



# Public Trust Investment Service

Diversified Funds and Cash Fund  
Quarterly Update  
30 September 2023

## 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 diversified investment options made up of three funds and three portfolios (Diversified Funds) and a single sector 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	\$207.8m
Unit price (redemption)	1.0749
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	\$161.3m
Unit price (redemption)	1.0884
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

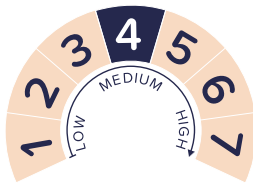
**Aims to produce long-term capital growth with medium levels of risk by investing 60% in diversified growth assets (shares and listed property) and 40% in diversified income assets (cash and bonds).**



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	\$302m
Unit price (redemption)	1.3671
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.

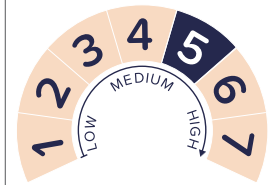


Risk indicator

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

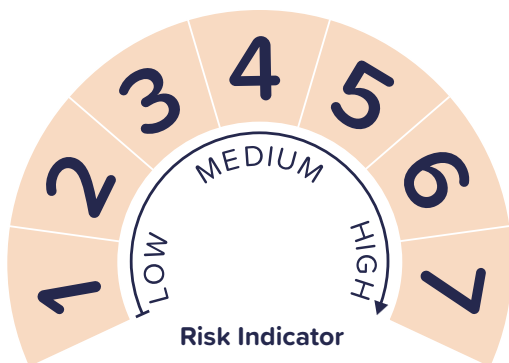
Aims to produce high long-term capital growth by investing 80% in diversified growth assets (shares and listed property) and 20% in diversified income assets (cash and bonds).



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	\$20.9m
Unit price (redemption)	1.4848
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. A lower risk rating generally means lower potential returns over time, but fewer 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 30 September 2023. 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 underlying funds. 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 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 \$90.00 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

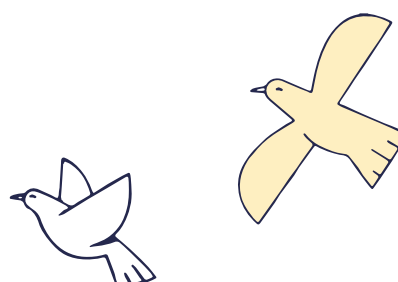
These fees might be more or less if Bob's account balance has increased or decreased more substantially over the year.

Estimated total fees for the first year:

Public Trust management fee: = \$85.00

Third party management fee: = \$5.00

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.



# Market Update

## Markets at a glance

	Returns			Returns	
	Quarter	Year		Quarter	Year
New Zealand shares	-4.80%	3.00%	New Zealand cash	1.40%	4.90%
Australian shares (Local)	-0.80%	13.50%	New Zealand bonds	-1.60%	0.30%
Global shares (Unhedged)	-1.50%	13.70%	Global bonds	-1.80%	1.70%
Global shares (Local)	-2.50%	19.40%	NZD/USD	-1.90%	6.20%
New Zealand property	-5.40%	-4.50%	NZD - TWI	-0.10%	3.40%

## Review of markets over the Third Quarter of 2023

*Global markets pulled back during the third quarter after a strong first half of the year with a simultaneous sell-off in equities and bonds. One of the key drivers behind the move was investors repricing assets to account for a longer period of higher interest rates in a still inflationary environment.*

*The Reserve Bank of New Zealand (RBNZ) kept the official cash rate on hold at 5.5% throughout the quarter, meanwhile in the US, the Federal Reserve (the Fed) raised its benchmark rate to 5.25%-5.50%. Most major central banks have reiterated the need to maintain restrictive policy settings and future interest rate decisions will be data dependent.*

*Equities in New Zealand underperformed the global equity market, with the NZX50 Index returning -4.8% to continue its weak performance year to date. UK equities topped most developed markets, returning 2.5% (in local currency), helped by crude oil prices which climbed 28.5% for the quarter. Meanwhile in the US, the S&P500 Index fell -3.5% as investors digested the impact of the Fed signalling another interest rate rise by year end and less cuts in 2024.*

*In fixed income, NZ and global bonds also fell during the quarter, returning -1.6% and -1.8% respectively, but did manage to offer diversification benefits against equity market volatility.*

*Financial markets have proved resilient over 2023. However, the path of future growth, recession risk and the complex geopolitical backdrop remain key concerns for markets and could add to near-term volatility. Positively, unemployment remains low and interest rates may be approaching a peak. In this uncertain environment, it is important that investors maintain a well-diversified investment portfolio with a focus on the long-term.*

## Global markets

Global equities fell in the third quarter returning -1.5% (in NZD terms), pressured by rising interest rates and slowing growth. Sectors more vulnerable to interest rates rises were hardest hit such as utilities, real estate, and information technology.

US equities declined in the September quarter, with the S&P500 returning -3.5% (local currency), as investors grappled about a prolonged period of higher interest rates. After raising interest rates by 0.25% in July, the Fed surprised markets in September, signalling another interest rate rise by year end and less cuts in 2024. While core inflation eased somewhat, headline inflation rose by 3.7% year on year on the back of surging oil prices.

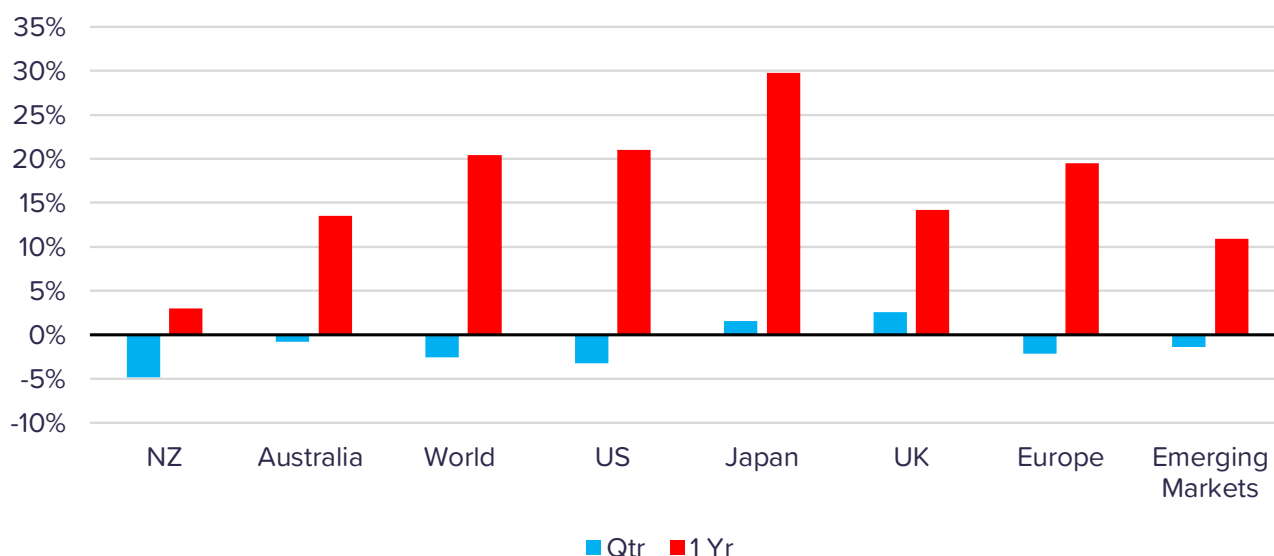
The UK equity market outperformed peers, returning 2.5% (in local currency) partly due to crude oil prices which climbed 28.5% for the quarter. The Bank of England raised interest rates in August but held them in September, similar to the Fed. Likewise, the bank reiterated the need to maintain restrictive policy settings for longer. The European Central Bank raised its main interest rate to 4%, a record high and simultaneously revised down its growth projections, which weighed on European equities, returning -2.1% (local currency) in the third quarter. Positively, inflation in the eurozone fell to its lowest level in two years.

Emerging market equities slid -1.4% (in local currency) over the quarter, dragged down by a weaker Chinese economy and fragile property sector. In response to softening financial conditions, China stepped up stimulus measures by lowering lending rates to cushion growth concerns. Meanwhile, countries in emerging markets were hit hard by the strength of the US dollar, which gained over 3% against respective currencies.

In fixed income, global bond markets sold off as investors felt the impact of the 'higher for longer' interest rate rhetoric increased volatility. The US 10-year treasury benchmark rate increased to 4.65%, its highest level in over a decade causing bond prices to retreat. The Bloomberg Barclays Global Aggregate Index end the quarter down -1.8%.

## Global equity returns (in local currency terms)

As at 30 September 2023



### New Zealand

Equities in New Zealand underperformed the global equity market in the third quarter of 2023, with the NZX50 Index returning -4.8% to continue its weak performance year to date. Sectors more sensitive to interest rates and demand from China, such as real estate and consumer staples had the weakest returns.

Equities in the NZ listed property sector declined -5.4% over the 3 months underperforming both its global equivalent and the broader NZ equity market. The move lower reflected the difficulties the sector faces in a high interest rate environment as investors reassessed property valuations and relative yields.

The RBNZ kept interest rates on hold at 5.5% throughout the quarter while indicating that restrictive interest rate settings are needed to bring inflation back to target. Some economic data releases suggested that NZ's economy has fared well, with better-than-expected growth. Second quarter GDP expanded 0.9% quarter on quarter, stronger than the 0.4% forecasted.

Across the Trans-Tasman, the Australian equity market outperformed NZ over the quarter, with the S&P/ASX200 index returning -0.8% (in local currency terms), helped by higher commodity prices (up 4.6%). Like NZ, the Reserve Bank of Australia kept their benchmark rate on hold over the quarter at 4.1%, noting upside risks to inflation.

In fixed income, the NZ bond market fell -1.6% as the higher for longer interest rate outlook weighed on sentiment. Despite the weaker returns, bonds provided diversification benefits against equity market volatility.

The NZD fell against most currencies on a trade weighted basis, returning -0.1% for the 3-month period, but up 3.40% for the year. The US dollar gained against most major currencies including NZ, with the NZD/USD falling -1.9% for the 3-month period.

### Outlook

Financial markets have proved resilient over 2023. However, the path of future growth, recession risk and the complex geopolitical backdrop remain key concerns for markets and could add to near-term volatility. Positively, unemployment remains low and interest rates may be approaching a peak. In this uncertain environment, it is important that investors maintain a well-diversified investment portfolio with a focus on the long-term.

# How have the Funds performed?

	Qtr	Year	Inception
Cash Fund	1.39%	4.69%	2.28%
Defensive Fund	-1.30%	2.79%	2.70%
Conservative Portfolio	-1.65%	3.95%	3.66%
Moderate Portfolio	-2.01%	5.12%	4.61%
Balanced Fund	-2.24%	5.89%	5.25%
Balanced Growth Portfolio	-2.48%	6.94%	5.79%
Growth Fund	-2.72%	7.99%	6.34%

## Commentary on performance

Global markets pulled back during the third quarter after a strong first half of the year with a simultaneous sell-off in equities and bonds. One of the key drivers behind the move was investors repricing assets to account for a longer period of higher interest rates in a still inflationary environment.

Cash was the only asset class to provide a positive return for the quarter while other sectors within the diversified funds suffered negative returns. The Defensive and Conservative Funds returned -1.30% and -1.65% respectively, benefiting from the higher weighting to cash and bonds. The remaining diversified funds which have higher exposure to growth assets delivered weaker returns amid volatility in NZ and global equity markets. The Cash Fund increased over the period, returning 1.39%, benefiting from the current interest rate environment.

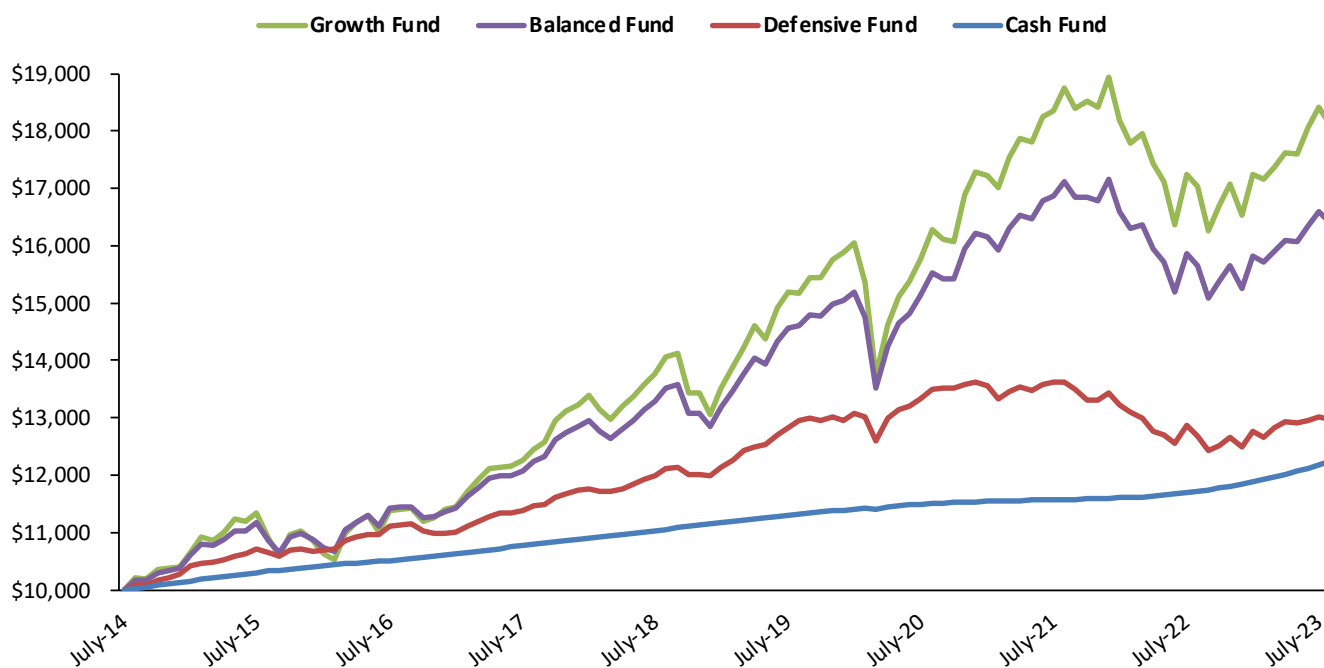
## Note on returns

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

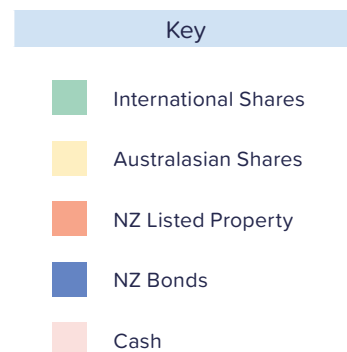
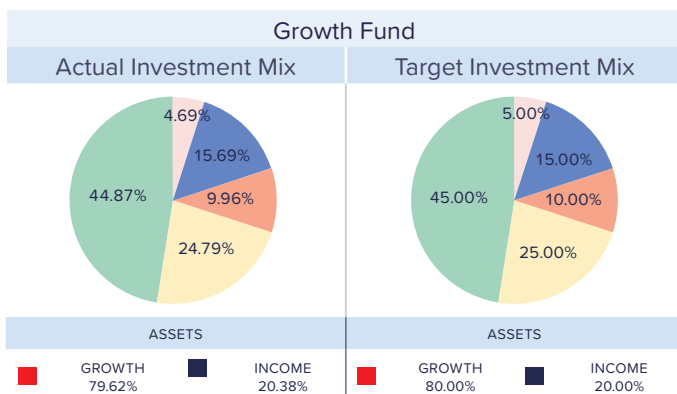
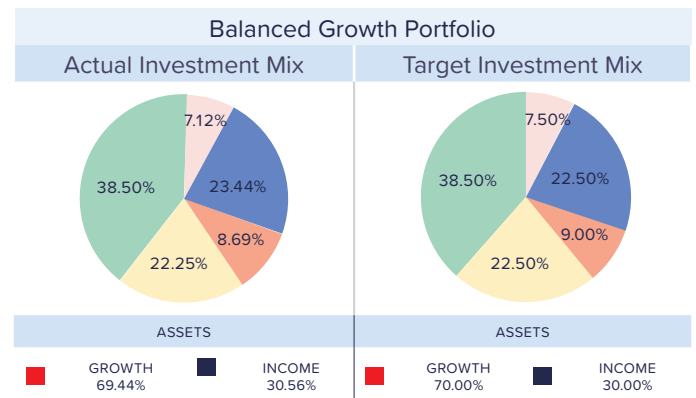
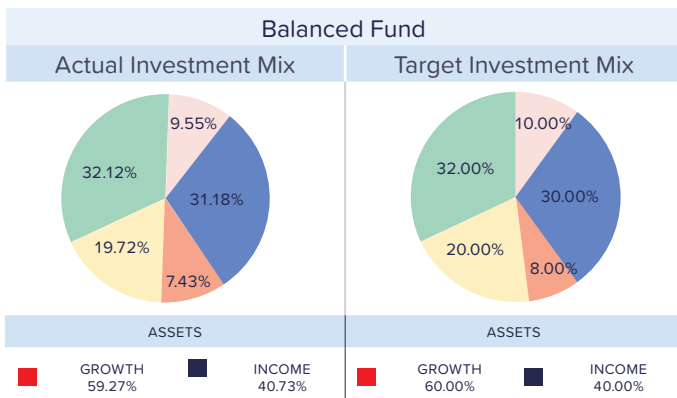
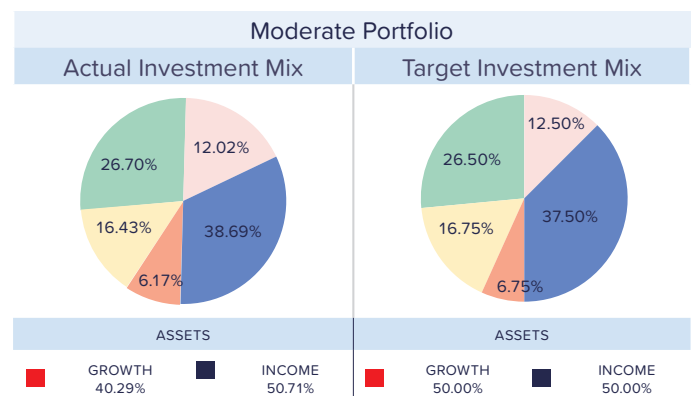
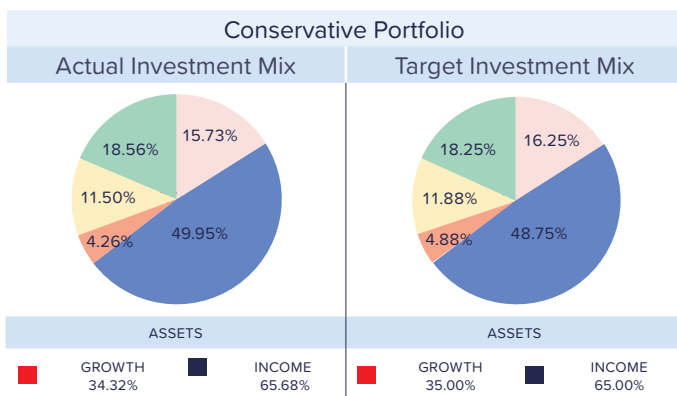
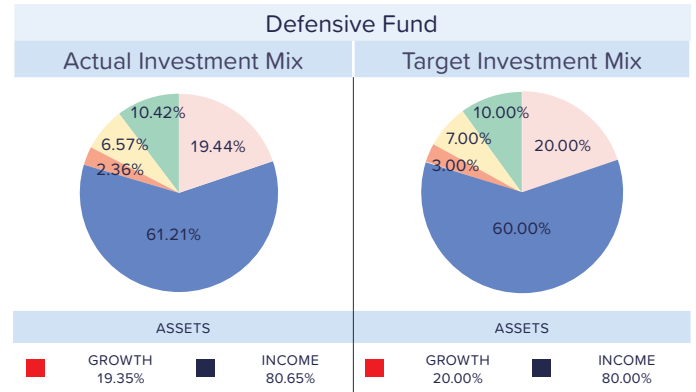
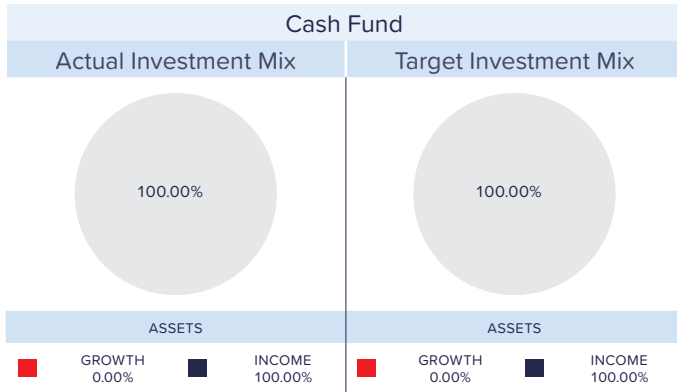
Value of the investment



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	4.41%
Microsoft Corp	United States	3.65%
Amazon.com	United States	1.92%
Nvidia	United States	1.76%
Alphabet A	United States	1.27%
Tesla	United States	1.17%
Alphabet C	United States	1.14%
Meta Platforms A	United States	1.09%
Exxon Mobil Corp	United States	0.78%
Unitedhealth Group	United States	0.77%
Top 10 Issuers		17.96%

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
Fisher & Paykel Healthcare Corporation Limited	New Zealand	8.38%
Auckland Intl Airport Limited	New Zealand	6.92%
Spark New Zealand Limited	New Zealand	5.93%
Infratil Limited	New Zealand	5.67%
Meridian Energy Limited	New Zealand	4.26%
Contact Energy Limited	New Zealand	4.21%
Mainfreight Limited	New Zealand	3.73%
EBOS Group Limited	New Zealand	3.59%
Mercury NZ Limited	New Zealand	2.71%
BHP Group Limited	Australia	2.61%
Top 10 Issuers		48.00%

NZ LISTED PROPERTY		
COMPANY	COUNTRY	WEIGHTING
Goodman Property Trust	New Zealand	23.19%
Precinct Properties New Zealand & Precinct Properties Investments Limited	New Zealand	16.15%
Kiwi Property Group Limited	New Zealand	13.92%
Property for Industry Limited	New Zealand	11.77%
Vital Healthcare Property Trust	New Zealand	10.65%
Argosy Property Limited	New Zealand	9.88%
Stride Stapled Group	New Zealand	7.19%
Investore Property Limited	New Zealand	3.94%
New Zealand Rural Land Company Limited	New Zealand	1.14%
Winton Land Limited	New Zealand	0.76%
Top 10 Issuers		98.59%

## INCOME ASSETS

NZ CASH		
ISSUER	CREDIT RATING	WEIGHTING
ASB Bank Limited	AA-	14.83%
Westpac NZ Limited	AA-	14.56%
ANZ Bank NZ Limited	AA-	14.41%
Bank of New Zealand	AA-	13.64%
Kiwibank Limited	AA	12.79%
Rabobank NZ Limited	A+	5.51%
BNP Paribas NZD Account	A+	3.18%
Toyota Finance	A+	2.90%
Industrial and Commercial Bank of China NZ Limited	A	2.81%
Bank of China NZ Limited	A	2.78%
TOP 10 ISSUERS		87.41%

NZ BONDS		
ISSUER	CREDIT RATING	WEIGHTING
New Zealand Government	AAA	35.02%
NZ Local Government Funding Agency Limited	AAA	24.42%
Housing New Zealand Limited	AAA	9.49%
Bank of New Zealand	AA-	5.29%
Westpac NZ Limited	AA-	3.47%
ASB Bank NZ Limited	AA-	3.32%
Auckland Regional Council	AA	2.42%
Transpower New Zealand	AA	1.91%
Kiwibank Limited	AA	1.87%
ANZ Bank NZ Limited	AA-	1.37%
TOP 10 ISSUERS		88.60%

# Key personnel

Position	Chief Executive Officer	General Manager Investments	Senior Portfolio Manager
Name	Glenys Talivai	Amanda Livingstone	Nick Combs
Time in position	4 years, 6 months	10 months	6 months
Previous Position	General Manager	Head of Investments	Head of Investment Management
Time in previous position	4 years, 5 months	8 months	1 year, 11 months
Employer	Tower Insurance	Public Trust	Financial Markets Authority

## Where you can find more information

Further information about the funds is contained in the Public Trust Investment Service Diversified Funds Information Statement dated 30 September 2023, a copy of which is available on request to Public Trust.

## Contact information

Public Trust  
 Phone: 0800 371 471  
 Email : [info@publictrust.co.nz](mailto:info@publictrust.co.nz)  
 Post: Private Bag 5902  
 Wellington 6160

0800 371 471  
[info@publictrust.co.nz](mailto:info@publictrust.co.nz)  
[publictrust.co.nz](http://publictrust.co.nz)

