



# Public Trust Investment Service.

Diversified Funds  
Quarterly Update  
31 March 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.

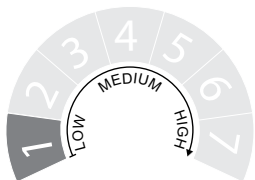
The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a non-consultable customer.

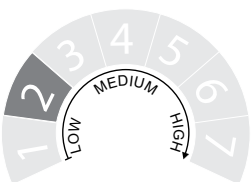
The Funds are not open to members of the public.

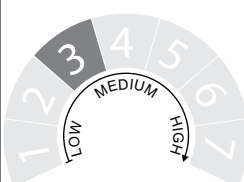
Any reference to us, we or our, refers to Public Trust.

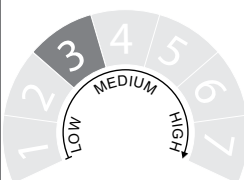
# Description of the funds

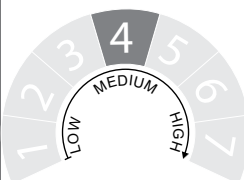
There are seven options offered in the Public Trust Investment Service Diversified Funds. The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a 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	\$19.0m
Unit price (redemption)	1.0582
Fund start date	28 July 2014

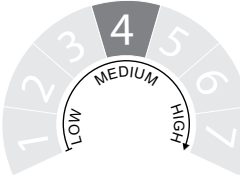
Defensive Fund	
Aims to produce stable returns with low capital growth and low risk over the medium-term by investing 80% in diversified income assets (cash and bonds) and 20% in diversified growth assets (shares and listed property).	 Risk indicator
Management fee	1.05% of your balance each year
Third party management fees	0.02% of your balance each year
Entry/exit spread	+/- 0.13%
Total value of the Fund	\$148.6m
Unit price (redemption)	1.1568
Fund start date	28 July 2014

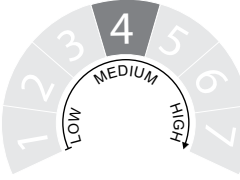
Conservative Portfolio	
Aims to produce stable returns with some capital growth and low to medium risk over the medium-term by investing 62.5% in the Defensive Fund and 37.5% in the Balanced Fund.	 Risk indicator
Management fee	1.11% of your balance each year
Third party management fees	0.03% of your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

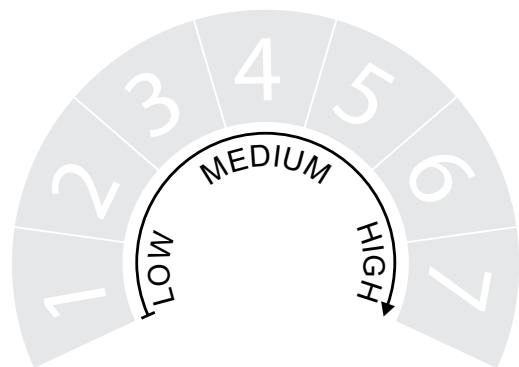
Balanced Fund	
Aims to produce long-term capital growth with medium levels of risk by investing 60% in diversified growth assets (shares and listed property) and 40% in diversified income assets (cash and bonds).	 Risk indicator
Management fee	1.20% of your balance each year
Third party management fees	0.05% of your balance each year
Entry/exit spread	+/- 0.26%
Total value of the Fund	\$243.5m
Unit price (redemption)	1.2993
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	\$24.7m
Unit price (redemption)	1.3425
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*	10.3%	8.5%
NZ shares	12.1%	19.6%
Australian shares*	10.6%	10.0%
NZ listed property	8.5%	24.0%

\* In NZ Dollar terms

	Returns	
	Quarter	Year
NZ bonds	3.1%	7.4%
Cash	0.5%	2.0%
NZ Dollar**	0.5%	-0.6%

\*\* In trade weighted index terms

### Commentary

**Global equity markets that had sold off over 13% in the December quarter, rebounded almost 12% over the March quarter with the MSCI World Shares Index returning 12.3% compared to negative 12.5% in local currency terms. Financial markets responded favourably from US Federal Reserve Chair, Jerome Powell's move away from tightening monetary policy and easing US-China trade tensions. The New Zealand share market (NZX50) returned 12% and was the strongest quarterly rise in over 3 years.**

### Global Equities

Returns from most asset classes including international equities, emerging markets, property, bonds and commodities all posted gains in the first quarter. The main reason for the strong performance was the dovish tone from most central banks which allowed both riskier assets (shares) and bonds to perform well in Q1.

March was the weakest month in the quarter as investors started to weigh the Fed's more accommodative tone against lower economic growth projections. With the Fed lowering its expectations of interest rate hikes, market sentiment is now anticipating no rate hikes this year and only one in 2020.

### Emerging markets

The MSCI World Emerging Markets index registered a strong return in Q1, led by China. The Chinese Shanghai Index was up 24% for Q1, driven by renewed optimism of a US and China trade agreement and ongoing government support for the Chinese domestic economy.

### New Zealand

The New Zealand NZX50 shares index rose 12.1% during the quarter and outperformed the Australian ASX200 shares index by 2.1% in NZ dollar terms.

The New Zealand economy grew 0.6% Q/Q in Q4 in line with market expectations and lowered total annual growth slightly from 2.6% to 2.3%. Some economists are picking this is the new normal growth rate for the year ahead.

The Reserve Bank of New Zealand (RBNZ) released the March Monetary Policy Statement and left the Official Cash Rate (OCR) unchanged at 1.75%. Governor Adrian Orr indicated the next move will likely be downward which took many by surprise. This reflected a much more conservative tone compared to two months ago when the Governor's said there were "both upside and downside risks" and that the next move could be "up or down". The change in mood is a reflection of slower economic growth indicators in most major regions. There is a desire by the RBNZ to keep the NZ dollar from climbing to help drive demand for NZ exported goods and services.

The ANZ business outlook survey declined further in March with business confidence dropping 7 points to 38% from 30.9%. Respondents expect general business conditions to be tougher during the year with profit expectations and ability to access credit reduced.

The RBNZ has signalled it is prepared to cut interest rates in order to prop up economic growth should the NZ economy experience weaker domestic demand and business confidence.

### Outlook

The global economic environment remains positive but there are signs of slowing economic growth. Most Central bank's policy response is favouring easing monetary policy to continue to support markets. The US and China trade war continues contributing higher market volatility, however, if a fair resolution is struck then markets could respond favourably. As always, taking a long term view, while maintaining a well-diversified portfolio investment offers the best long term prospects for building wealth.

# How have the Funds performed?

	Past Quarter	1 Year	Annualised since inception
Cash Fund	0.58%	2.43%	2.52%
Defensive Fund	3.61%	6.14%	4.85%
Conservative Portfolio	4.93%	7.17%	5.74%
Moderate Portfolio	6.25%	8.19%	6.63%
Balanced Fund	7.13%	8.87%	7.22%
Balanced Growth Portfolio	8.04%	9.31%	7.61%
Growth Fund	8.94%	9.74%	8.00%

## Commentary on performance

All funds were positive for the quarter with funds holding a larger exposure to shares advancing the most. The best performing asset classes for the quarter were NZ property, NZ shares and global shares. The primary reason for all asset classes advancing was Global Central Banks policy move away from tightening monetary policy and a cease fire between the US and China trade dispute.

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.

## 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.

## Growth of a \$10,000 investment

Value of the investment

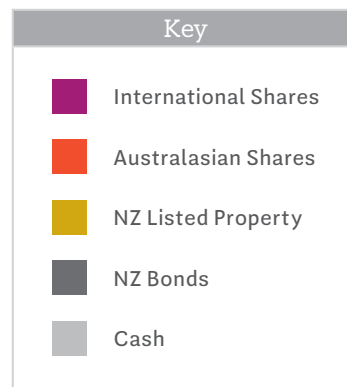
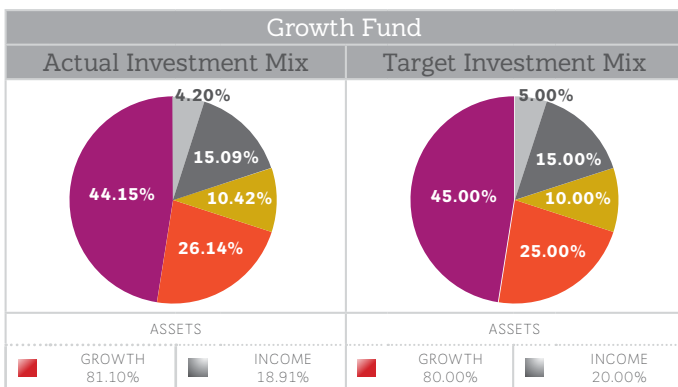
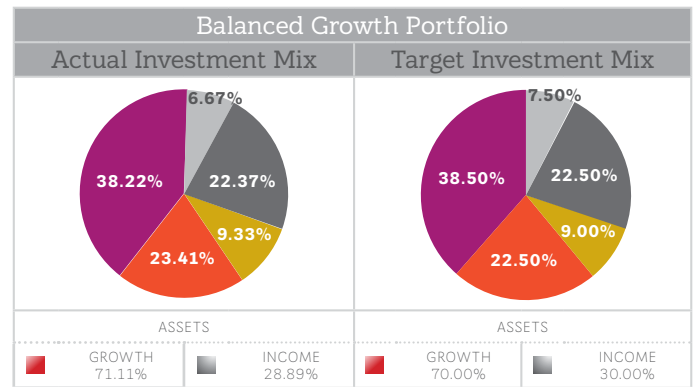
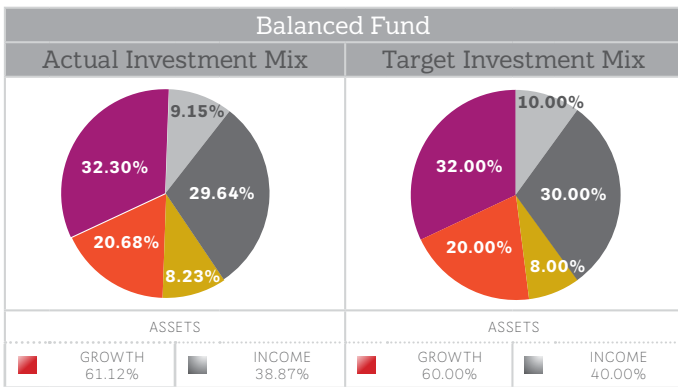
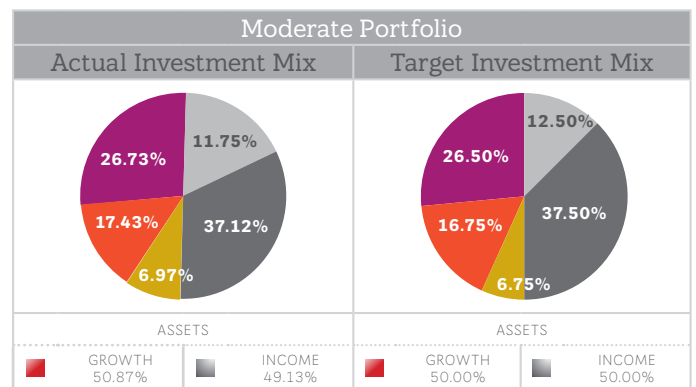
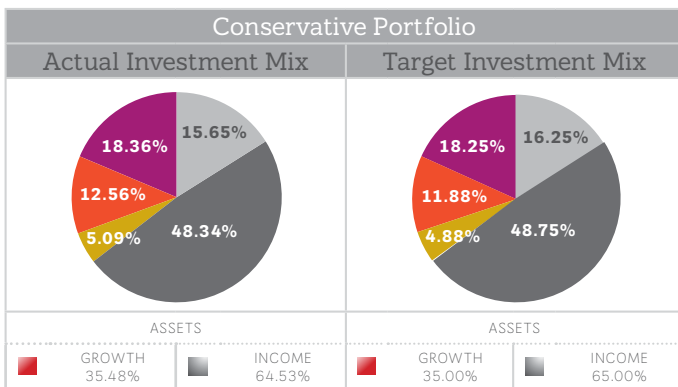
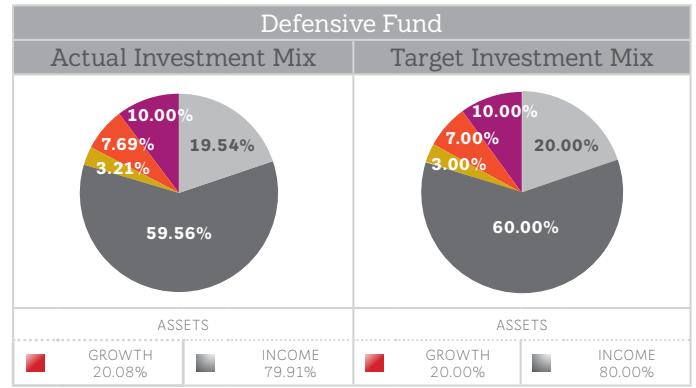
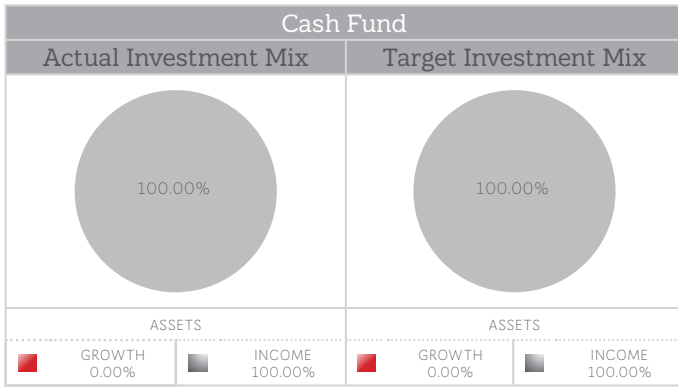


Assumes standard management fees, reinvestment of distributions and zero tax rate.

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
Apple Inc.	United States	2.15%
Microsoft Corp.	United States	2.06%
Amazon.com Inc.	United States	1.78%
Facebook Inc.	United States	0.96%
Johnson & Johnson	United States	0.90%
Alphabet Inc. Class C	United States	0.89%
Alphabet Inc. Class A	United States	0.83%
Exxon Mobil Corp.	United States	0.82%
JPMorgan Chase & Co.	United States	0.80%
Nestle SA	Switzerland	0.71%
<b>TOTAL</b>		<b>11.89%</b>

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
a2 Milk Co	New Zealand	7.72%
Fisher & Paykel Healthcare Corp.	New Zealand	6.58%
Auckland Intl Airport	New Zealand	5.67%
Spark New Zealand	New Zealand	5.18%
Meridian Energy	New Zealand	3.87%
Ryman Healthcare Group	New Zealand	3.68%
Contact Energy	New Zealand	3.56%
Fletcher Building	New Zealand	3.12%
Mainfreight Limited	New Zealand	2.24%
SkyCity Entertainment Group	New Zealand	1.92%
<b>TOTAL</b>		<b>43.53%</b>

NZ LISTED PROPERTY		
COMPANY	FUND	BENCH-MARK
Goodman Property Trust	14.90%	17.86%
Precinct Properties NZ	14.30%	17.19%
Argosy Property	14.26%	12.02%
Stride Stapled Group	14.20%	9.23%
Vital Healthcare Property Trust	14.10%	9.82%
Kiwi Property Group	13.91%	17.60%
Property for Industry	13.78%	12.03%
<b>TOTAL</b>	<b>99.44%</b>	<b>100.00%</b>

## INCOME ASSETS

NZ CASH		
ISSUER	CREDIT	WEIGHTING
ANZ National	AA-	18.53%
BNZ	AA-	17.02%
Westpac	AA-	13.99%
Kiwibank	A	9.02%
ASB	AA-	4.14%
Industrial and Commercial Bank of China	A	4.02%
Bank of China	A	4.01%
HSBC	AA-	4.00%
China Construction Bank	A	4.00%
Rabobank	A	4.00%
<b>TOTAL</b>		<b>82.73%</b>

NZ BONDS		
ISSUER	CREDIT	WEIGHTING
New Zealand (Government)	AA+	34.44%
New Zealand (Local Government Funding Agency)	AA+	18.11%
Bank of New Zealand	AAA	5.91%
ANZ Bank	A+	5.81%
Westpac	AA	3.96%
ASB Bank	A+	3.56%
Auckland, Regional Council of	A+	3.40%
Fonterra	AA-	2.22%
Auckland International Airport	A-	2.18%
Chorus Ltd	A-	1.75%
<b>TOTAL</b>		<b>81.34%</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 8 months	One month	1 Year 2 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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