



Public Trust Investment Service.

Diversified Funds
Quarterly Update
31 December 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.

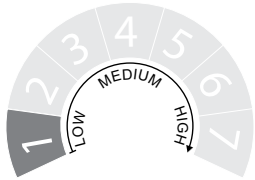
The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a non-consultable customer.

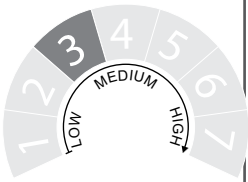
The Funds are not open to members of the public.

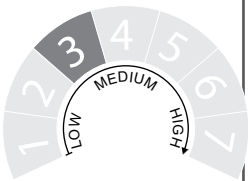
Any reference to us, we or our, refers to Public Trust.

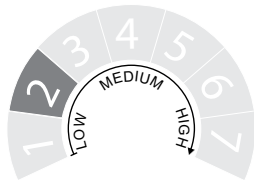
Description of the funds

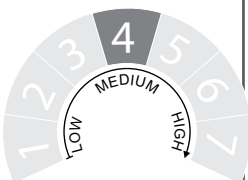
There are seven options offered in the Public Trust Investment Service Diversified Funds. The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a 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	\$71.5m
Unit price (redemption)	1.0614
Fund start date	28 July 2014

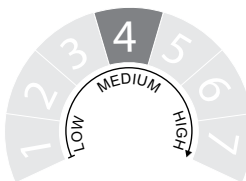
Conservative Portfolio	
Aims to produce stable returns with some capital growth and low to medium risk over the medium-term by investing 62.5% in the Defensive Fund and 37.5% in the Balanced Fund.	
	Risk indicator
Management fee	1.11% of your balance each year
Third party management fees	0.03% of your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

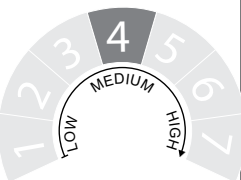
Moderate Portfolio	
Aims to produce moderate capital growth with moderate risk over the medium-term by investing 25% in the Defensive Fund and 75% in the Balanced Fund.	
	Risk indicator
Management fee	1.16% of your balance each year
Third party management fees	0.04% of your balance each year
Portfolio 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	\$168.2m
Unit price (redemption)	1.2303
Fund start date	28 July 2014

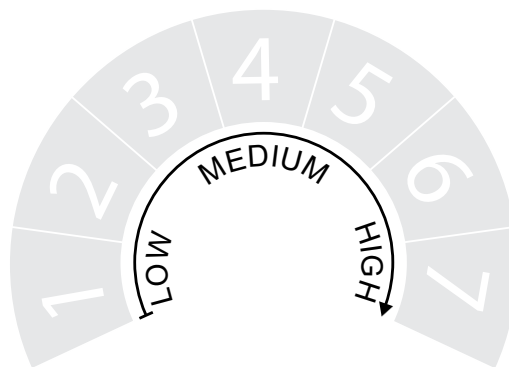
Balanced Fund	
Aims to produce long-term capital growth with medium levels of risk by investing 60% in diversified growth assets (shares and listed property) and 40% in diversified income assets (cash and bonds).	
	Risk indicator
Management fee	1.20% of your balance each year
Third party management fees	0.05% of your balance each year
Total value of the Fund	\$292.9m
Unit price (redemption)	1.4936
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.	 Risk indicator
Management fee	1.225% of your balance each year
Third party management fees	0.06% of your balance each year
Portfolio start date	28 July 2014

Growth Fund	
Aims to produce high long-term capital growth by investing 80% in diversified growth assets (shares and listed property) and 20% in diversified income assets (cash and bonds).	 Risk indicator
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	\$26.8m
Unit price (redemption)	1.5896
Fund start date	28 July 2014

Risk Indicator



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

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

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

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

Important note

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

What are the fees?

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

- Public Trust management fee.

This fee is expressed below as a percentage of your balance each year.

- Third party management fee.

This fee is expressed below as a percentage

Management fee & third party management fee

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

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

Management fee rebate

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

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

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

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

Example of how fees in a Fund apply

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

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

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

Estimated total fees for the first year:

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

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

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

The fees can be changed

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

Market Update

Markets at a glance

	Returns	
	Quarter	Year
New Zealand shares	11.50%	14.60%
Australian shares (local)	13.70%	1.40%
Global shares (Unhedged)	4.60%	8.60%
Global shares (Local)	12.40%	13.50%
New Zealand property	8.50%	4.40%

	Returns	
	Quarter	Year
New Zealand cash	0.10%	0.60%
New Zealand bonds	-2.20%	4.80%
Global bonds	0.80%	5.40%
NZD/USD	8.90%	6.70%
NZD - TWI	4.90%	1.70%

Review of markets over the fourth quarter of 2020

Global equities advanced during the fourth quarter with several indices hitting record highs. Investor sentiment improved on the news of effective COVID-19 vaccines, increased fiscal stimulus in the US and the preliminary results of the US presidential election. The MSCI World Index returned 4.6% for the quarter underpinned by a buoyant market in US equities with the US S&P 500 index up 12.2% over the quarter. However, the MSCI Emerging Markets index saw the biggest gains up 16% benefiting from a falling US dollar and higher commodity prices.

Regionally, Australian equities rose 13.7% (in local currency terms) supported by increasing quantitative easing measures with the Reserve Bank of Australia cutting its official cash rate to 0.10%. In NZ, the NZX50 Index reached new all-time highs for the quarter, returning 11.50% on rising consumer and business confidence as growth surged 14% from the record lows seen in June's gross domestic product (GDP). Meanwhile, the Reserve Bank of New Zealand (RBNZ) kept interest rates low to support economic activity.

The quarter ended with a Brexit deal struck between the United Kingdom (UK) and the European Union (EU) after four years of negotiations. UK markets responded favourably and rose 10.2% but are still well down on the year.

While the pace of the global economic recovery is faster than earlier projected, the near term outlook depends on controlling the spread of COVID-19 and ensuring rapid and widespread vaccine deployment. The economic fragilities in many countries and sectors are uneven and may require more stimulus packages as the pandemic shock impacts vulnerable household and business balance sheets. Financial market volatility is expected to remain high given the potential for COVID-19 related setbacks while geopolitics could deliver negative surprises over trade policy between the US and China. However, if there is a successful global rollout of the vaccines this could positively impact the economic prospects of the world economy in the latter half of 2021.

Global markets

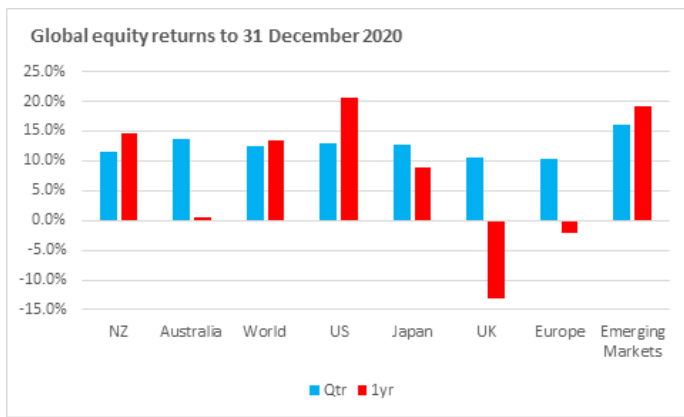
Global equities moved higher in the December quarter, with the MSCI World index returning 4.6% in unhedged NZD terms (or 12.3% in hedged NZD). The majority of the gains came in November as the news of effective COVID-19 vaccines, fresh government stimulus and the preliminary results of the US presidential election buoyed investor sentiment.

The US S&P500 index rose 12.2% over the quarter and achieved a new record high. The news on the vaccine rollout fuelled economically sensitive sectors with the following sectors reporting the largest gains: energy, financials and industrials. The US Fed's decision to let American banks resume share buy backs drove the financial sector higher, while the energy sector rose on increased oil prices.

Financial markets welcomed the second US pandemic fiscal relief package worth \$900bn aimed at assisting firms and households recover from the economic impact of COVID-19. Meanwhile, Fed Chairman, Jerome Powell, has said he remains committed to purchasing bonds at a rate of \$120 billion per month until the Fed committee agree that "substantial" progress has been made towards meeting its key policy objectives of maximum employment and moderately higher 2% inflation.

The MSCI Emerging Markets Index returned 16% (in local currency terms) during the quarter underpinned by a falling US dollar and higher commodity prices. Korea, Brazil and Mexico were the top emerging market economies in the quarter, lifted by higher commodity prices with strong demand from China. The Bloomberg commodity index rose 10.2% over the quarter on higher prices for agriculture (corn and soybeans) and industrial metals (copper and nickel).

The quarter ended with a Brexit deal struck between the UK and the EU after four years of negotiations. The deal ensures trade will be fair and competitive as neither party will impose tariffs and restrictions on goods traded. Graph 1 shows the UK market breathed a sigh of relief and rose 10.2% ahead of the Brexit trade deal for the quarter but finished the year as the poorest performer among the largest international equity markets, down -13.20% for 2020.



New Zealand

The New Zealand equity market touched new all-time highs, returning 11.50% for the quarter, supported by a rebound in domestic growth and positive vaccine news. Consumer and business confidence indices surprised to the upside with survey data from ANZ-Roy Morgan rising 9% while ANZ Business Outlook rose 14% and was a sign that business confidence and activity levels continue to recover from the initial lock down. The increased confidence follows the 14% increase in third quarter Gross Domestic Product. Given the strong growth in third quarter GDP financial markets are now expecting the Official Cash Rate (OCR) to remain unchanged at 0.25% throughout 2021 whereas previously there was a strong expectation that the OCR may go negative.

NZ listed property posted strong gains returning 8.5% but lagged broader market indices for the December quarter. While the sector continues to experience weakness in the post-Covid environment, investors still find it an attractive asset class for providing income and diversification.

The New Zealand dollar (NZD) strengthened against all major currencies throughout the quarter further supported by strong third-quarter GDP growth, higher commodity prices and better containment of the virus. The largest movement came from US dollar weakness which helped the NZD advance 8.9% for the quarter and to end the year, up 6.7%.

Outlook

While the pace of the global economic recovery is faster than earlier projections, the near term outlook depends on controlling the spread of COVID-19 and ensuring rapid and widespread vaccine deployment. The economic fragilities in many countries and sectors are uneven and may require more stimulus packages as the pandemic shock impacts vulnerable household and business balance sheets. Financial market volatility is expected to remain high given the potential for COVID-19 related setbacks while geopolitics could deliver negative surprises over trade policy between the US and China. However, if there is a successful global rollout of the vaccines this could positively impact the economic prospects of the world economy in the latter half of 2021.

How have the Funds performed?

	Past Quarter	1 Year	Annualised since inception
Cash Fund	0.18%	1.28%	2.25%
Defensive Fund	0.77%	5.11%	4.92%
Conservative Portfolio	2.41%	6.11%	6.00%
Moderate Portfolio	4.05%	7.11%	7.09%
Balanced Fund	5.14%	7.78%	7.81%
Balanced Growth Portfolio	6.17%	8.31%	8.35%
Growth Fund	7.19%	8.84%	8.89%

Commentary on performance

All of the diversified funds delivered positive returns in the December quarter. The Funds with higher exposure to growth assets benefitted as investor's appetite for risk assets increased, sending equity markets higher. NZ and global equities rose 11.5% and 12.8% respectively hitting fresh new highs while Australian equities rebounded strongly returning 13.7% over the quarter. NZ listed property made strong gains returning 8.5% but lagged the majority of developed equity markets for the December quarter. The New Zealand bond market sold off for the quarter, returning -2.2% as investors shifted out of bonds and into equities. The fall in bond prices lowered the returns on the Funds which invest more in fixed income assets. The cash fund dipped lower as legacy term deposits matured and the proceeds were reinvested at lower interest rates.

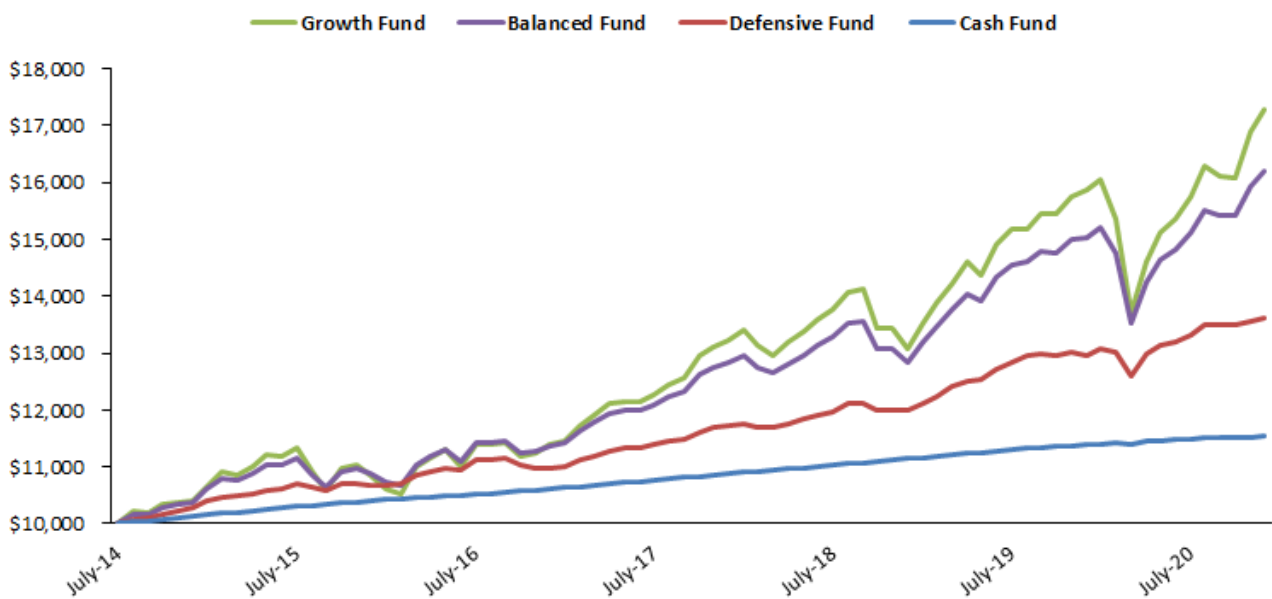
Note on returns

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.

Growth of a \$10,000 investment

Value of the investment

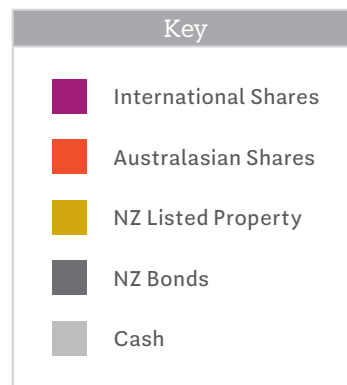
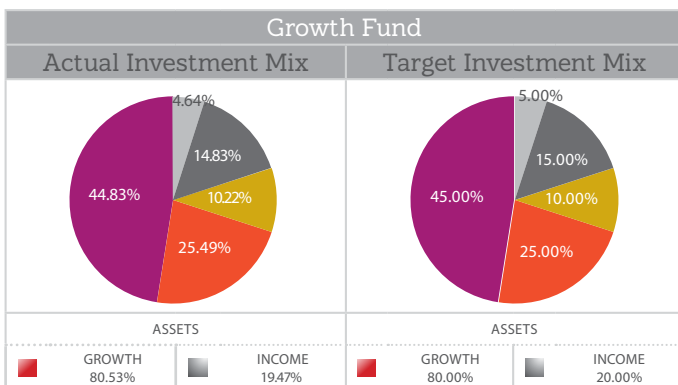
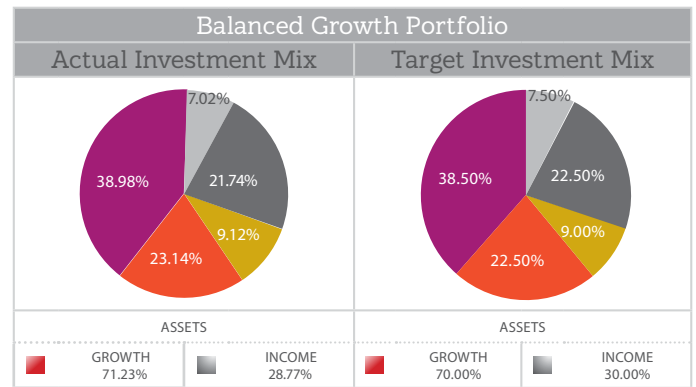
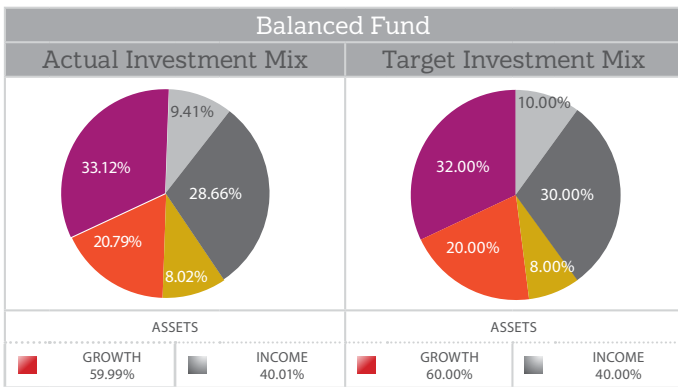
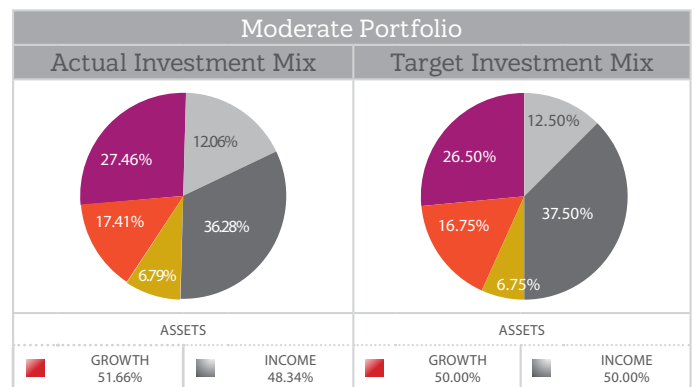
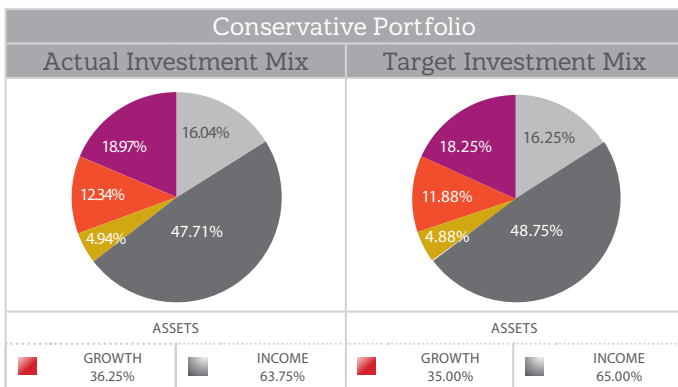
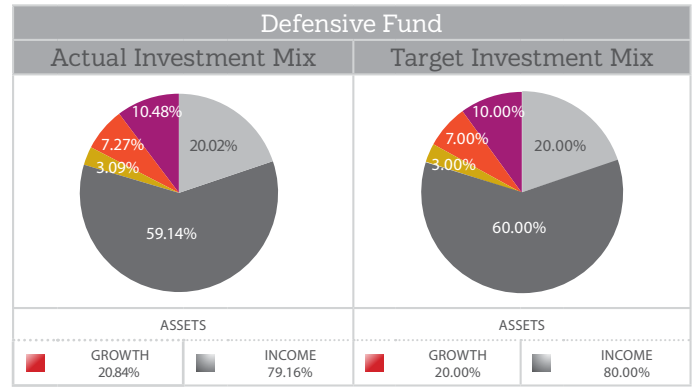
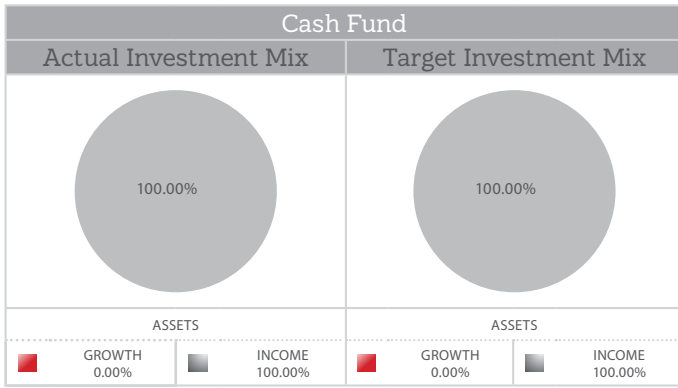


Assumes standard management fees, reinvestment of distributions and zero tax rate.

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	3.83%
Microsoft Corp.	United States	2.70%
Amazon.com Inc.	United States	2.34%
Facebook Inc. Class A	United States	1.11%
Alibaba Group Holdings Limited	China	0.74%
Alphabet Inc. Class C	United States	0.89%
Alphabet Inc. Class A	United States	0.89%
Tencent Holdings Ltd	China	0.71%
Tesla	United States	0.89%
Taiwan Semiconductor MFG	Taiwan	0.78%
TOTAL		14.88%

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
Fisher & Paykel Healthcare Corporation Limited	New Zealand	10.53%
a2 Milk Co Ltd	New Zealand	4.97%
Auckland Intl Airport Ltd	New Zealand	5.07%
Spark New Zealand Ltd	New Zealand	4.82%
Meridian Energy Ltd	New Zealand	5.16%
Ryman Healthcare Group Ltd	New Zealand	3.49%
Contact Energy Ltd	New Zealand	3.55%
Mainfreight Limited	New Zealand	3.26%
Fletcher Building Ltd.	New Zealand	2.69%
Infratil Ltd	New Zealand	2.92%
TOTAL		46.46%

INCOME ASSETS

NZ CASH		
ISSUER	CREDIT	WEIGHTING
Westpac NZ Limited	AA-	16.61%
Kiwibank Limited	A	15.65%
ANZ Bank NZ Limited	AA-	15.31%
ASB Bank NZ Limited	AA-	13.13%
Bank of New Zealand	AA-	9.68%
Bank of China NZ Limited	A	3.76%
China Construction Bank NZ Limited	A	3.76%
Industrial and Commercial Bank of China NZ Limited	A	4.07%
The Hongkong and Shanghai Bank NZ Limited	AA-	2.51%
Rabobank New Zealand Limited	A	2.50%
TOTAL		86.97%

NZ BONDS		
ISSUER	CREDIT	WEIGHTING
New Zealand Government	AA+	34.33%
NZ Local Government Funding Agency Ltd	AA+	22.54%
Housing New Zealand Ltd	AA+	6.66%
Westpac New Zealand Ltd	AA-	5.14%
ANZ Bank New Zealand Ltd	AA-	3.72%
ASB Bank Ltd	AA-	3.38%
Bank Of New Zealand	AA-	3.00%
Auckland Regional Council	AA	3.14%
Fonterra Co-Operative Group Ltd	A-	1.76%
Transpower NZ	A-	1.62%
TOTAL		85.28%

NZ LISTED PROPERTY		
Company	Country	Weighting
Vital Healthcare Property Trust	NZ	15.12%
Argosy Property Ltd	NZ	14.72%
Stride Stapled Group	NZ	14.53%
Kiwi Property Group Limited	NZ	13.75%
Goodman Property Trust	NZ	13.34%
Property for Industry Ltd	NZ	13.49%
Precinct Properties New Zealand Limited	NZ	13.71%
TOTAL		98.66%

Key personnel

Position	Management Investment Committee Chair	Chief Executive Officer	Head of Investments
Name	Peter Aish	Glenys Talivai	Theresa Egan
Time in position	3 months	1 year 9 months	3 years 1 month
Previous Position	Chief Financial Officer	General Manager	Investment Manager
Time in previous position	2 years 5 months	4 years 5 months	5 years
Employer	Southern Cross Benefits Limited	Tower Insurance	Te Tuma Paeroa

Where you can find more information Contact information

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

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