



Public Trust Investment Service

Diversified Funds and Cash Fund
Quarterly Update
31 December 2022

Funds Update

What is the purpose of this update?

This document tells you how the Public Trust Investment Service Diversified Funds and Cash Fund 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 six options offered in the Public Trust Investment Service Diversified Funds, as well as the Cash Fund. 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.



Management fee	0.30% of your balance each year
Third party management fees	Nil
Total value of the Fund	137.0m
Unit price (redemption)	1.0679
Fund start date	28 July 2014

Diversified Funds

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).



Management fee	0.85% of your balance each year
Third party management fees	0.02% of your balance each year
Total value of the Fund	\$156.8m
Unit price (redemption)	1.0841
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.



Management fee	0.85% 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.



Management fee	0.85% of your balance each year
Third party management fees	0.04% of your balance each year
Portfolio start date	28 July 2014

Balanced Fund

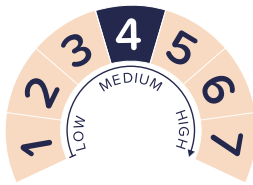
Aims to produce long-term capital growth with medium levels of risk by investing 60% in diversified growth assets (shares and listed property) and 40% in diversified income assets (cash and bonds).



Management fee	0.85% of your balance each year
Third party management fees	0.05% of your balance each year
Total value of the Fund	\$279m
Unit price (redemption)	1.3263
Fund start date	24 July 2014

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.

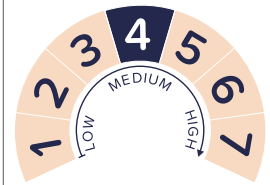


Risk indicator

Management fee	0.85% of your balance each year
Third party management fees	0.06% of your balance each year
Portfolio start date	28 July 2014

Growth Fund

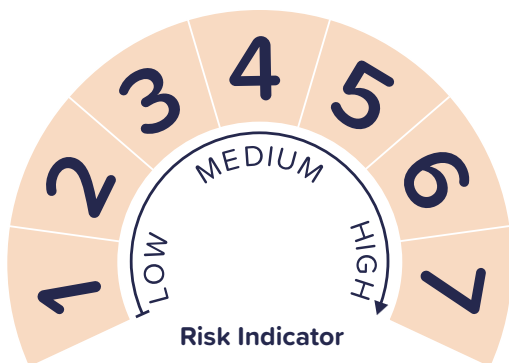
Aims to produce high long-term capital growth by investing 80% in diversified growth assets (shares and listed property) and 20% in diversified income assets (cash and bonds).



Risk indicator

Management fee	0.85% of your balance each year
Third party management fees	0.08% of your balance each year
Total value of the Fund	\$20.6m
Unit price (redemption)	1.4185
Fund start date	28 July 2014

What are the risks of investing?



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. The risk indicator is based on the returns data for a 5 year period to 31 March 2022. 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 and Cash Fund. 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 of your balance each year.

Management fee & third party management fee

Option	Public Trust management fee	Third party management fee
Cash Fund	0.30%	Nil
Defensive Fund	0.85%	0.02%
Conservative Portfolio	0.85%	0.03%
Moderate Portfolio	0.85%	0.04%
Balanced Fund	0.85%	0.05%
Balanced Growth Portfolio	0.85%	0.06%
Growth Fund	0.85%	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 for Diversified Funds

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 \$1,000,000	0.00%
On the next \$1,000,000 plus	0.35%

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 \$95.00 for that year:

Public Trust management fee = \$85.00
0.85% of \$10,000

Third party management fee = \$5.00
0.05% of \$10,000

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: = \$85.00

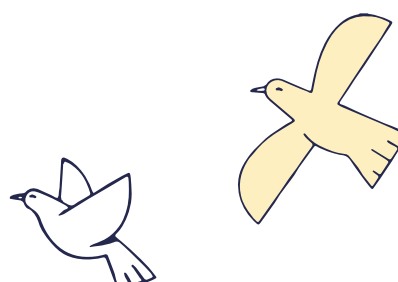
Third party management fee: = \$5.00

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 or the Cash Fund, 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			Returns	
	Quarter	Year		Quarter	Year
New Zealand shares	3.80%	-11.30%	New Zealand cash	1.00%	2.20%
Australian shares (Local)	3.20%	-0.10%	New Zealand bonds	0.10%	-7.10%
Global shares (Unhedged)	-1.80%	-11.60%	Global bonds	0.80%	-11.70%
Global shares (Local)	7.40%	-16.00%	NZD/USD	11.80%	-7.60%
New Zealand property	-3.60%	-22.30%	NZD - TWI	5.80%	-1.10%

Review of markets over the Fourth Quarter of 2022

Financial markets rounded off a difficult year with reasonable gains in the final quarter of 2022.

Equities and bonds performed well in October and November supported by encouraging corporate earnings, signs of a deceleration in inflation and speculation central banks may start to slow the pace of interest rate rises. However, most markets sold off in December as recession worries and concerns over higher interest rates weighed on investor sentiment.

Global equities gained 7.4% for the quarter, while US equities added 7.0% followed by emerging markets returning 6.4% (in local currency terms). Global bond markets advanced, as the US Federal Reserve (the Fed) and European Central Bank (ECB) cut the pace and size of interest rate rises. Fed Chair Jerome Powell suggested that the next hike may be 0.25% increments which lifted the terminal rate to between 5%-5.5%.

Similarly, the Reserve Bank of New Zealand (RBNZ) continued to raise interest rates in response to elevated inflation lifting the Official Cash Rate (OCR) to 4.25% in the final quarter. New Zealand equities and bonds returned 3.8% and 0.1% respectively, supported by a record low unemployment rate and resilient economic growth reported for the September 2022 quarter.

2023 is expected to remain volatile as the global economy faces challenges with elevated inflation, central bank tightening and warnings about a recession. Positively, there are signs that inflation may be slowing, and interest rates rises nearing a peak, which may support both equities and fixed income. However, the economic outlook also depends on the growth prospects globally and whether corporate earnings and consumer spending remain resilient against a difficult macroeconomic environment. In this environment, it is important for investors to have a well-diversified investment portfolio with a focus on the long-term.

Global markets

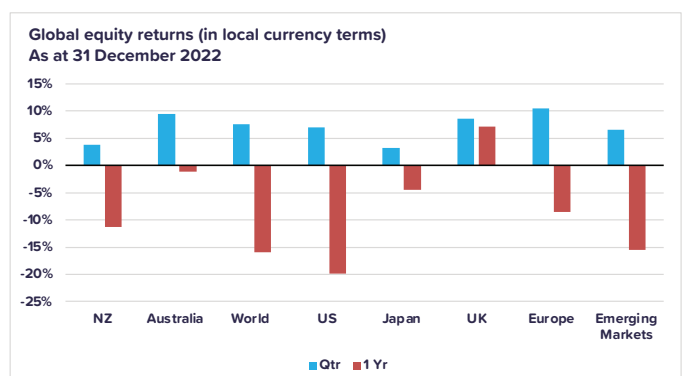
Global equities rose 7.40% (in local currency terms) in the fourth quarter, supported by encouraging corporate earnings, signs of a deceleration in inflation and speculation central banks may start to slow the pace of interest rate rises.

The US equity market rose 7.0% (in local currency terms) as most sectors made robust gains over the quarter, with energy and industrials having the strongest returns. The moves came as investors weighed up signs that persistently high inflation may have moderated and the Federal Reserve's decision to slow interest rate rises. The Fed's final rate hike of the year was 0.50% taking the targeted rate to between 4.25% and 4.50%.

European equities gained 10.40% (in local currency) topping the world's major developed markets. The outperformance was supported by strength of the Euro against the US dollar and hopes inflation may be peaking in Europe. The European Central Bank (ECB) followed suit, raised interest rates by 0.50%, a slower pace, however the ECB warned that further interest rates are likely. Meanwhile, UK equities performed well over the period, returning 8.60% (local currency). Much of the gains were helped by the Bank of England's decision to reduce the pace of its interest rate rises, and a de-escalation of the UK government's fiscal package released last quarter.

Emerging markets rebounded, returning 6.6% (in local currency) also helped by a weak US dollar and China relaxing its zero-Covid policy. Chinese equities outperformed on the news as renewed hopes for increased economic activity and consumer spending boosted confidence.

Global bond markets advanced slightly as investors re-evaluated the path of inflation and central banks interest rate hikes. However, world central banks continued to maintain hawkish tones. The Bloomberg Barclays Global Aggregate Index fell 0.80% for the quarter.



New Zealand

The New Zealand share market climbed over the period, returning 3.8%, led by a pick-up in economic activity, easing inflation and stronger than expected earnings. The best performers in the NZX 50 Index were Fisher & Paykel Healthcare and A2 Milk returning 22.2% and 20.6% respectively on the back of strong earnings.

Local economic activity expanded 2.0% in the September quarter, driven by the service industries (up 2%) and goods producing industries (up 2.4%). Meanwhile, according to the ANZ Business Outlook survey, business confidence dropped in December as concerns over the cost-of-living and borrowing costs weighed on company profits.

The Australian equity market outperformed New Zealand in the fourth quarter, with the S&P/ASX200 index returning 9.40% (in local currency) despite the Reserve Bank of Australia raising its cash rate to 3.1%, the highest in a decade and inflation accelerating in the third quarter. Most sectors advanced led by utilities, materials, and financials.

NZ listed property returned -3.6% for the period and underperformed its global equivalent by 7.6%. The pressures from rising interest rates dragged down the sector as investors reassess property valuations and relative yields.

In fixed income, the NZ bond market finished 0.1% during the quarter despite rising interest rates as investor demand supported bond valuations, attracted by higher yields. The RBNZ continued to raise interest rates in response to elevated inflation lifting the Official Cash Rate (OCR) to 4.25% in the final quarter. Supporting the view was December's quarter annual inflation read of 7.2% as it follows another 7.2% annual increase in the September 2022 quarter and 7.3% increase in the June 2022 quarter. The RBNZ cited it continues to take a strong commitment against inflation signalling a higher-than-expected OCR peak of 5.5% by mid next year.

The NZD made the strongest gains against most currencies on a trade weighted basis, returning 5.8% for the 3-month period, with the biggest move against the USD, up 11.8%. The USD dollar's rally slowed into the final quarter amid concerns that rising interest rates could push the U.S. economy into recession.

Outlook

2023 is expected to remain volatile as the global economy faces challenges with elevated inflation, central bank tightening and warnings about a recession. Positively, there are signs that inflation may be slowing, and interest rates rises nearing a peak, which may support both equities and fixed income. However, the economic outlook also depends on the growth prospects globally and whether corporate earnings and consumer spending remain resilient against a difficult macroeconomic environment. In this environment, it is important for investors to have a well-diversified investment portfolio with a focus on the long-term.

How have the Funds performed?

	Qtr	Year	Inception
Cash Fund	0.88%	2.15%	2.03%
Defensive Fund	0.48%	-7.11%	2.67%
Conservative Portfolio	0.72%	-8.57%	3.60%
Moderate Portfolio	0.96%	-10.03%	4.53%
Balanced Fund	1.12%	-11.00%	5.15%
Balanced Growth Portfolio	1.38%	-11.86%	5.65%
Growth Fund	1.65%	-12.72%	6.15%

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

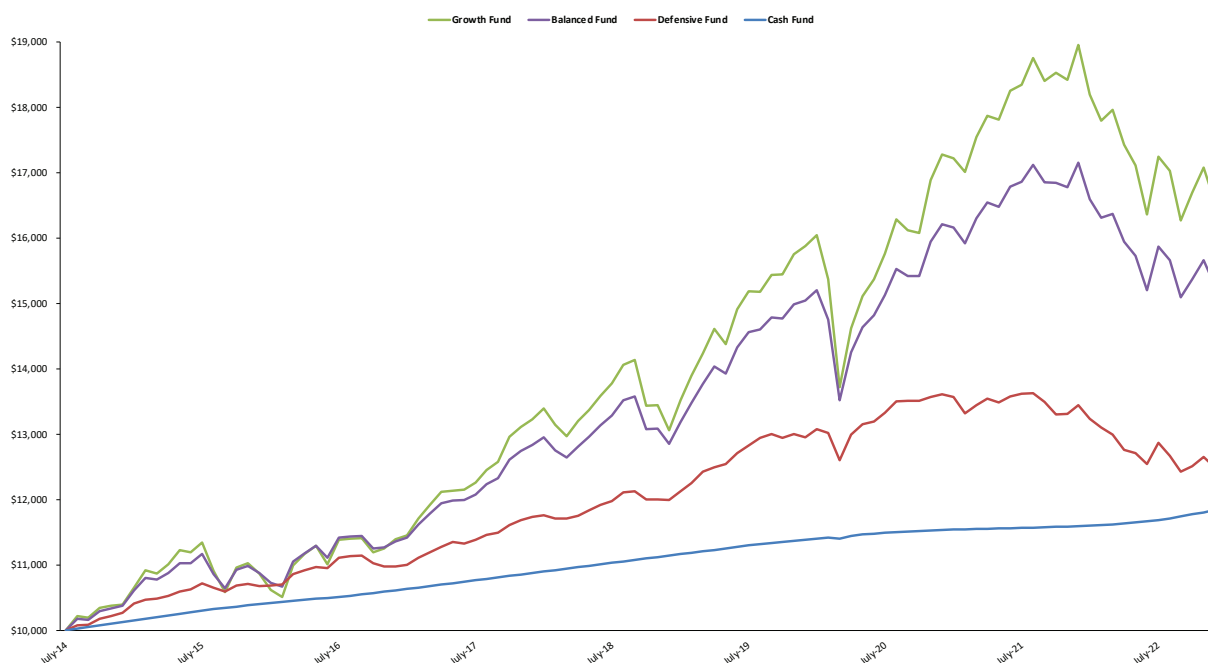
Commentary on performance

Financial markets rounded off a difficult year with reasonable gains in the final quarter of 2022. Equities and bonds performed well in October and November supported by encouraging corporate earnings, signs of a deceleration in inflation and speculation central banks may start to slow the pace of interest rate rises. However, most markets sold off in December as recession worries and concerns over higher interest rates weighed on investor sentiment.

All the diversified funds finished the December Quarter in positive territory despite some volatility over the 3-month period. The Defensive and Conservative Funds returned 0.48% and 0.72% respectively. Each Fund has a significant weighting to NZ bonds which edged slightly higher as lower inflation readings and higher yields supported bond valuations. The remaining diversified funds performed well over the quarter (see performance table), as Australian and international equities moved higher as investors favoured higher risk assets. The Cash Fund increased over the period, returning 0.88%, benefitting from the rising interest rate environment.

Growth of a \$10,000 investment

Value of the investment

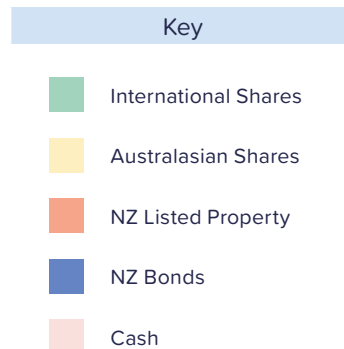
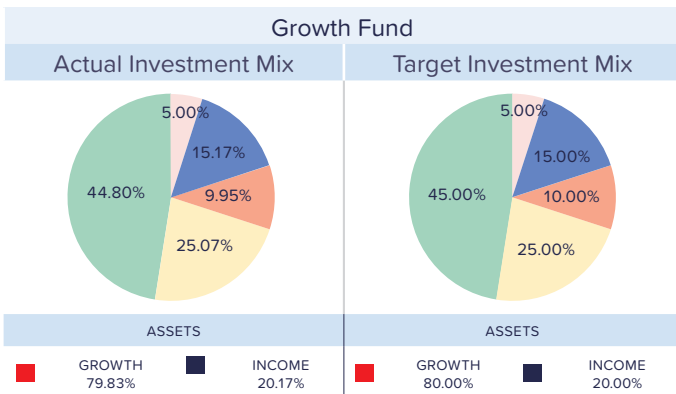
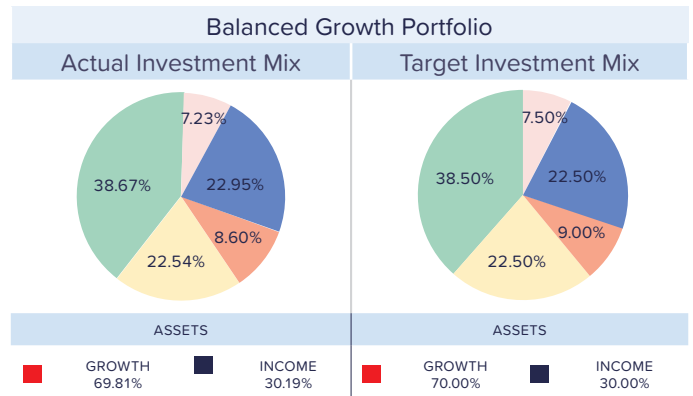
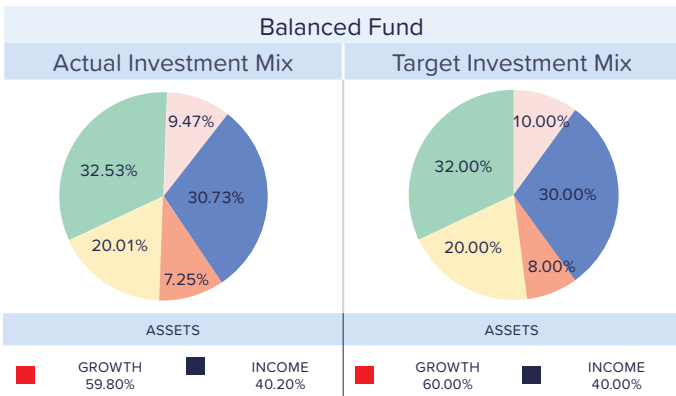
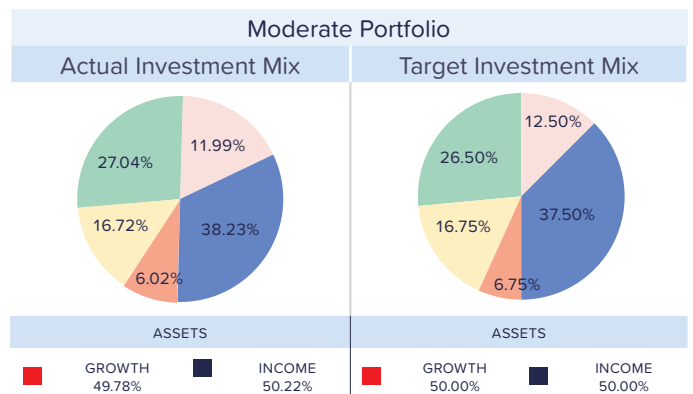
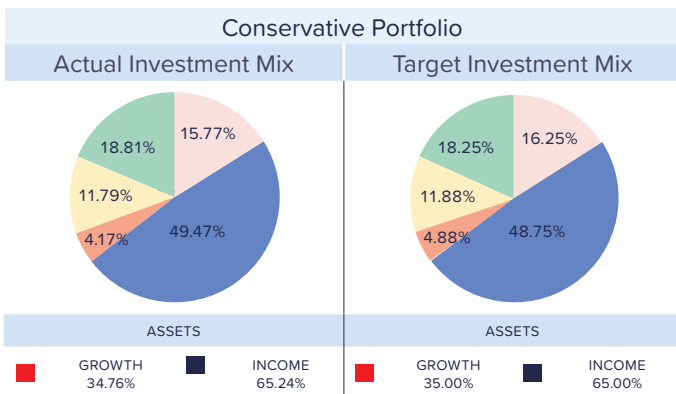
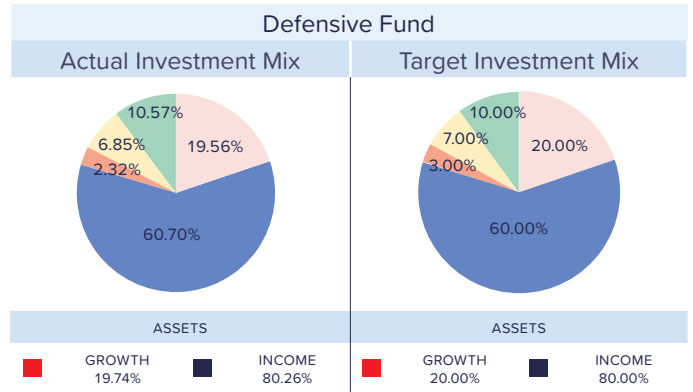
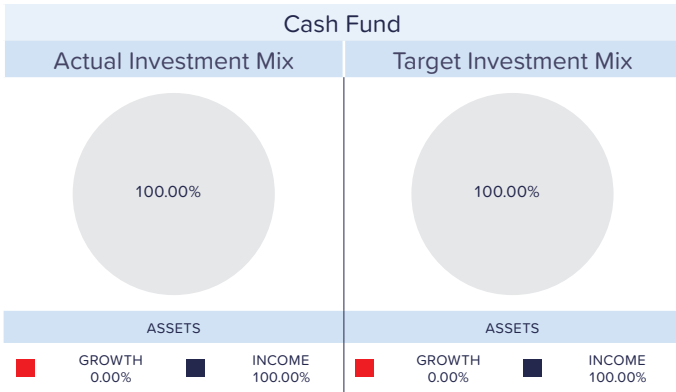


Assumes standard management fees, reinvestment of distributions and zero tax rate.

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	United States	3.71%
Microsoft Corp	United States	3.02%
Amazon.com	United States	1.37%
Alphabet A	United States	0.94%
Unitedhealth Group	United States	0.88%
Alphabet C	United States	0.88%
Johnson & Johnson	United States	0.83%
Exxon Mobil Corp	United States	0.82%
Berkshire Hathaway B	United States	0.71%
JPMorgan Chase & Co	United States	0.70%
Top 10 Issuers		13.86%

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
Fisher & Paykel Healthcare Corporation Limited	New Zealand	8.51%
Spark New Zealand Ltd	New Zealand	6.59%
Auckland Intl Airport Ltd	New Zealand	6.15%
EBOS Group Ltd	New Zealand	4.58%
Meridian Energy Ltd	New Zealand	4.14%
Infratil Ltd	New Zealand	4.08%
Contact Energy Ltd	New Zealand	3.94%
Mainfreight Limited	New Zealand	3.77%
a2 Milk Co Ltd	New Zealand	3.57%
BHP Group Ltd.	Australia	2.69%
Top 10 Issuers		48.01%

NZ LISTED PROPERTY		
COMPANY	COUNTRY	WEIGHTING
Goodman Property Trust	New Zealand	21.36%
Precinct Properties New Zealand Limited	New Zealand	17.13%
Kiwi Property Group Limited	New Zealand	14.37%
Property for Industry Ltd	New Zealand	11.59%
Vital Healthcare Property Trust	New Zealand	10.68%
Argosy Property Ltd	New Zealand	9.91%
Stride Stapled Group	New Zealand	7.66%
Investore Property Limited	New Zealand	4.46%
New Zealand Rural Land Company Ltd	New Zealand	1.05%
Asset Plus Ltd	New Zealand	0.64%
Top 10 Issuers		98.86%

INCOME ASSETS

NZ CASH		
ISSUER	CREDIT RATING	WEIGHTING
Westpac NZ Limited	AA-	16.25%
ASB Bank NZ Limited	AA-	15.36%
ANZ Bank NZ Limited	AA-	14.46%
Bank of New Zealand	AA-	13.45%
Kiwibank Limited	AA	9.29%
Rabobank NZ Limited	A+	5.06%
The Hongkong and Shanghai Bank NZ Limited	AA-	2.76%
Dunedin City Treasury	AA	2.71%
Industrial and Commercial Bank of China NZ Limited	A	2.34%
BNP Paribas Nominees (NZ) Limited	A+	2.28%
TOP 10 ISSUERS		83.96%

NZ BONDS		
ISSUER	CREDIT RATING	WEIGHTING
New Zealand Government	AAA	33.17%
NZ Local Government Funding Agency Ltd	AAA	22.74%
Housing New Zealand Ltd	AAA	8.65%
Bank of New Zealand	AA-	5.37%
Westpac NZ Limited	AA-	4.50%
ASB Bank NZ Limited	AA-	4.07%
Auckland Regional Council	AA	2.78%
Transpower New Zealand	AA	2.21%
ANZ Bank NZ Limited	AA-	1.93%
Kiwibank Limited	AA	1.69%
TOP 10 ISSUERS		87.11%

Key personnel

Position	Management Investment Committee Chair	Chief Executive	Head of Investments
Name	Peter Aish	Glenys Talivai	Amanda Livingstone
Time in position	2 years 3 months	3 years 9 months	9 months
Previous Position	Chief Financial Officer	General Manager	Director
Time in previous position	2 years 5 months	4 years 5 months	3 years
Employer	Southern Cross Benefits Limited	Tower Insurance	Mint Asset Management Limited

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 July 2022, a copy of which is available on request to Public Trust.

Contact information

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