



Public Trust Investment Service.

Diversified Funds
Quarterly Update
30 September 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.

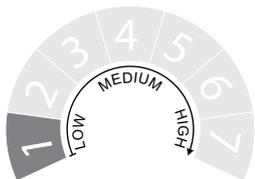
The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a non-consultable customer.

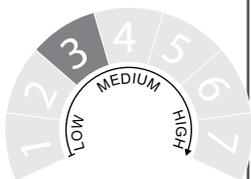
The Funds are not open to members of the public.

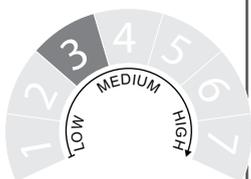
Any reference to us, we or our, refers to Public Trust.

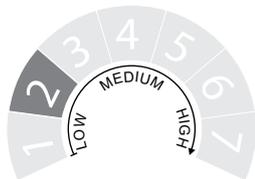
Description of the funds

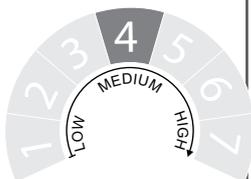
There are seven options offered in the Public Trust Investment Service Diversified Funds. The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a 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
Total value of the Fund	\$53.1m
Unit price (redemption)	1.0620
Fund start date	28 July 2014

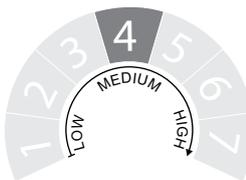
Conservative Portfolio	
Aims to produce stable returns with some capital growth and low to medium risk over the medium-term by investing 62.5% in the Defensive Fund and 37.5% in the Balanced Fund.	
	Risk indicator
Management fee	1.11% of your balance each year
Third party management fees	0.03% of your 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	\$163.5m
Unit price (redemption)	1.2258
Fund start date	28 July 2014

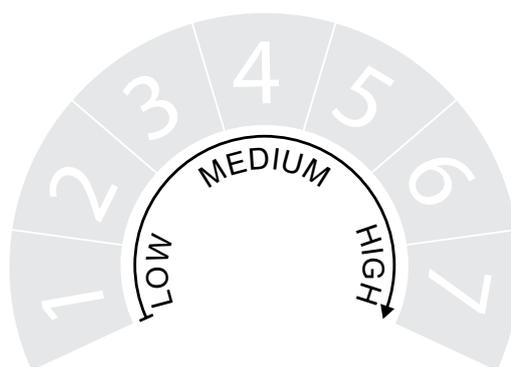
Balanced Fund	
Aims to produce long-term capital growth with medium levels of risk by investing 60% in diversified growth assets (shares and listed property) and 40% in diversified income assets (cash and bonds).	
	Risk indicator
Management fee	1.20% of your balance each year
Third party management fees	0.05% of your balance each year
Total value of the Fund	\$276.8m
Unit price (redemption)	1.4260
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
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	\$24.8m
Unit price (redemption)	1.4884
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	1.20%	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. 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

Market Update

Markets at a glance

	Returns	
	Quarter	Year
New Zealand shares	2.90%	8.30%
Australian shares	-0.40%	-10.20%
Global shares (Unhedged)	5.10%	4.70%
Global shares (Local)	6.70%	8.50%
New Zealand property	13.30%	-4.30%

	Returns	
	Quarter	Year
New Zealand cash	0.10%	0.90%
New Zealand bonds	2.10%	5.00%
Global bonds	0.70%	3.90%
NZD/USD	2.70%	5.40%
NZD - TWI	0.30%	1.90%

Review of markets over the third quarter of 2020

Financial markets recorded steady gains during the third quarter despite challenging conditions and increased volatility. The MSCI World Index returned 6.70% for the quarter underpinned by a buoyant market in US equities. The US S&P 500 index rose 7% in August, its best August since 1986, beating most indices recording 9.5% by quarter end. The MSCI Emerging Markets Index was not far behind and returned 8.6% during the quarter, largely due to the swift recovery in China as it was the first country to leave lockdown restrictions. The NZX50 Index delivered modest returns of 2.9% over the quarter and lagged global indices but outperformed the ASX200 Index by 2.5%.

Gross domestic product (GDP) data for the June quarter was released showing that New Zealand (NZ) officially entered a recession. The fall in GDP of 12.2% was the largest quarterly fall on record but comparatively better than the United Kingdom which experienced a full decline of 20.4%. Other advanced economies including Australia (-7.0%), Japan (-7.9%), USA (-9.1%) and Germany (10%) feared better than New Zealand. The subdued level of growth was consistent with comments made by the Reserve Bank of New Zealand's (RBNZ) at its Monetary Policy Statement in August. The RBNZ reiterated that a negative Official Cash Rate (OCR) and a funding for lending program are the next steps should more monetary stimulus be needed to support economic activity.

While the pace of the global economic recovery is faster than earlier projections, the move forward depends on the development of successful vaccines and treatments to combat the Covid-19 crisis. The economic recoveries across many countries and sectors are uneven and could create a need for more monetary and fiscal stimulus. Financial market volatility is expected to remain high as the US presidential election nears, the potential for heightened trade tensions between the US and China and Brexit still remains unresolved. The outlook remains challenging and highly uncertain. In this environment, it is important for investors to have a well-diversified investment portfolio with a focus on the long-term, and realistic return expectations from their investments.

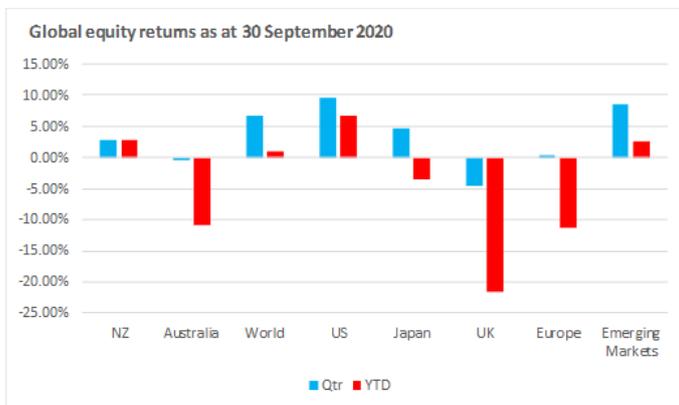
Global equities recorded steady gains in the third quarter despite experiencing contrasting months. Financial markets sold off in September but it was the strong momentum in August which offered most of the gains for the quarter pushing the MSCI World index into positive territory, returning 6.70% in hedged New Zealand dollar (NZD) terms and 5.30% in unhedged NZD.

The US S&P 500 index rose 7% in August, marking its steepest August gain since 1986, beating all other markets. The gains were due to the weight of technology and software companies in the index as they have benefited the most from the pandemic as people work from home. While large cap technology stocks continued to drive index performance, sector returns were more evenly distributed this quarter with 10 out of the 11 sectors in the S&P500 index performing well. The top 3 included consumer discretionary, materials and industrials while energy companies lagged down 20%.

The MSCI Emerging Markets Index returned 8.6% (in local currency terms) during the quarter underpinned by China's successful approach to containing the virus and signs of a more rapid economic recovery. The rest of Asia has benefitted, aided by China's return to growth and higher manufacturing activity. US and China tensions continued to intensify during the quarter due to the new restrictions placed on Chinese technology companies and President Trump's executive order to end Hong Kong's special trading status.

The US Federal Reserve (Fed) concluded its meeting at the Jackson Hole Economic symposium in September which brings together economists, financial market participants and US central bankers to discuss long-term policy issues. One of the main outcomes of the meeting was that the Fed will shift its focus to target an average inflation rate of 2% overtime. This means that the Fed is unlikely to raise interest rates until inflation tracks higher than 2% for a sustained period of time. Given that inflation has remained historically low, market participants now expect that interest rates will remain near zero until the end of 2023.

Global markets



Negotiations between the United Kingdom (UK) and the European Union (EU) on a possible trade deal stalled, when the UK introduced legislation that would undermine the Withdrawal Agreement that laid out the terms under which the UK leaves the EU. The latest development is not positive for the prospects of trade deal being agreed prior to the UK's departure from the EU on 1 January 2021. This negatively affected equity sentiment and is a reason for the continued poor performance of the UK equity market.

Progress is being made to find effective vaccines and treatments to reduce the transmission of Covid-19. There are currently several vaccines in phase 3 trials with initial results expected to be released towards the end of 2020. If the virus continues to spread (as it is in the UK and Europe) there is the possibility that countries will reintroduce social distancing and lockdown measures. Any tightening of restrictions could negatively impact global growth and would require additional monetary and fiscal support.

New Zealand

The New Zealand equity market performed relatively well over the quarter returning 2.9% but lagged global peers as the MSCI ACWI Index gained 6.9% in local currency terms.

NZ listed property was the best performing sector in the NZX50 index returning 13.3% over the quarter as investors were attracted to assets that provide yield in a low interest rate environment. However, there is some uncertainty around the medium term outlook for the sector if Covid-19 continues to be an issue in 2 to 3 years' time.

The New Zealand dollar (NZD) underperformed most major currencies during the quarter but finished broadly flat at 0.3% on a trade weighted basis. Meanwhile, a weaker USD in September resulted in upward pressure on the NZD/USD causing the exchange rate to rise 2.7% over the quarter.

The June quarter gross domestic product showed that the NZ economy contracted by 12.2% and was the largest quarterly fall on record. By comparison, the United Kingdom experienced a full decline of 20.4% while other advanced economies including Australia (-7.0%), Japan (-7.9%), USA (-9.1%) and Germany (10%) fared better than New Zealand. The fall in GDP means that the NZ economy is in recession, but compared to earlier estimates the decline could have been much more severe. The better outturn suggests that the economy has started to recover at a faster pace than expected after the easing of the lockdown measures. However, the subdued level of growth overall was consistent with comments made by the RBNZ at its Monetary Policy Statement in August which pointed to further easing in monetary policy as the impacts of the Covid-19 outbreak continue to impede activity. This has led to financial markets pricing in a negative OCR of 0.25% by April 2021. The RBNZ reiterated that a negative OCR and a funding for lending program are the next steps should more monetary stimulus be needed. The flow on effects would mean persistently lower interest rates for borrowers and savers.

Conversely, the ANZ bank published their business confidence survey in September which showed a lift in business confidence, activity and employment expectations, rising 31%, 70% and 50% respectively relative to August but still below pre-pandemic levels. The report stated "...firms appear to be confident that the second wave outbreak of Covid-19 in the community is well under control". The results of the survey are positive but any further Covid-19 outbreaks or reduction in supports schemes for people and businesses could slow the pace of the economic recovery.

Outlook

While the pace of the global economic recovery is faster than earlier projections, the outlook depends on the development of successful vaccines and treatments to combat the Covid-19 health crisis. The economic recoveries across many countries and sectors are uneven and could create a need for more monetary and fiscal stimulus. Financial market volatility is expected to remain high as the US presidential election nears, the potential for heightened trade tensions between the US and China and Brexit still remains unresolved. The outlook remains challenging and highly uncertain. In this environment, it is important for investors to have a well-diversified investment portfolio with a focus on the long-term, and realistic return expectations from their investments.

How have the Funds performed?

	Past Quarter	1 Year	Annualised since inception
Cash Fund	0.30%	1.56%	2.31%
Defensive Fund	2.37%	3.91%	4.99%
Conservative Portfolio	3.00%	4.05%	5.85%
Moderate Portfolio	3.63%	4.19%	6.70%
Balanced Fund	4.04%	4.28%	7.27%
Balanced Growth Portfolio	4.46%	4.35%	7.66%
Growth Fund	4.87%	4.42%	8.04%

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.

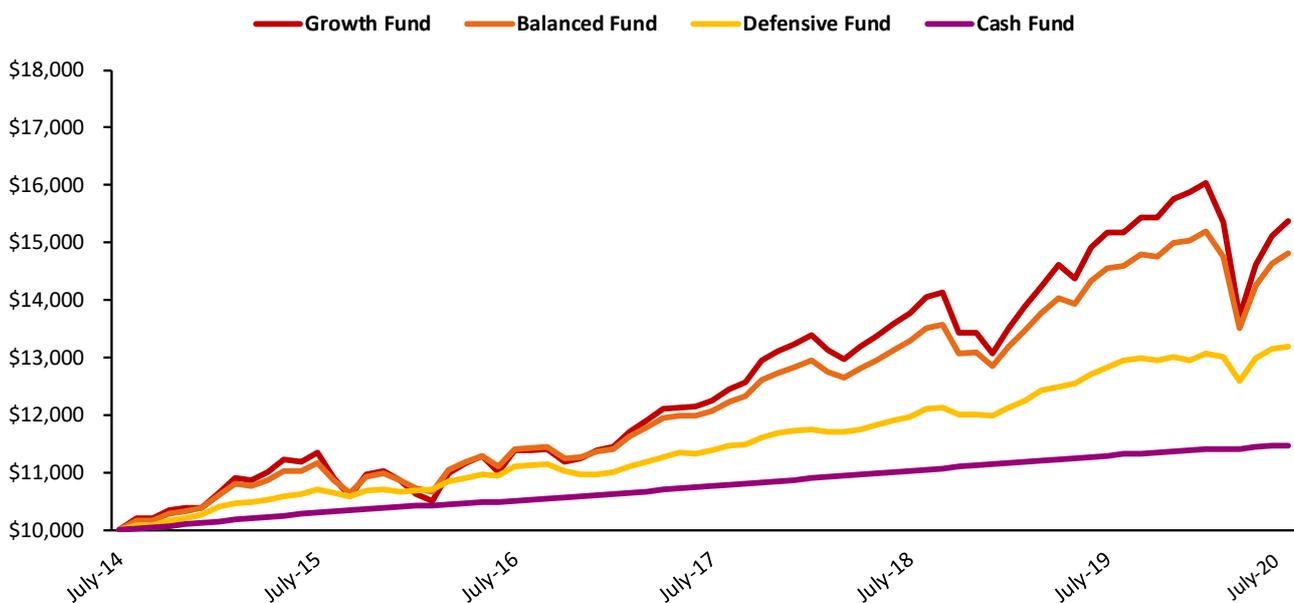
Commentary on performance

All of the diversified funds delivered positive returns in the September quarter despite experiencing volatile periods. Global and NZ equities sold off in September, but it was the strong rally in August which delivered most of the quarter's gains. The MSCI ACWI index returned 6.9% for the quarter and outperformed regional markets which diverged such as Japan (4.6%), UK (-4.6%) and Europe (1.80%). This was positive for the Funds which invest across a wide range of global equity markets rather than country specific. NZ equities (+2.9%) have continued to outperform Australian equities (-.40%) which was positive as the Funds allocate more to domestic equities. NZ listed property was the best performing sector posting 13.3% for the quarter and boosted the performance of the Funds which have a higher allocation to NZ listed property compared with other investment schemes. Turning to fixed income markets, the funds gained from their increased exposure to NZ government and corporate bonds which outperformed their global equivalents by 1.4% and 1.9% respectively. The returns on the cash fund dropped as interest rates have continued to fall and the proceeds from maturities are reinvested at lower market 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

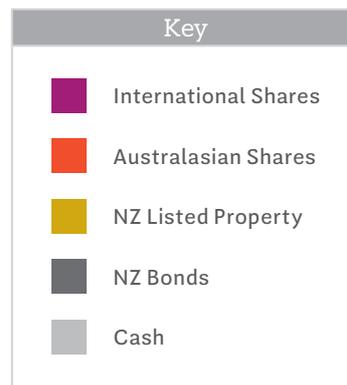
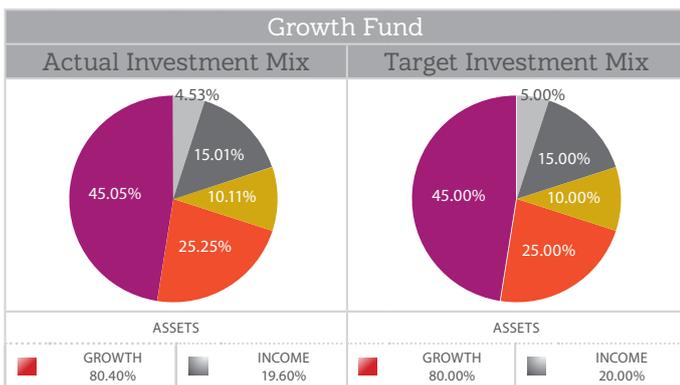
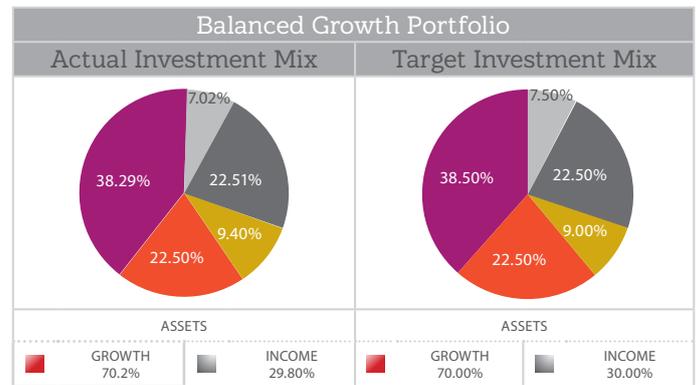
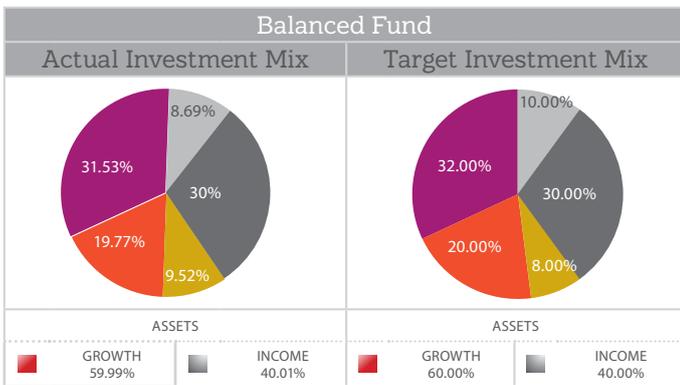
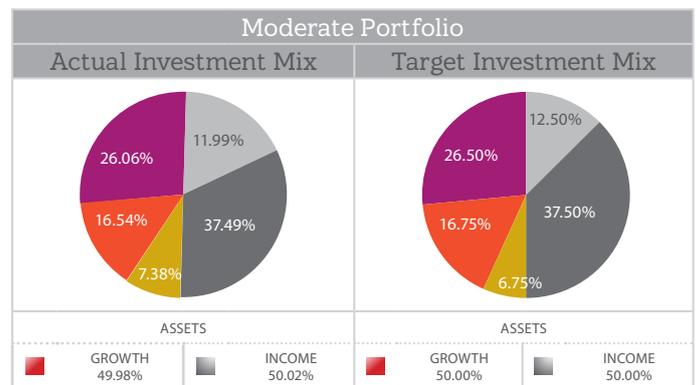
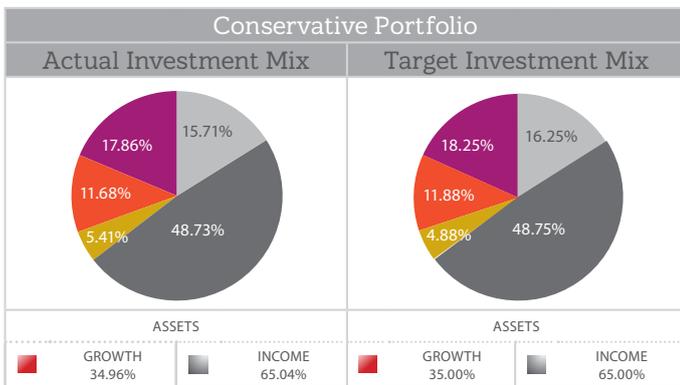
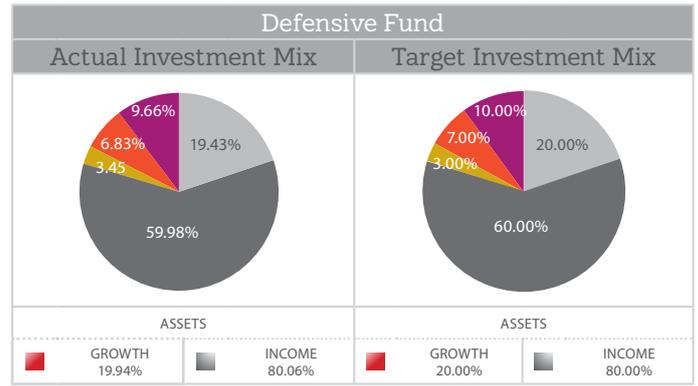
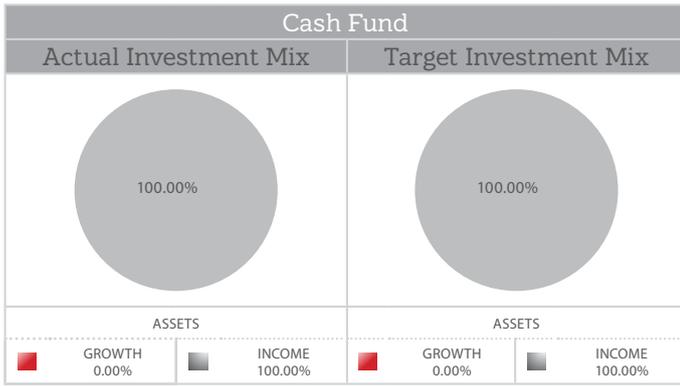


Assumes standard management fees, reinvestment of distributions and zero tax rate.

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	3.91%
Microsoft Corp.	United States	2.95%
Amazon.com Inc.	United States	2.60%
Facebook Inc. Class A	United States	1.23%
Alibaba Group Holding ADR	China	1.08%
Alphabet Inc. Class C	United States	0.87%
Alphabet Inc. Class A	United States	0.86%
Tencent Holdings Ltd	China	0.74%
Johnson & Johnson	United States	0.76%
Taiwan Semiconductor MFG	Taiwan	0.72%
TOTAL		15.72%

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
Fisher & Paykel Healthcare Corporation Limited	New Zealand	11.65%
a2 Milk Co Ltd	New Zealand	6.94%
Auckland Intl Airport Ltd	New Zealand	5.33%
Spark New Zealand Ltd	New Zealand	5.26%
Meridian Energy Ltd	New Zealand	3.79%
Ryman Healthcare Group Ltd	New Zealand	3.56%
Contact Energy Ltd	New Zealand	2.93%
Mainfreight Limited	New Zealand	2.39%
Chorus Ltd.	New Zealand	2.36%
Infratil Ltd	New Zealand	2.18%
TOTAL		46.40%

INCOME ASSETS

NZ CASH		
ISSUER	CREDIT	WEIGHTING
ANZ Bank NZ Limited	AA-	17.34%
Kiwibank Limited	A	15.60%
ASB Bank NZ Limited	AA-	14.60%
Westpac NZ Limited	AA-	14.23%
Bank of New Zealand	AA-	8.32%
Bank of China NZ Limited	A	3.46%
China Construction Bank NZ Limited	A	3.46%
Industrial and Commercial Bank of China NZ Limited	A	3.12%
The Hongkong and Shanghai Bank NZ Limited	AA-	2.78%
Rabobank New Zealand Limited	A	2.77%
TOTAL		85.68%

NZ BONDS		
ISSUER	CREDIT	WEIGHTING
New Zealand Government	AA+	34.60%
NZ Local Government Funding Agency Ltd	AA+	22.25%
Housing New Zealand Ltd	AA+	6.91%
Westpac New Zealand Ltd	AA-	5.25%
ANZ Bank New Zealand Ltd	AA-	3.78%
ASB Bank Ltd	AA-	3.45%
Bank Of New Zealand	AA-	3.06%
Auckland Regional Council	AA	2.58%
Fonterra Co-Operative Group Ltd	A-	1.80%
Transpower NZ	A-	1.65%
TOTAL		85.34%

NZ LISTED PROPERTY		
Company	Country	Weighting
Property for Industry Ltd	NZ	15.16%
Goodman Property Trust	NZ	15.07%
Vital Healthcare Property Trust	NZ	14.93%
Stride Stapled Group	NZ	14.01%
Argosy Property Ltd	NZ	13.82%
Kiwi Property Group Limited	NZ	13.47%
Precinct Properties New Zealand Limited	NZ	13.01%
TOTAL		99.47%

Key personnel

Position	Management Investment Committee Chair (Acting)	Chief Executive	Head of Investments
Name	Dan Devcich	Glenys Talivai	Theresa Egan
Time in position	6 months	1 year 6 months	2 years 10 months
Previous Position	Financial controller	General Manager	Investment Manager
Time in previous position	3 years	4 years 5 months	5 years
Employer	Public Trust	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 October 2020, a copy of which is available on request to Public Trust.

Public Trust
40-42 Queens Drive
Lower Hutt 5010

PO Box 31543
Lower Hutt 5040

Telephone: 0800 371 471
Email: info@publictrust.co.nz

0800 371 471
info@publictrust.co.nz
publictrust.co.nz

