



# Public Trust Investment Service

Diversified Funds and Cash Fund  
Quarterly Update  
30 September 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.**



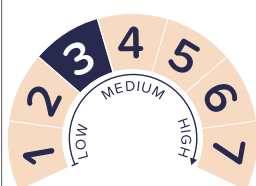
Risk indicator

Management fee	0.30% of your balance each year
Third party management fees	Nil
Total value of the Fund	106.2m
Unit price (redemption)	1.0652
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).**

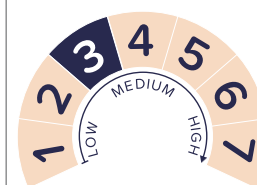


Risk indicator

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	\$158.2m
Unit price (redemption)	1.0855
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.**

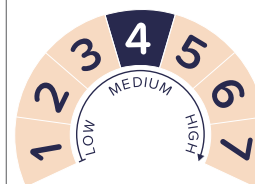


Risk indicator

Management fee	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.**

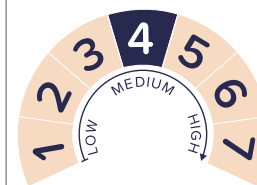


Risk indicator

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).**

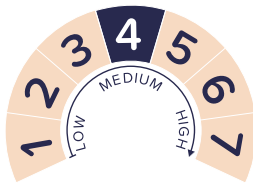


Risk indicator

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	\$276.8m
Unit price (redemption)	1.3223
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.

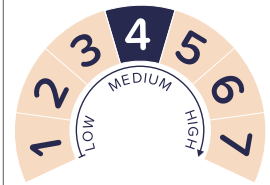


Risk indicator

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

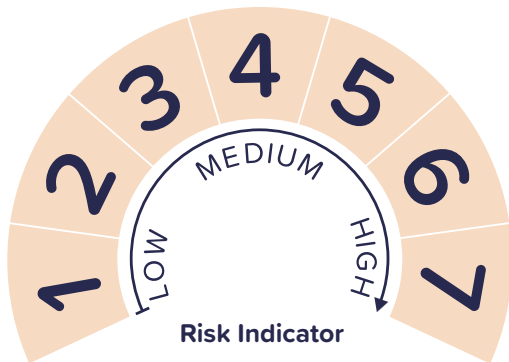
Aims to produce high long-term capital growth by investing 80% in diversified growth assets (shares and listed property) and 20% in diversified income assets (cash and bonds).



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	\$20.3m
Unit price (redemption)	1.4095
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. 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 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 \$85.00 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

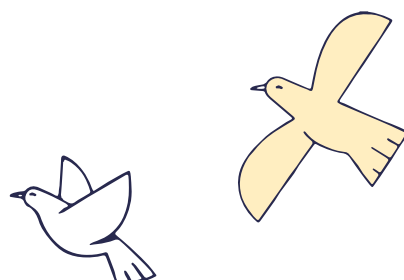
Third party management fee: = \$5.00

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](http://www.publictrust.co.nz)



# Market Update

## Markets at a glance

	Returns			Returns	
	Quarter	Year		Quarter	Year
New Zealand shares	-2.20%	-16.00%	New Zealand cash	1.70%	1.40%
Australian shares (Local)	0.40%	-7.70%	New Zealand bonds	-1.40%	-8.80%
Global shares (Unhedged)	2.40%	-3.20%	Global bonds	-3.70%	-12.30%
Global shares (Local)	-4.90%	-16.20%	NZD/USD	-9.00%	-18.00%
New Zealand property	-1.90%	-17.90%	NZD - TWI	-2.70%	-7.20%

## Review of markets over the Third Quarter of 2022

**Global equities suffered a difficult third quarter with all major markets posting negative returns, largely on rising interest rates, inflation, and recession fears. The quarter started off strong but was met with a renewed selloff in August and September as central banks raised interest rates.**

**For the third quarter, global equities fell -4.9%, US equities dropped -4.8% while emerging markets tumbled, -8.1% (in local currency terms). Global bond markets declined -3.7%, pressured by the US Federal Reserve (the Fed) responding to inflation by raising interest rates, taking rates to 3.0% - 3.25%.**

**Similarly, the Reserve Bank of New Zealand (RBNZ) lifted the Official Cash Rate (OCR) to 3.0% to close the quarter and signalled further interest rate rises are needed to tame inflation. New Zealand equities and bonds fared generally better than offshore markets, returning 2.2% and -1.7% respectively, supported by a pick-up in economic activity and improving business sentiment.**

**The near-term outlook remains challenging and uncertain as many of the factors that have weighed on markets since the start of the year are ongoing. Normalising monetary policy, geopolitical unrest, high inflation and rising interest rates highlights the headwinds facing global economies. Financial markets are expected to remain volatile.**

### Global markets

Global equities fell -4.9% (in local currency terms) in the third quarter, largely on rising interest rates, record inflation, and recession fears.

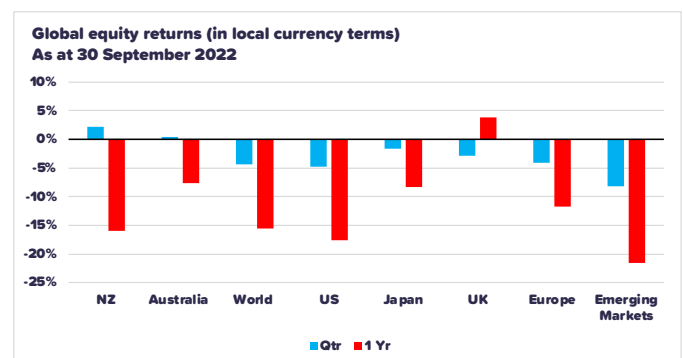
The US equity market dropped -4.8% in the third quarter and -25.1% year to date, leading to three quarters of negative returns. The quarter started off strong but was met with a renewed selloff in August and September as the US Fed Chair delivered a hawkish message indicating tighter financial conditions are required to bring inflation back to target. The Fed raised the benchmark interest rate twice in the quarter, taking interest rates to 3.0% - 3.25%. Markets moved to price in more rate rises and are now projecting the Fed fund funds rate will reach 4.5% next year compared to 3.8%. The latest Economic Outlook from the Organisation for Economic Co-operation and Development downgraded its global

growth projections to 2.2% in 2023, about 0.6% lower than projected in June.

European equity markets fell -4.1% amid the ongoing energy challenges, rising inflation, and escalation of the Ukraine war. The European Central Bank raised its policy rate for the first time in over 11 years to 0.75% as annual inflation reached 10%. Meanwhile, UK markets suffered a surge in volatility late in the quarter following the UK government's announcement of an aggressive fiscal package. The Bank of England was forced to intervene which in turn helped markets recover with UK equities finishing -2.2%.

Emerging markets came under significant pressure hurt by the slowing Chinese economy, inflationary pressures, and a stronger US dollar. The MSCI Emerging Markets Index fell -8.1% and lagged most in major developed markets. Chinese equities tumbled including most developing countries as the strength of the USD weighed on equity prices. The Chinese renminbi dropped over 6% against the USD.

Global bond markets declined amid heightened volatility as the Fed and other central banks moved to raise policy rates in order to tame strong inflation pressures. The Bloomberg Barclays Global Aggregate Index fell -3.7% for the quarter.



## New Zealand

The New Zealand share market performed well over the period, returning 2.2%. Factors contributing to the rise was a pickup in economic activity, better-than expected domestic corporate earnings and a rebound in business confidence. Local economic activity rebounded 1.7% in the June quarter as international travel increased as restrictions eased. This was shared with the ANZ Business Outlook survey showing business confidence and activity had slightly improved over the quarter.

The Australian equity market underperformed New Zealand in the third quarter, with the S&P/ASX200 index returning a modest 0.40%, underscored by lower commodity prices (falling more than -4.6% in for the quarter).

NZ listed property returned -1.9% for the period and outperformed its global equivalent by 8.6%. This was partly due to interest rates rising faster compared to NZ and global recession fears.

In fixed income, the NZ bond market fell -1.4% during the quarter. The decline came as the RBNZ lifted the OCR to 3.0% and indicated further interest rate rises are needed to quell inflation. The view was supported by the June quarter's annual inflation read of 7.3% which was higher than expected. Markets are now projecting the OCR to rise to 4.1% in coming months to help control inflation. The shift in monetary policy has contributed to NZ government and corporate bonds falling, returning -1.9% and -1.1% respectively. On a positive note, income is returning to fixed income after a prolonged period of ultra-low interest rates.

The NZD fell against most currencies on a trade weighted basis, down -2.7% for the 3-month period, with the biggest move against the USD, down -9.0% (-17.4% year to date). The strong USD benefitted from the Fed tightening monetary policy sooner and for its safe-haven status during volatile markets.

## Outlook

The near-term outlook remains challenging and uncertain as many of the factors that have weighed on markets since the start of the year are ongoing. Normalising monetary policy, geopolitical unrest, high inflation, and rising interest rates highlights the headwinds facing global economies. Financial markets are expected to remain volatile.

# How have the Funds performed?

	Qtr	Year	Inception
Cash Fund	0.65%	1.43%	1.98%
Defensive Fund	-0.94%	-7.93%	2.69%
Conservative Portfolio	-0.84%	-8.87%	3.62%
Moderate Portfolio	-0.74%	-9.81%	4.55%
Balanced Fund	-0.68%	-10.44%	5.17%
Balanced Growth Portfolio	-0.62%	-11.00%	5.65%
Growth Fund	-0.55%	-11.57%	6.14%

## Commentary on performance

It was a difficult third quarter with most major markets (bonds and equities) posting negative returns, largely on rising interest rates, inflation, and recession fears. All diversified funds posted slightly negative returns for the quarter. The Defensive and Conservative Funds returned -0.94% and -0.84% respectively. Each Fund has a significant weighting to NZ bonds which came under pressure from rising interest rates and higher inflation. The remaining diversified funds suffered a weaker quarter (see performance table), as international equity markets retreated in response to central banks tightening financial conditions. The Cash Fund performed better over the period, returning 0.65%, benefitting from the rising interest rate environment.

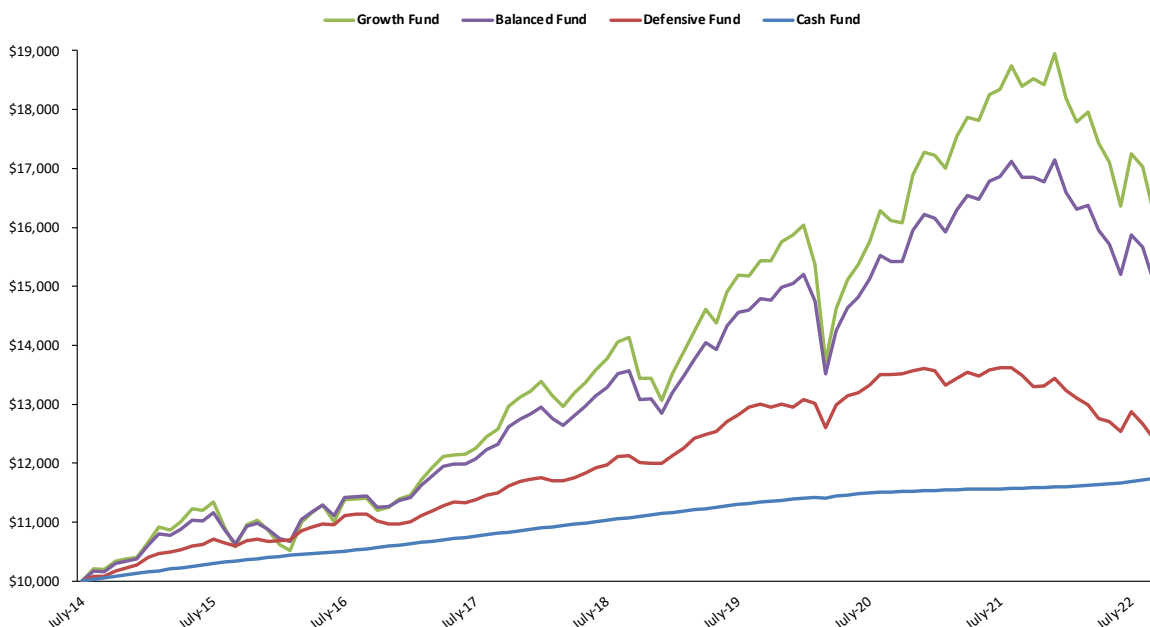
## Note on returns

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

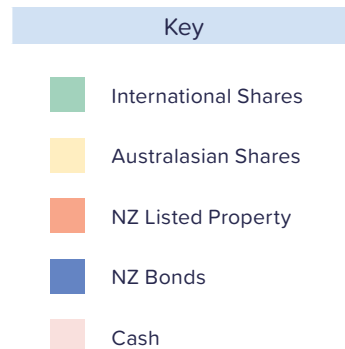
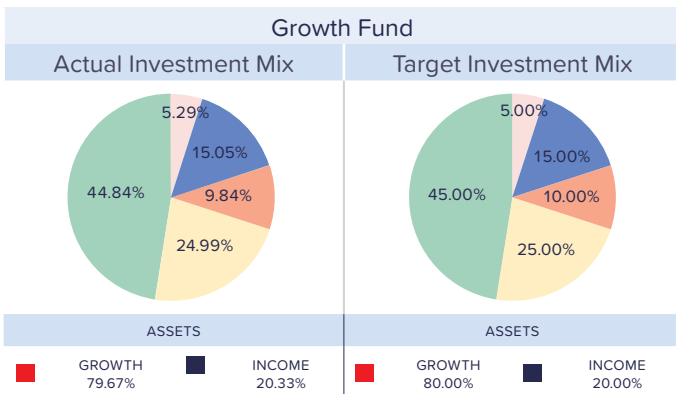
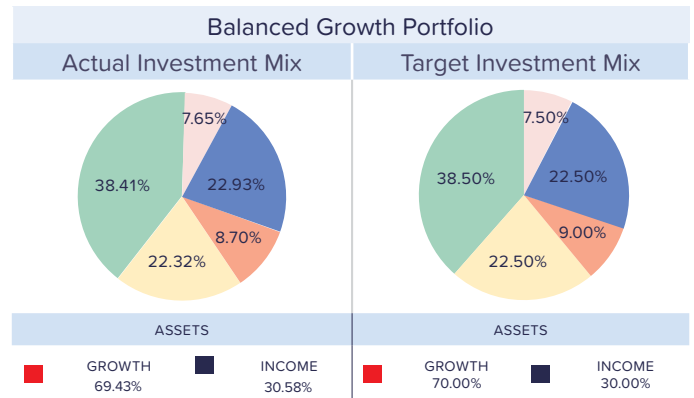
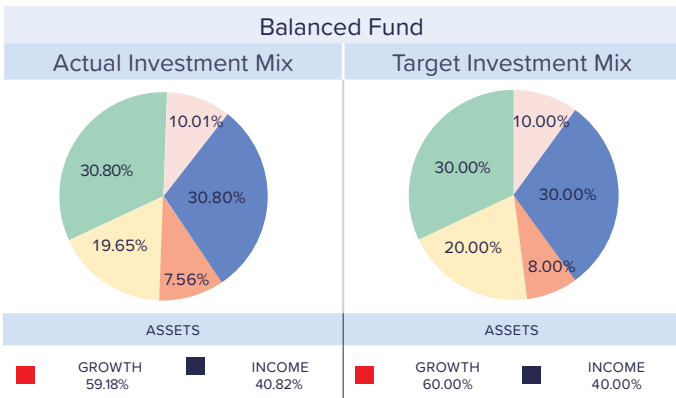
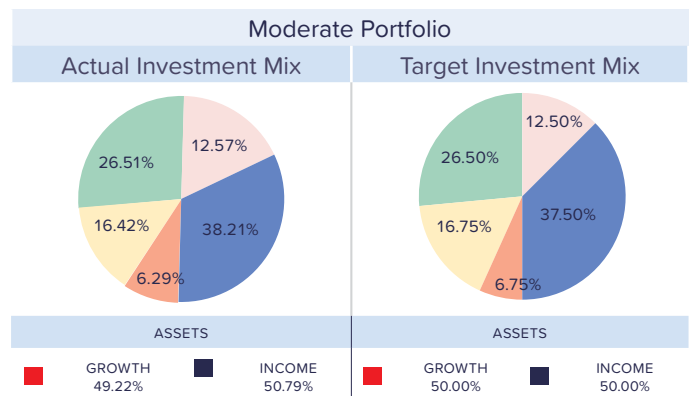
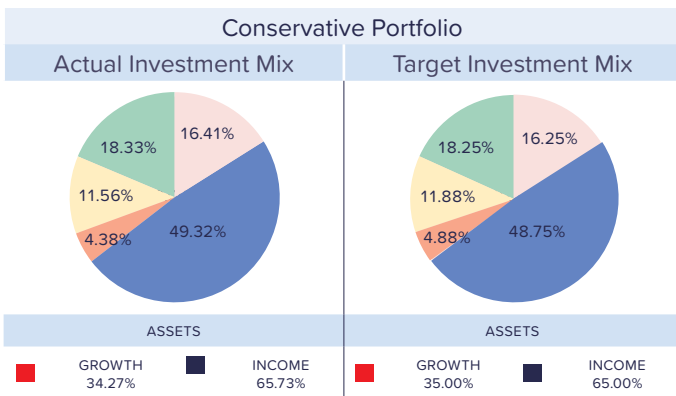
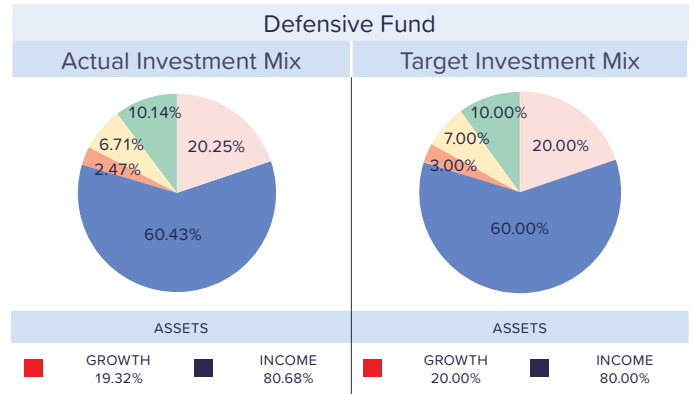
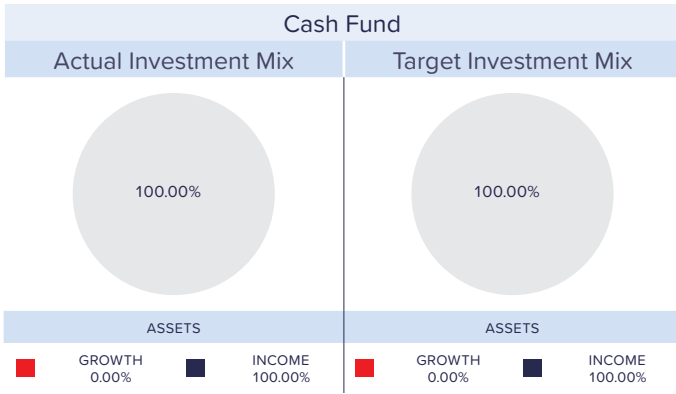
Value of the investment



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](http://www.publictrust.co.nz).

# What do the Funds invest in?





# Top 10 holdings

## GROWTH ASSETS

INTERNATIONAL SHARES		
COMPANY	COUNTRY	WEIGHTING
Apple	United States	4.34%
Microsoft Corp	United States	3.21%
Amazon.com	United States	2.01%
Tesla	United States	1.36%
Alphabet A	United States	1.12%
Alphabet C	United States	1.05%
Unitedhealth Group	United States	0.92%
Johnson & Johnson	United States	0.83%
Exxon Mobil Corp	United States	0.71%
Berkshire Hathaway B	United States	0.67%
<b>TOTAL</b>		<b>16.22%</b>

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
Fisher & Paykel Healthcare Corporation Limited	New Zealand	7.22%
Spark New Zealand Ltd	New Zealand	6.33%
Auckland Intl Airport Ltd	New Zealand	5.88%
Infratil Ltd	New Zealand	4.24%
EBOS Group Ltd	New Zealand	4.05%
Contact Energy Ltd	New Zealand	3.95%
Meridian Energy Ltd	New Zealand	3.93%
Mainfreight Limited	New Zealand	3.90%
a2 Milk Co Ltd	New Zealand	3.08%
Fletcher Building Ltd	New Zealand	2.56%
<b>TOTAL</b>		<b>45.15%</b>

NZ LISTED PROPERTY		
COMPANY	COUNTRY	WEIGHTING
Goodman Property Trust	New Zealand	20.06%
Precinct Properties New Zealand Limited	New Zealand	16.70%
Kiwi Property Group Limited	New Zealand	13.70%
Property for Industry Ltd	New Zealand	11.72%
Vital Healthcare Property Trust	New Zealand	11.36%
Argosy Property Ltd	New Zealand	9.69%
Stride Stapled Group	New Zealand	8.60%
Investore Property Limited	New Zealand	4.32%
Winton Land Ltd	New Zealand	1.62%
New Zealand Rural Land Company Ltd	New Zealand	0.94%
<b>TOTAL</b>		<b>98.70%</b>

## INCOME ASSETS

NZ CASH		
ISSUER	CREDIT RATING	WEIGHTING
Westpac NZ Limited	AA-	16.72%
ANZ Bank NZ Limited	AA-	15.94%
ASB Bank NZ Limited	AA-	15.16%
Bank of New Zealand	AA-	13.77%
Kiwibank Limited	A+	10.08%
Rabobank NZ Limited	A	5.80%
Industrial and Commercial Bank of China NZ Limited	A	3.73%
The Hongkong and Shanghai Bank NZ Limited	AA-	3.16%
Mercury NZ Limited	BBB+	2.62%
Contact Energy	BBB	2.09%
<b>TOP 10 ISSUERS</b>		<b>89.07%</b>

NZ BONDS		
ISSUER	CREDIT RATING	WEIGHTING
New Zealand Government	AAA	33.92%
NZ Local Government Funding Agency Ltd	AAA	22.40%
Housing New Zealand Ltd	AAA	8.72%
Westpac New Zealand Ltd	AA-	4.69%
Bank Of New Zealand	AA-	4.48%
ASB Bank Ltd	AA-	3.50%
Auckland Regional Council	AA	2.86%
Transpower New Zealand	AA	2.21%
ANZ Bank New Zealand Ltd	AA-	1.94%
Vector Ltd	BBB	1.66%
<b>TOP 10 ISSUERS</b>		<b>86.39%</b>

## 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 years 6 months	6 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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