



# Public Trust Investment Service.

Diversified Funds  
Quarterly Update  
30 June 2019

## 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.

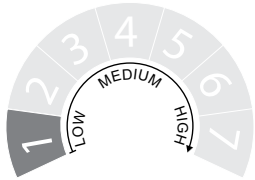
The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a non-consultable customer.

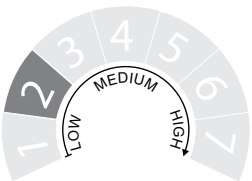
The Funds are not open to members of the public.

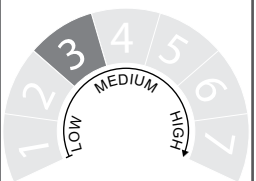
Any reference to us, we or our, refers to Public Trust.

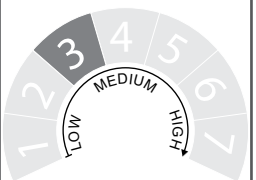
# Description of the funds

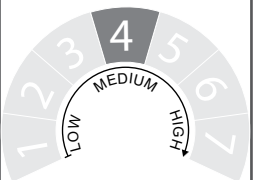
There are seven options offered in the Public Trust Investment Service Diversified Funds. The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a 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
Entry/exit spread	Nil
Total value of the Fund	\$23.3m
Unit price (redemption)	1.0589
Fund start date	28 July 2014

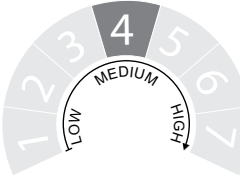
Defensive Fund	
Aims to produce stable returns with low capital growth and low risk over the medium-term by investing 80% in diversified income assets (cash and bonds) and 20% in diversified growth assets (shares and listed property).	 Risk indicator
Management fee	1.05% of your balance each year
Third party management fees	0.02% of your balance each year
Entry/exit spread	+/- 0.13%
Total value of the Fund	\$155.4m
Unit price (redemption)	1.1778
Fund start date	28 July 2014

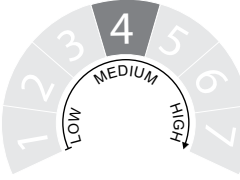
Conservative Portfolio	
Aims to produce stable returns with some capital growth and low to medium risk over the medium-term by investing 62.5% in the Defensive Fund and 37.5% in the Balanced Fund.	 Risk indicator
Management fee	1.11% of your balance each year
Third party management fees	0.03% of your balance each year
Entry/exit spread	+/- 0.18%
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
Entry/exit spread	+/- 0.23%
Portfolio start date	28 July 2014

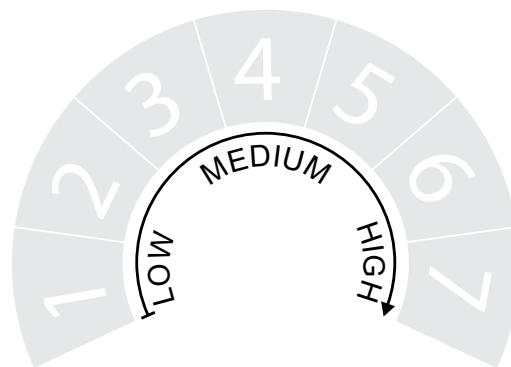
Balanced Fund	
Aims to produce long-term capital growth with medium levels of risk by investing 60% in diversified growth assets (shares and listed property) and 40% in diversified income assets (cash and bonds).	 Risk indicator
Management fee	1.20% of your balance each year
Third party management fees	0.05% of your balance each year
Entry/exit spread	+/- 0.26%
Total value of the Fund	\$254.8m
Unit price (redemption)	1.3500
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	1.20% of your balance each year
Third party management fees	0.06% of your balance each year
Entry/exit spread	+/- 0.29%
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
Entry/exit spread	+/- 0.32%
Total value of the Fund	\$26.0m
Unit price (redemption)	1.4056
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. Fees are deducted from your investment and will reduce your returns. If Public Trust invests in other funds, those funds may charge fees also. The total fee you pay is made up of two main types of fees:

- Management fees. These fees are expressed below as a percentage of your balance each year.
- Entry/exit spread. These are one-off fees charged for investing or withdrawing from a Fund.

## Management fees

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

## Entry/exit spread

Transaction costs are incurred by a Fund when buying and selling investments. In order to help the Funds recover these expenses when investors enter or exit the Funds, an adjustment is made to the calculation of the Funds' entry and exit unit prices. This is known as an entry/exit spread. The entry/exit spread applicable to each investment option is outlined in the table below.

Option	Application price plus:	Withdrawal price less:
Cash Fund	Nil	Nil
Defensive Fund	0.13%	0.13%
Conservative Portfolio	0.18%	0.18%
Moderate Portfolio	0.23%	0.23%
Balanced Fund	0.26%	0.26%
Balanced Growth Portfolio	0.29%	0.29%
Growth Fund	0.32%	0.32%

The fee is not charged in the Fund itself, but is based on the buy/sell spread of the wholesale funds in which it invests.

As transaction costs may change, the entry/exit spread may also change without prior notice. The income earned by the entry/exit spread goes towards the Fund's transaction costs and is not paid to 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, audit, legal and specialist investment advice. 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 (excluding the entry/exit spread), establishment fees, termination fees or any other fees or charges unless disclosed in the Information Statement.

# Market Update

## Markets at a glance

	Returns	
	Quarter	Year
International shares*	5.2%	6.6%
NZ shares	6.8%	18.6%
Australian shares*	8.3%	6.8%
NZ listed property	12.1%	31.1%

\* In NZ Dollar terms

	Returns	
	Quarter	Year
NZ bonds	1.9%	8.2%
Cash	0.5%	2.0%
NZ Dollar**	-0.9%	1.0%

\*\* In trade weighted index terms

### Executive Summary

**Developed equity markets gained in the second quarter despite steep falls in May due to concerns over the US-China trade war. Central Banks moved to an easing bias towards the end of the quarter confronted by weaker economic data, risks to the trade outlook and low inflation. The increasing accommodative stance by Central Banks and the expectation of progress being made on the US-China trade talks caused financial markets to rally towards quarter end. The S&P 500 index reached a new all-time high during the quarter. While there are downsides risks to the world economy, market consensus is that additional monetary stimulus by Central Banks could extend the current cycle further.**

### US equities

The US S&P 500 Index and MSCI AC World Index returned 4.3% and 5.2% respectively for the quarter, posting new record highs. Uncertainty surrounding the US trade stance caused a mid-quarter market sell off. However, the Federal Reserve's (Fed) move to an easing bias in conjunction with indications of progress on the US-China trade war caused markets to rally in the latter half of the quarter.

US economic data during the quarter was mixed. US gross domestic product (GDP) growth was revised down to 3.1% during the quarter but this was expected. Employment data was encouraging with the unemployment rate remaining stable at 3.9% - a 49-year low. However, consumer and business confidence weakened during the quarter with data indicating that business activity is slowing.

### Eurozone

European equities posted positive returns for the quarter after a mid-quarter sell off. The MSCI Europe index ended the quarter up 4.1% and is up 16% year to date. A more accommodative stance by the European Central Bank (ECB) and comments regarding the potential for further quantitative easing buoyed markets towards quarter end.

Quarter 1 GDP growth for the Eurozone was 0.4%. Manufacturing in Europe, Germany in particular, is weak and could lead to further job cuts and declines in consumer confidence. Low inflation, the risk to employment and consumer confidence will be the main focus of investors and the ECB in the coming quarter.

The UK equity market posted positive returns for the quarter but were marginally lower than the returns from

European equities. The resignation of the British Prime Minister, Theresa May, has increased the uncertainty surrounding the resolution of Brexit. Parliament is likely to prevent a no deal Brexit unless a general election or referendum takes place and provides a strong mandate from the population for such an outcome.

The Bank of England (BoE) has been less dovish than the Fed or ECB, given concerns around limited spare capacity in the UK economy. However, retail sales in June were the weakest level since 2008. If economic data deteriorates the BoE could join other Central Banks and cut interest rates to stimulate the economy.

### Emerging markets

Emerging markets record a slight gain (0.4%) in a volatile quarter but underperformed the MSCI World index. The Chinese equity market finished the quarter in negative territory impacted by global trade uncertainty and a slowing domestic economy.

### Trans-Tasman

The Australia (ASX 200 in NZD) and New Zealand (NZX 50) share markets performed well, gaining 8.3% and 6.8% respectively for the June quarter.

During the quarter the the Australian and New Zealand Central Banks cut the official interest rate to record lows of 1.25% and 1.5% respectively. Both Central Banks stated lower rates are needed to encourage investment and consumer spending. The Reserve Bank of New Zealand's mandate was broadened to include "maximising sustainable employment" in addition to low and stable inflation.

New Zealand's currency gained 3% against the USD in June, but ended the quarter down -1.5%.

### Outlook

The global economy is showing signs of weakness with recession fears now on the minds of many market participants. Any escalation in geopolitical headwinds will increase market volatility and negatively impact financial markets. Ongoing risks are pointing to the downside, but at the same time labour markets are strong and interest rates are low. While there are downsides risks to the world economy, market consensus is that additional monetary stimulus by Central Banks could extend the current cycle further. Greater resilience is called for in periods of elevated uncertainty so maintaining a diversified portfolio of investments with tolerable risk levels is sensible.

# How have the Funds performed?

	Past Quarter	1 Year	Annualised since inception
Cash Fund	0.60%	2.40%	2.51%
Defensive Fund	2.28%	6.63%	5.08%
Conservative Portfolio	2.96%	7.54%	6.07%
Moderate Portfolio	3.64%	8.46%	7.06%
Balanced Fund	4.09%	9.07%	7.72%
Balanced Growth Portfolio	4.43%	9.41%	8.16%
Growth Fund	4.76%	9.74%	8.61%

## Note on returns

They also 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.

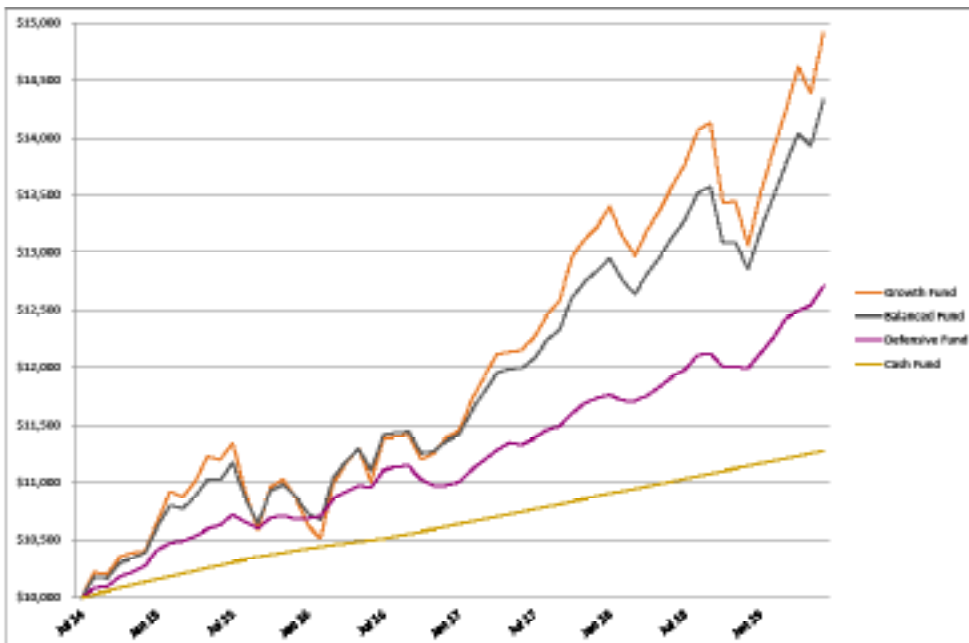
## Commentary on performance

All funds were positive for the quarter with most asset classes advancing the most. Global shares made good gains in the quarter along with NZ and US shares hitting record highs. Government and Corporate bonds delivered positive total returns as prices rose as yields fell. The NZ dollar finished down for the period, boosting returns of the unhedged equity positions in the portfolio. Emerging markets delivered mediocre performance in a volatile second quarter. The listed property sector repeated its strong performance with investors hunting for dividend yield.

The growth of \$10,000 invested in each of the Funds since inception is outlined in the chart below. It is notable that since inception the diversified funds have significantly outperformed the Cash Fund.

## Growth of a \$10,000 investment

Value of the investment

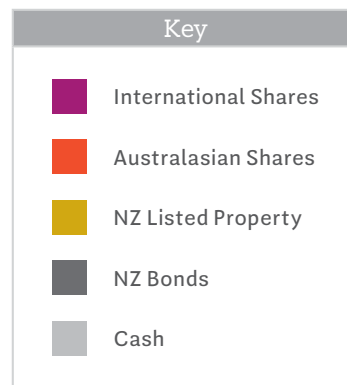
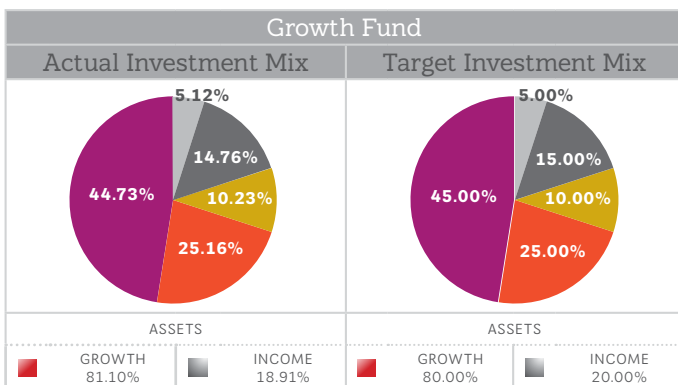
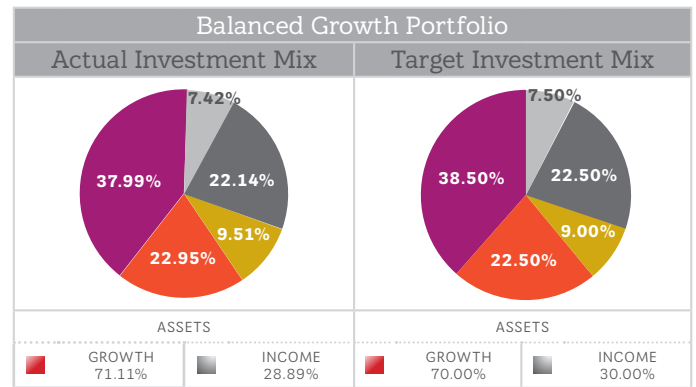
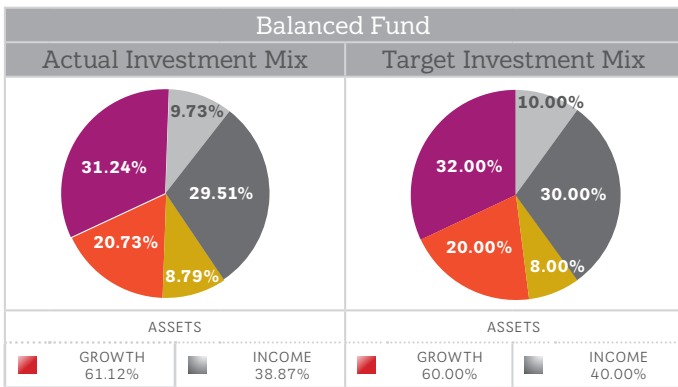
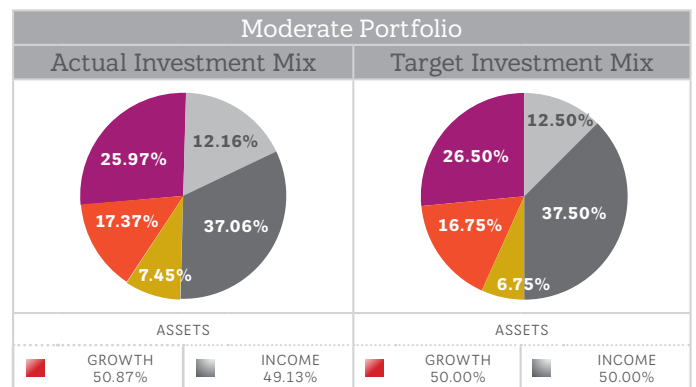
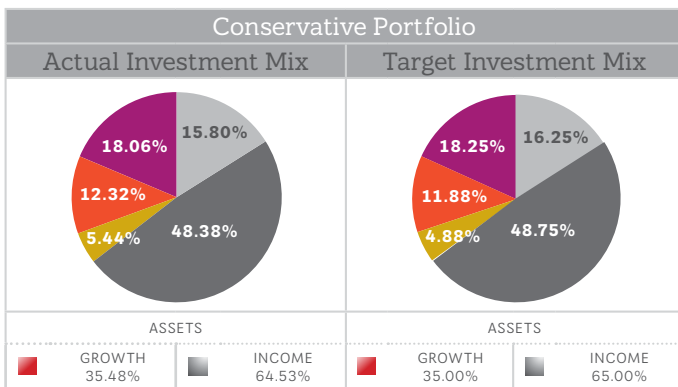
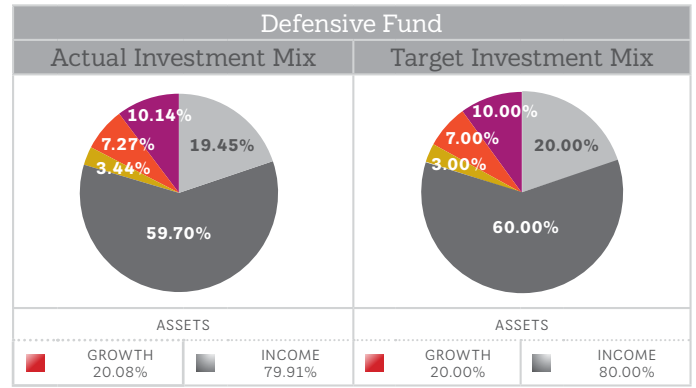
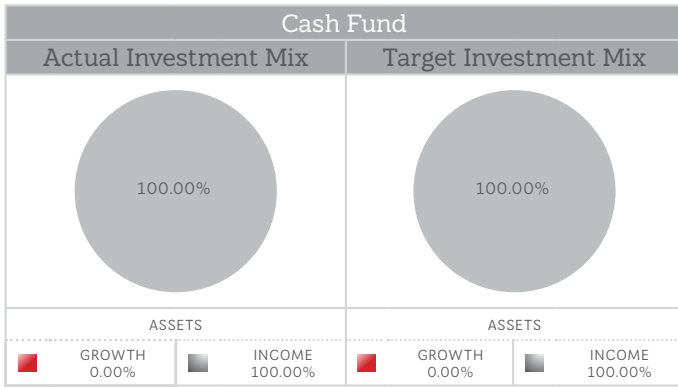


Assumes standard management fees, reinvestment of distributions and zero tax rate.

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 web site: [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
Microsoft Corp.	United States	2.25%
Apple Inc.	United States	2.14%
Amazon.com Inc.	United States	1.82%
Facebook Inc.	United States	1.06%
Johnson & Johnson	United States	0.85%
JPMorgan Chase & Co.	United States	0.84%
Alphabet Inc. Class A	United States	0.77%
Alphabet Inc. Class C	United States	0.76%
Exxon Mobil Corp.	United States	0.75%
Nestle SA	Switzerland	0.73%
<b>TOTAL</b>		<b>11.97%</b>

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
a2 Milk Co	New Zealand	7.58%
Fisher & Paykel Healthcare Corp.	New Zealand	6.54%
Auckland Intl Airport	New Zealand	6.23%
Spark New Zealand	New Zealand	5.16%
Meridian Energy	New Zealand	4.19%
Ryman Healthcare Group	New Zealand	4.03%
Contact Energy	New Zealand	3.43%
Fletcher Building	New Zealand	2.91%
Mainfreight Limited	New Zealand	2.42%
SkyCity Entertainment Group	New Zealand	2.07%
<b>TOTAL</b>		<b>44.56%</b>

NZ LISTED PROPERTY		
COMPANY	FUND	BENCH-MARK
Goodman Property Trust	15.08%	17.86%
Precinct Properties NZ	14.69%	17.19%
Healthcare Property Trust	14.50%	12.02%
Stride Stapled Group	14.00%	9.23%
Argosy Property Vital	13.92%	9.82%
Property for Industry	13.85%	17.60%
Kiwi Property Group	13.57%	12.03%
<b>TOTAL</b>	<b>99.63%</b>	<b>100.00%</b>

## INCOME ASSETS

NZ CASH		
ISSUER	CREDIT	WEIGHTING
ANZ National	AA-	17.53%
BNZ	AA-	17.09%
ASB	AA-	13.92%
Kiwibank	A	11.55%
Westpac	AA-	7.86%
Industrial and Commercial Bank of China	A	4.16%
China Construction Bank	A	4.14%
HSBC	AA-	3.69%
Bank of China	A	3.69%
Rabobank	A	3.68%
<b>TOTAL</b>		<b>87.32%</b>

NZ BONDS		
ISSUER	CREDIT	WEIGHTING
New Zealand (Government)	AA+	35.53%
New Zealand (Local Government Funding Agency)	AA+	20.21%
ANZ Bank	A+	5.12%
Bank of New Zealand	AAA	4.07%
Westpac	A+	3.77%
Auckland, Regional Council of	AA	3.32%
ASB Bank	A+	3.21%
Housing New Zealand Ltd	AA+	2.55%
Fonterra Co-Operative Group Ltd	A-	2.01%
Transpower New Zealand Ltd	AA-	1.99%
<b>TOTAL</b>		<b>81.75%</b>



# Key personnel

Position	Investment Committee Chair	Chief Executive	Head of Investments
<b>Name</b>	Fiona Oliver	Glenys Talivai	Theresa Egan
<b>Time in position</b>	4 years 11 months	4 months	1 Year 5 months
<b>Previous Position</b>	Committee member	General Manager	Investment Manager
<b>Time in previous position</b>	4 years 10 months	4 years 5 months	5 years
<b>Employer</b>	Public Trust Board member	Tower Insurance	Te Tuma Paeroa

## Where you can find more information

Further information about the funds is contained in the Public Trust Investment Service Diversified Funds Information Statement dated 1 January 2019, a copy of which is available on request to Public Trust.

## Contact information

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