markets with NZ government and corporate bonds, returning -1.2% and -1.3% respectively.

The Covid-19 outbreak and subsequent lockdown restrictions was a headwind for the NZD which ended flat against most currencies on a trade weighted basis during the period. The biggest move was during September as the NZD declined 2% against the USD as uncertainty about the global economic outlook led to another wave of risk off sentiment and USD strength.

## Outlook

The outlook remains positive but economic uncertainty remains elevated over the near-term. There could be higher levels of financial market volatility as global growth has weakened somewhat due to the spread of the Delta variant, ongoing global supply chain issues, and the rising risks of a slowing Chinese economy. Central banks remain supportive even though many have signalled a reversing of the accommodative stimulus measures. The pace of the global economic recovery is projected to continue but risks remain as to what the longer-run economic impacts of COVID-19 will be and the length of time that Auckland and the rest of the NZ remain at higher alert levels.

# How have the Funds performed?

	Past Quarter	1 Year	Annualised since inception
Cash Fund	0.10%	0.53%	2.06%
Defensive Fund	-0.58%	-0.08%	4.27%
Conservative Portfolio	-0.20%	3.43%	5.50%
Moderate Portfolio	0.17%	6.95%	6.73%
Balanced Fund	0.43%	9.29%	7.55%
Balanced Growth Portfolio	0.62%	11.71%	8.21%
Growth Fund	0.82%	14.14%	8.87%

## Note on returns

The returns assume that distributions are reinvested. Fund returns are after deductions for charges, but before tax.

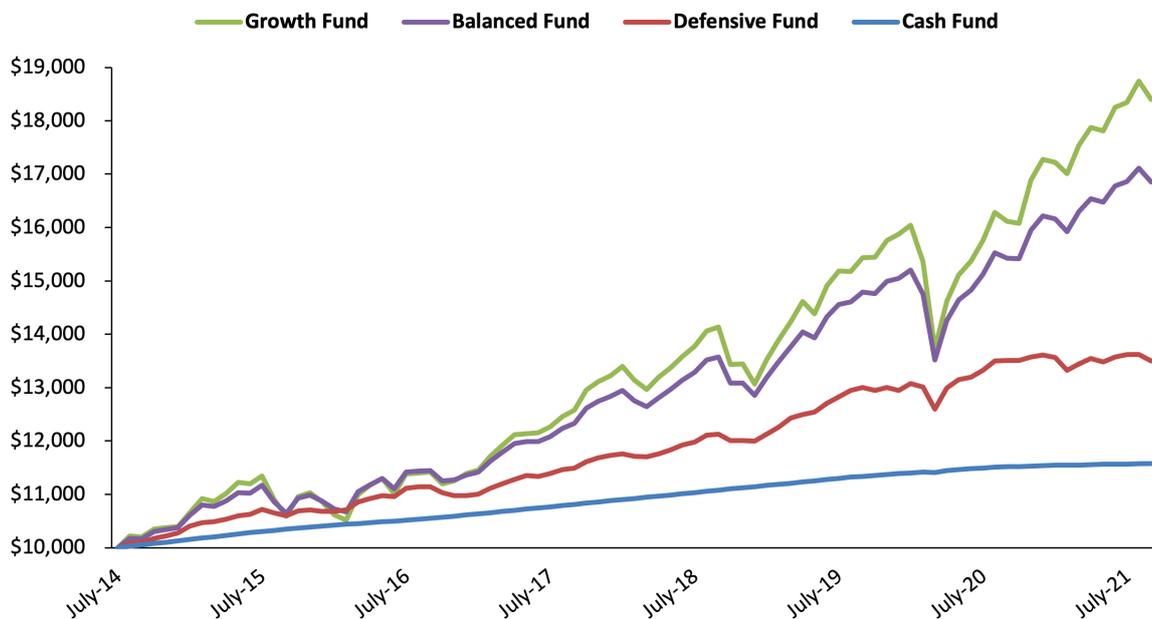
Important: Returns reflect past performance and do not indicate future performance.

## Commentary on performance

The Cash Fund dipped slightly compared to last quarter, returning 0.10% as legacy term deposits matured and the proceeds were reinvested at lower interest rates. The low interest rate environment has been challenging for the Fund, however, recent moves by the RBNZ to lift interest rates offers an improved outlook for the Fund. The Defensive and Conservative Funds which have higher exposures to income assets such as NZ bonds returned, -0.58% and -0.20% respectively for the quarter. As NZ bonds lost value as market interest rates rose, gains from other asset classes including NZ equities and NZ property helped limit the Funds negative performance for the period. The remaining diversified funds which have higher exposure to growth assets delivered positive returns for the quarter (see performance table). The strong performance attributable to NZ equities and NZ property helped to deliver positive returns as NZ bonds came under pressure during the quarter.

## Growth of a \$10,000 investment

Value of the investment

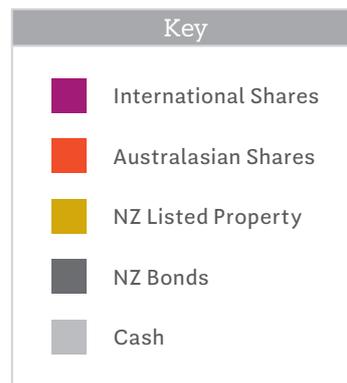
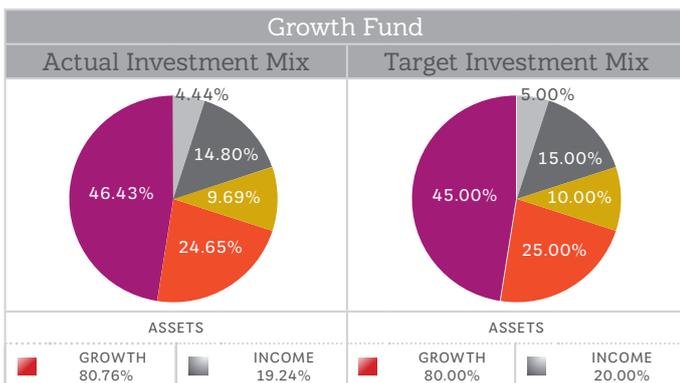
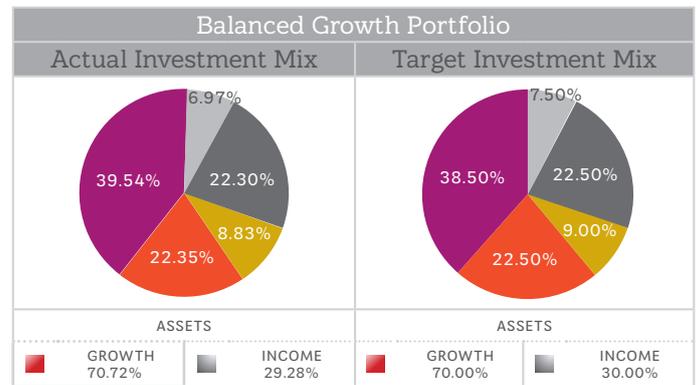
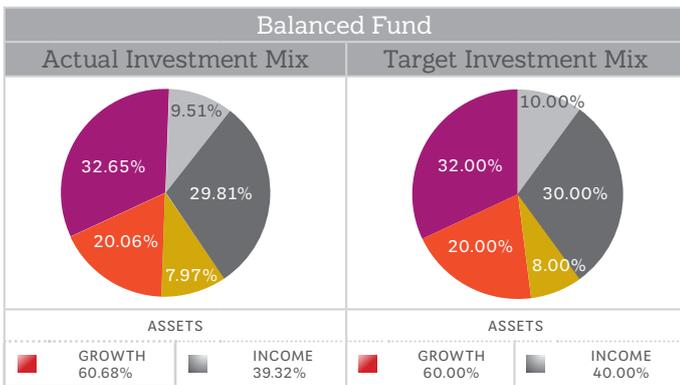
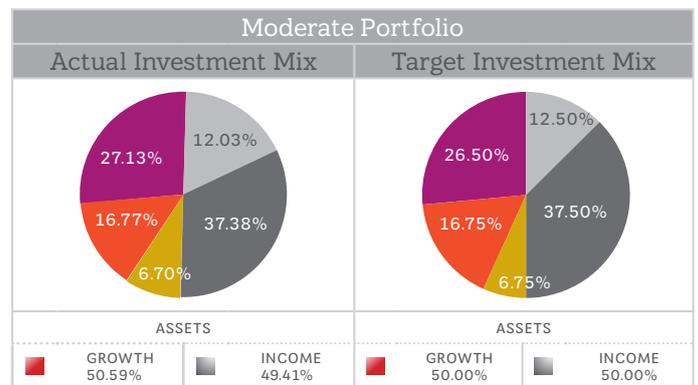
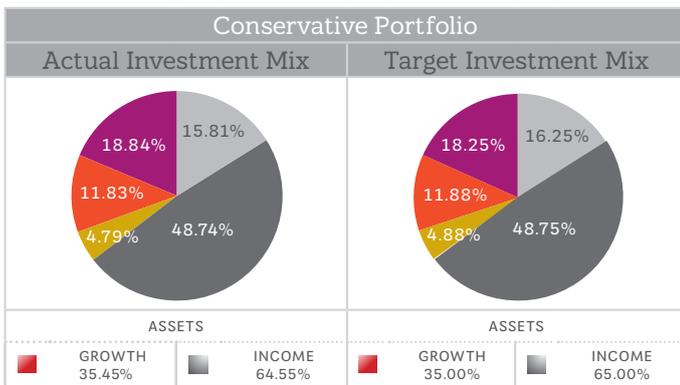
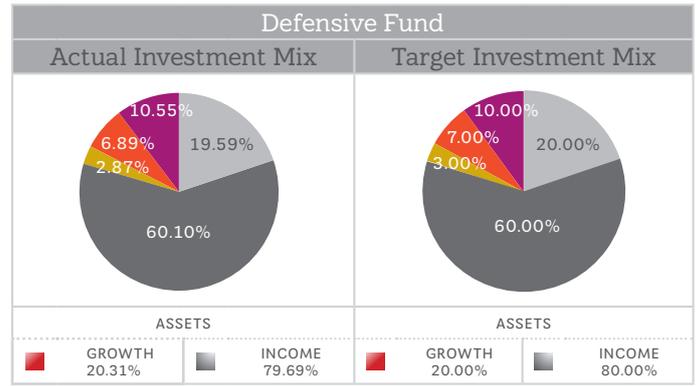
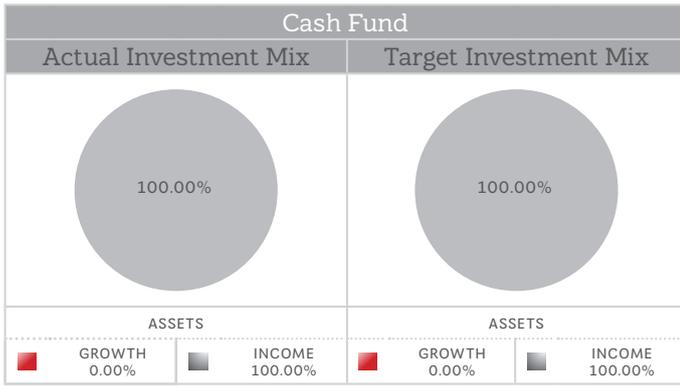


Assumes standard management fees, reinvestment of distributions and zero tax rate.

Inception date for the Balanced Fund is 24 July 2014. For all other Funds it is 28 July 2014.

Further information may be found in the document "Public Trust Investment Service Investment Beliefs and Strategy" on our website: [www.publictrust.co.nz](http://www.publictrust.co.nz).

# What do the Funds invest in?



# Top 10 holdings

## GROWTH ASSETS

INTERNATIONAL SHARES		
COMPANY	COUNTRY	WEIGHTING
Apple Inc.	United States	3.59%
Microsoft Corp.	United States	3.07%
Amazon.com Inc.	United States	2.27%
Facebook Inc. Class A	United States	1.24%
Alphabet Inc. Class A	United States	1.22%
Alphabet Inc. Class B	United States	1.18%
Tesla	United States	0.96%
Nvidia	United States	0.78%
Taiwan Semiconductor MFG	Taiwan	0.78%
JP Morgan Chase & Co	United States	0.75%
<b>TOTAL</b>		<b>15.84%</b>

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
Fisher & Paykel Healthcare Corporation Limited	New Zealand	10.19%
Auckland Intl Airport Ltd	New Zealand	5.22%
Spark New Zealand Ltd	New Zealand	4.89%
Mainfreight Limited	New Zealand	4.53%
Contact Energy Ltd	New Zealand	3.57%
Ryman Healthcare Group Ltd	New Zealand	3.46%
Meridian Energy Ltd	New Zealand	3.42%
Fletcher Building Ltd	New Zealand	3.27%
Infratil Ltd	New Zealand	3.18%
a2 Milk Co Ltd	New Zealand	2.64%
<b>TOTAL</b>		<b>44.36%</b>

NZ LISTED PROPERTY		
Company	Country	Weighting
Goodman Property Trust	NZ	21.30%
Precinct Properties New Zealand Limited	NZ	16.48%
Kiwi Property Group Limited	NZ	14.52%
Property for Industry Ltd	NZ	11.83%
Argosy Property Ltd	NZ	10.89%
Vital Healthcare Property Trust	NZ	9.52%
Stride Stapled Group	NZ	9.25%
Investore Property Limited	NZ	4.73%
Asset Plus Ltd	NZ	0.81%
New Zealand Rural Land Company Ltd	NZ	0.40%
<b>TOTAL</b>		<b>99.72%</b>

## INCOME ASSETS

NZ CASH		
ISSUER	CREDIT RATING	WEIGHTING
Bank of New Zealand	AA-	15.34%
Westpac NZ Limited	AA-	15.05%
ANZ Bank NZ Limited	AA-	14.45%
ASB Bank NZ Limited	AA-	12.88%
Kiwibank Limited	A	12.59%
NZ Local Government Funding Agency Ltd	AA+	7.03%
Industrial and Commercial Bank of China NZ Limited	A	4.00%
China Construction Bank NZ Ltd	A	3.68%
Bank of China NZ Limited	A	3.67%
Port of Tauranga	BBB+	3.06%
<b>Top 10 Issuers</b>		<b>91.75%</b>

NZ BONDS		
ISSUER	CREDIT RATING	WEIGHTING
New Zealand Government	AA+	34.95%
NZ Local Government Funding Agency Ltd	AA+	22.63%
Housing New Zealand Ltd	AAA	7.55%
Westpac New Zealand Ltd	A+	4.90%
Bank Of New Zealand	AAA	4.25%
ASB Bank Ltd	A+	3.17%
Auckland Regional Council	AA	2.59%
ANZ Bank New Zealand Ltd	A+	2.38%
Transpower New Zealand	AA	2.27%
Fonterra Co-Operative Group Ltd	A-	1.52%
<b>Top 10 Issuers</b>		<b>86.20%</b>

## Key personnel

Position	Management Investment Committee Chair	Chief Executive	Head of Investments
Name	Peter Aish	Glenys Talivai	Theresa Egan
Time in position	1 year	2 years 6 months	3 years 10 months
Previous Position	Chief Financial Officer	General Manager	Investment Manager
Time in previous position	2 years 5 months	4 years 5 months	5 years
Employer	Southern Cross Benefits Limited	Tower Insurance	Te Tuma Paeroa

## Where you can find more information Contact information

Further information about the funds is contained in the Public Trust Investment Service Diversified Funds Information Statement dated 1 January 2021, a copy of which is available on request to Public Trust.

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