



Public Trust Investment Service.

Diversified Funds Quarterly Update 30 June 2020

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.

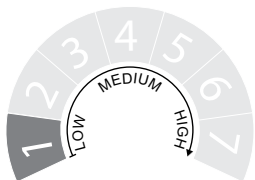
The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a non-consultable customer.

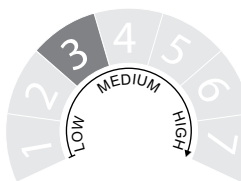
The Funds are not open to members of the public.

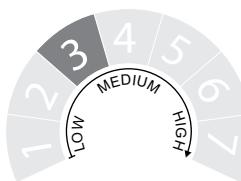
Any reference to us, we or our, refers to Public Trust.

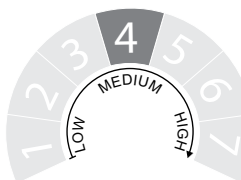
Description of the funds

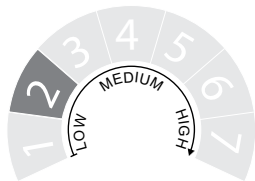
There are seven options offered in the Public Trust Investment Service Diversified Funds. The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a 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	\$37.2m
Unit price (redemption)	1.0625
Fund start date	28 July 2014

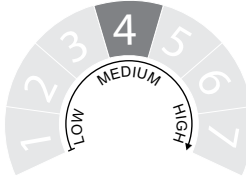
Conservative Portfolio	
Aims to produce stable returns with some capital growth and low to medium risk over the medium-term by investing 62.5% in the Defensive Fund and 37.5% in the Balanced Fund.	
	Risk indicator
Management fee	1.11% of your balance each year
Third party management fees	0.03% of your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

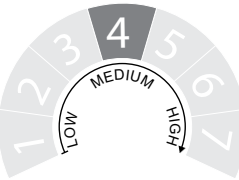
Moderate Portfolio	
Aims to produce moderate capital growth with moderate risk over the medium-term by investing 25% in the Defensive Fund and 75% in the Balanced Fund.	
	Risk indicator
Management fee	1.16% of your balance each year
Third party management fees	0.04% of your balance each year
Entry/exit 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	\$241.3m
Unit price (redemption)	1.246
Fund start date	24 July 2014

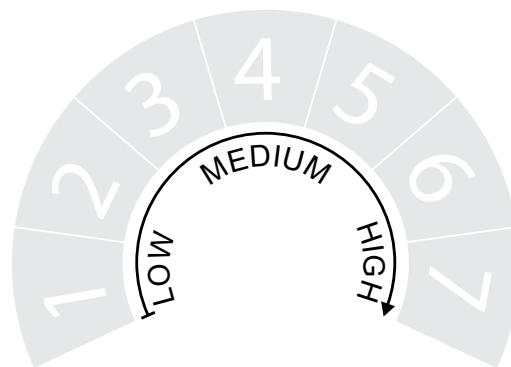
Defensive Fund	
Aims to produce stable returns with low capital growth and low risk over the medium-term by investing 80% in diversified income assets (cash and bonds) and 20% in diversified growth assets (shares and listed property).	
	Risk indicator
Management fee	1.05% of your balance each year
Third party management fees	0.02% of your balance each year
Entry/exit spread	+/- 0.13%
Total value of the Fund	\$152m
Unit price (redemption)	1.2008
Fund start date	28 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.	
 Risk indicator	
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).	
 Risk indicator	
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	\$25.6m
Unit price (redemption)	1.4169
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
New Zealand shares	16.90%	9.90%
Australian shares	16.50%	-7.70%
Global shares (Unhedged)	9.90%	7.30%
Global shares (Hedged)	18.50%	3.30%
New Zealand property	6.70%	-8.30%

	Returns	
	Quarter	Year
New Zealand cash	0.10%	1.20%
New Zealand bonds	2.40%	5.40%
Global bonds	2.40%	5.70%
NZD/USD	8.60%	-4.20%
NZD - TWI	3.70%	-2.50%

Commentary

The financial market rally that started towards the end of the March continued in the second quarter, leaving global shares sharply positive for the period. The MSCI All Country World Index was up 18.3% for the quarter. The easing of Covid 19 containment measures, the continuation of global fiscal and monetary support and intermittent reports that a vaccine may be close buoyed investor expectations that economic activity would accelerate in the second half of the year.

The S&P 500 index posted its best quarterly performance in more than two decades up 20% and just 8.4% below its previous all-time high. Similarly, Australasian equities made strong gains over the June quarter with the NZX50 and ASX200 indexes returning 16.9% and 16.5% respectively. In the currency market New Zealand's exchange rate index rose 3.7% against most trading partners during the quarter, partly reflecting increased risk appetite from global investors.

The nature and speed of the global economic recovery remains uncertain. Although financial markets have rallied the risk remains that there could be further waves of infections leading to the imposition of more containment measure which would negatively affect the economic recovery. Monetary policy is expected to remain accommodating but fiscal stimulus may become less generous in some countries. Furthermore geopolitical tensions remain with a deterioration in relations between China and the rest of the world, the upcoming US presidential elections and Brexit still unresolved. Uncertainty and volatility are likely to remain high, meaning a diversified portfolio and a long term focus are the most important tools for investors.

Global markets

Global markets rebounded in the second quarter as economies started to re-open, while governments and

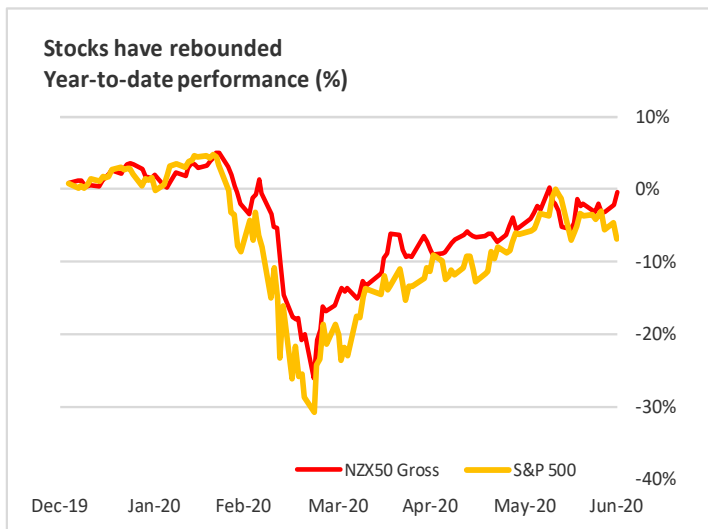
central banks continued to provide support. Almost all major asset classes posted strong gains with equities recovering from the steep falls suffered in the first quarter. The S&P 500 index posted its best quarterly performance in more than two decades, rising 20% to finish just 8.4% below its February high. Developed and emerging markets climbed 18.5% and 16.7% respectively according to MSCI's World and Emerging market Indices.

Despite fears of further waves of infections, the US economy started to reopen during the quarter which saw economic activity and consumer sentiment improve but they are still well below normal levels. While positive, economic data was mixed and showed that the US economy retracted with increased unemployment and economic activity falling by 4.8%. However, without policymaker's interventions including ultra-loose monetary policy and government support the economic impact from national lockdowns could have been deeper.

The Federal Reserve continued its quantitative easing (QE) programme expanding its balance sheet above \$7tn by quarter end. This level of liquidity has made it easier for companies to borrow by keeping interest rates near zero, which led to a rally in global investment grade credit by 7.7% for the quarter.

The European Central bank increased its QE programme by €600bn resulting in a total pandemic relief programme of €1.35tn. European markets climbed 13.1% in local currency terms for the quarter on the back of the fresh stimulus. Germany, which is Europe's largest economy, was the best performing equity market gaining 26%, while UK stocks lagged, up 13.1% for the quarter. In June, The Bank of England agreed to increase its QE programme by a further £100bn into the UK economy reflecting concerns about the likely pace of the recovery.

Tensions between China and some of its major trading partners deteriorated during the quarter arising from the imposition of Chinese laws in Hong Kong. There are concerns that geopolitical tensions between China and the rest of the world may deteriorate further and could worsen in the run up to the US Presidential election.



Outlook

The nature and speed of the global economic recovery remains uncertain. Although financial markets have rallied the risk remains that there could be further waves of infections leading to the imposition of more containment measure which would negatively affect the economic recovery. Monetary policy is expected to remain accommodating but fiscal stimulus may become less generous in some countries. Furthermore geopolitical tensions remain with a deterioration in relations between China and the rest of the world, the upcoming US presidential elections and Brexit still unresolved. Uncertainty and volatility are likely to remain high, meaning a diversified portfolio and a long term focus are the most important tools for investors.

New Zealand

The New Zealand share market rebounded strongly over the quarter returning 16.9% but lagged global peers with the MSCI ACWI Index up 18.3% in local currency terms.

As part of the response to COVID-19, the Reserve Bank of New Zealand (RBNZ) left the Official Cash Rate unchanged at 0.25% in June but expanded its QE programme from \$33bn to \$60bn. This additional QE stimulus is aimed at balancing some of the economic risks from COVID-19 and encouraging spending and investment. The minutes of the RBNZ June meeting noted that financial markets are functioning well and the QE programme had reduced the cost of borrowing in New Zealand. The RBNZ remains prepared to provide additional monetary stimulus as necessary. The most significant announcement from the June 2020 Budget was the establishment of a \$50bn COVID-19 Response and Recovery Fund with approximately \$20bn to be employed over the next 4 years. Key areas of investment were the continued support for businesses, including an extension of the targeted wage subsidy, planned infrastructure spending and new funding for trades and apprenticeships scheme.

New Zealand Institute of Economic Research's (NZIER) June quarterly survey of business confidence showed a slight improvement with fewer businesses expecting a deterioration in general economic conditions, but confidence remains well below pre-pandemic levels. Nearly half of respondents in the June ANZ business outlook survey indicated that they intended to reduce headcount in the next quarter. The full extent of the rise in unemployment will not become evident until the wage subsidy scheme ends. A rise in unemployment could weigh on household income and spending.

Annual inflation in the March quarter was above expectations at 2.5%, up from 1.9% in the December quarter, reaching its highest annual rate since 2011. It was largely influenced by increases in excise tax on tobacco and cigarettes.

How have the Funds performed?

	Past Quarter	1 Year	Annualised since inception
Cash Fund	0.7%	1.8%	2.4%
Defensive Fund	4.7%	3.8%	4.8%
Conservative Portfolio	6.6%	3.7%	5.6%
Moderate Portfolio	8.4%	3.5%	6.4%
Balanced Fund	9.7%	3.4%	6.9%
Balanced Growth Portfolio	10.9%	3.3%	7.2%
Growth Fund	12.1%	3.1%	7.5%

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.

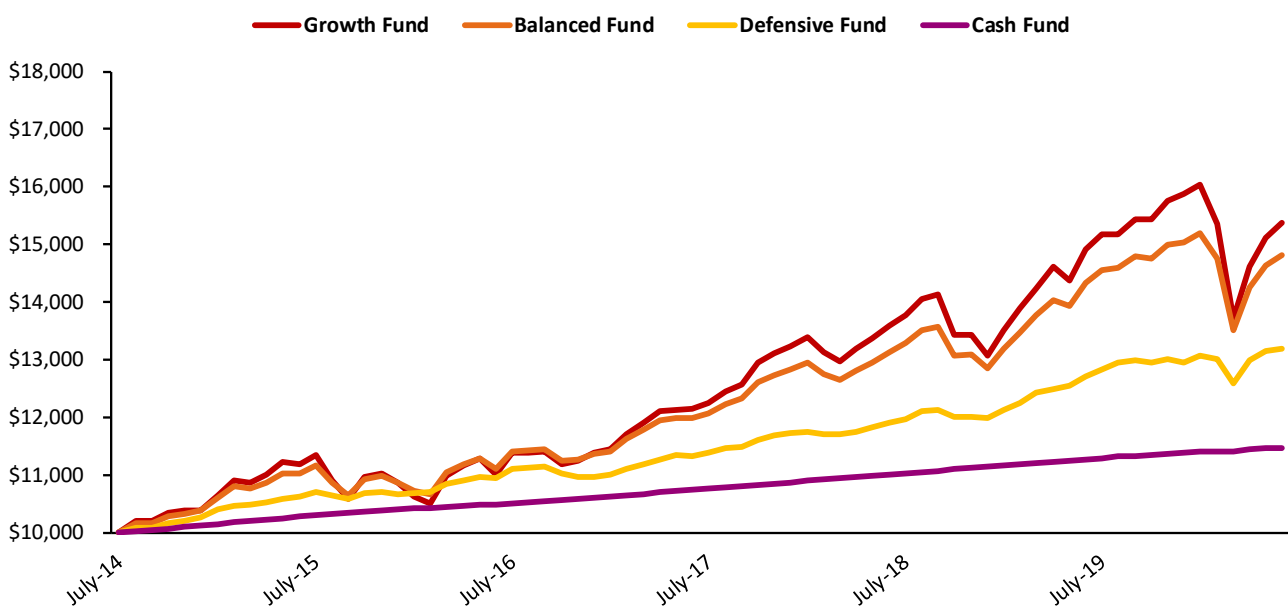
Commentary on performance

All diversified funds posted strong gains in the June quarter on the back of unprecedented levels of fiscal and monetary stimulus by central banks and governments. As equities recovered sharply, the funds recovered a good portion of returns and are now back to positive territory for the year. NZ shares were slightly up against Australian shares by 0.4%, which was positive as the Funds allocate more to domestic shares. The NZ listed property sector made up lost ground after a difficult first 3 months of the year retuning 6.7% compared to -20.4% last quarter. In fixed income, the Funds benefited from their exposure to corporate bonds, which outperformed government bonds by 1.2% as investors sought credit. The returns on the cash fund have moderated as proceeds from maturities are reinvested at current market interest rates.

The growth of \$10,000 invested in each of the Funds since inception is outlined in the chart below.

Growth of a \$10,000 investment

Value of the investment

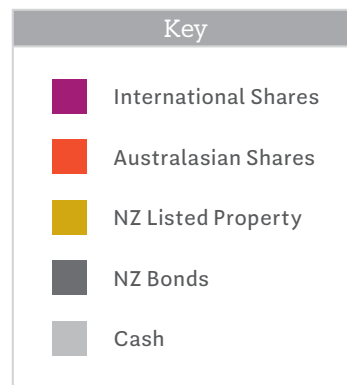
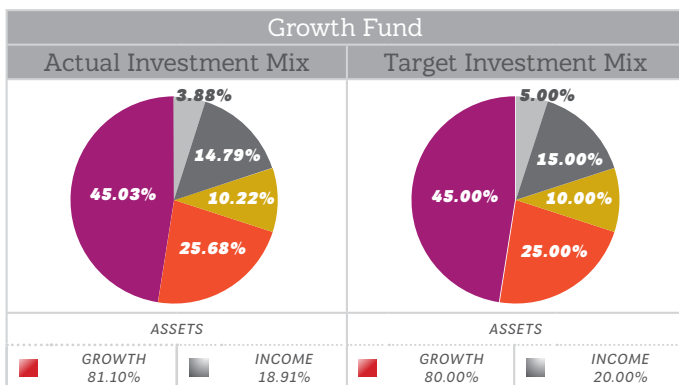
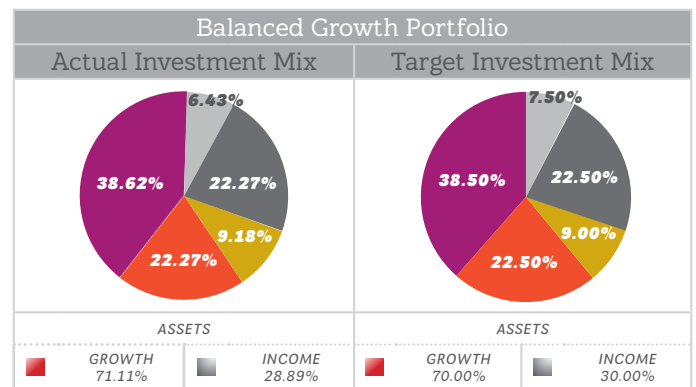
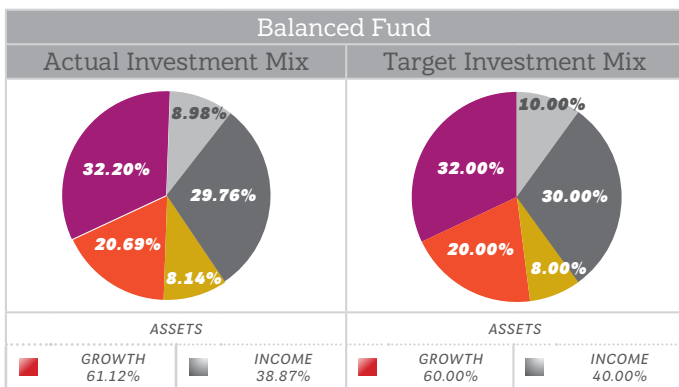
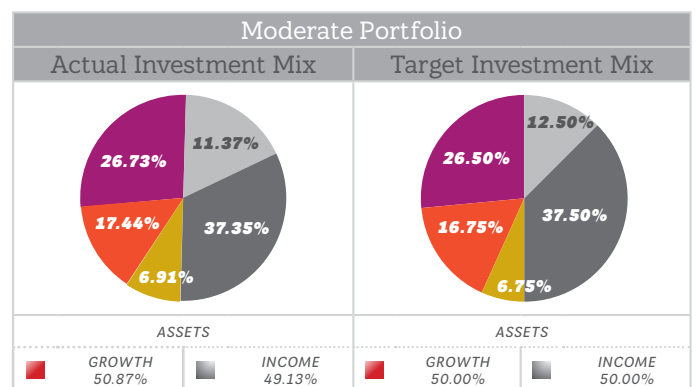
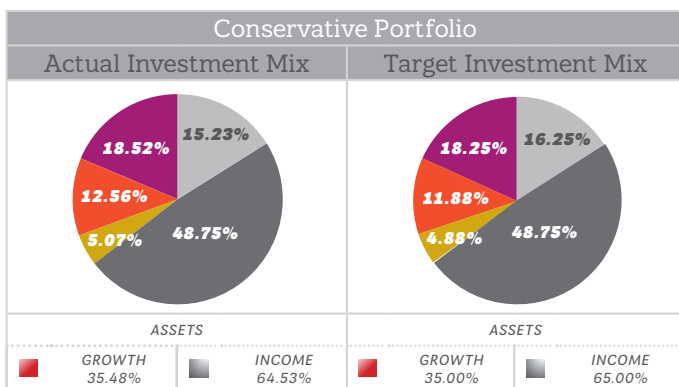
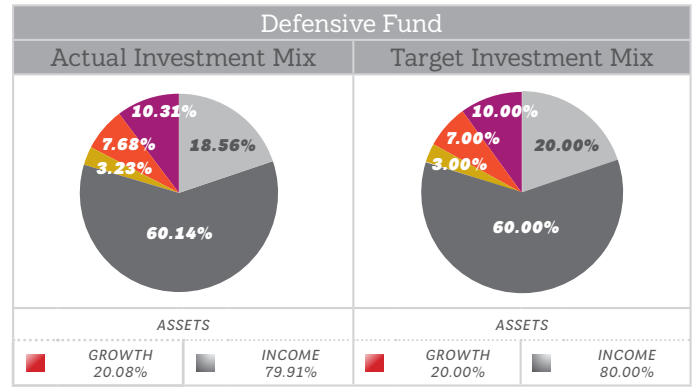
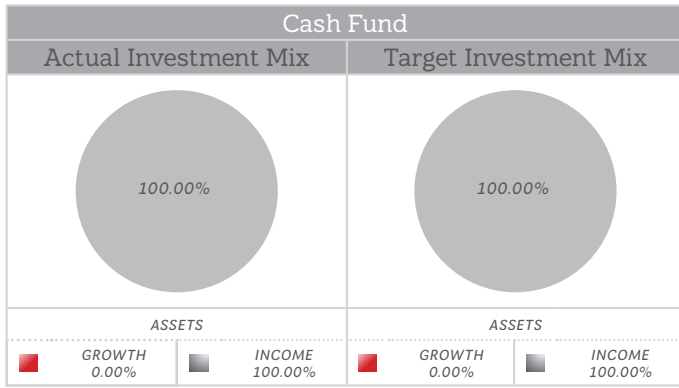


Assumes standard management fees, reinvestment of distributions and zero tax rate.

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.

What do the Funds invest in?



Top 10 holdings

GROWTH ASSETS

INTERNATIONAL SHARES		
COMPANY	COUNTRY	WEIGHTING
Apple Inc.	United States	2.80%
Microsoft Corp.	United States	2.64%
Amazon.com Inc.	United States	1.73%
Facebook Inc. Class A	United States	1.00%
Alphabet Inc. Class C	United States	0.90%
Alphabet Inc. Class A	United States	0.87%
JPMorgan Chase & Co.	United States	0.80%
Johnson & Johnson	United States	0.78%
Alibaba Group Holding ADR	China	0.77%
Vias A	United States	0.69%
TOTAL		12.98%

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
Fisher & Paykel Healthcare Corporation Limited	New Zealand	12.95%
a2 Milk Co Ltd	New Zealand	9.45%
Spark New Zealand Ltd	New Zealand	5.30%
Auckland Intl Airport Ltd	New Zealand	4.96%
Meridian Energy Ltd	New Zealand	3.82%
Ryman Healthcare Group Ltd	New Zealand	3.44%
Contact Energy Ltd	New Zealand	2.84%
Infratil Ltd	New Zealand	2.12%
Mainfreight Limited	New Zealand	2.11%
Chorus Ltd.	New Zealand	2.10%
TOTAL		49.10%

NZ LISTED PROPERTY		
Company	Country	Weighting
Goodman Property Trust	NZ	11.83%
Precinct Properties New Zealand Limited	NZ	13.28%
Kiwi Property Group Limited	NZ	14.66%
Property for Industry Ltd	NZ	14.57%
Argosy Property Ltd	NZ	14.79%
Vital Healthcare Property Trust	NZ	13.78%
Stride Stapled Group	NZ	15.90%
TOTAL		98.8%

INCOME ASSETS

NZ CASH		
ISSUER	CREDIT	WEIGHTING
Bank of New Zealand	AA-	17.91%
ANZ Bank NZ Limited	AA-	16.52%
ASB Bank NZ Limited	AA-	15.48%
Kiwibank Limited	A	14.05%
Westpac NZ Limited	AA-	13.42%
Bank of China NZ Limited	A	3.82%
China Construction Bank NZ Limited	A	3.80%
Industrial and Commercial Bank of China NZ Limited	A	3.80%
Rabobank New Zealand Limited	A	3.51%
The Hongkong and Shanghai Bank NZ Limited	AA-	2.34%
TOTAL		94.65%

NZ BONDS		
ISSUER	CREDIT	WEIGHTING
New Zealand Government	AA+	35.18%
NZ Local Government Funding Agency Ltd	AA+	20.98%
Housing New Zealand Ltd	AA+	5.38%
Westpac New Zealand Ltd	AA-	4.85%
ANZ Bank New Zealand Ltd	AA-	4.38%
ASB Bank Ltd	AA-	3.69%
Bank Of New Zealand	AA-	3.25%
Auckland Regional Council	AA	2.92%
Fonterra Co-Operative Group Ltd	A-	1.92%
Auckland International Airport	A-	1.74%
TOTAL		84.28%

Key personnel

Position	Management Investment Committee Chair (Acting)	Chief Executive	Head of Investments
Name	<i>Dan Devcich</i>	<i>Glenys Talivai</i>	<i>Theresa Egan</i>
Time in position	<i>3 months</i>	<i>1 year 3 months</i>	<i>2 years 7 months</i>
Previous Position	<i>Financial Controller</i>	<i>General Manager</i>	<i>Investment Manager</i>
Time in previous position	<i>3 years</i>	<i>4 years 5 months</i>	<i>5 years</i>
Employer	<i>Public Trust</i>	<i>Tower Insurance</i>	<i>Te Tuma Paeroa</i>

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 July 2020, a copy of which is available on request to Public Trust.

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