

# Public Trust Investment Service: Diversified Funds. Disclosure Statement

1 July 2020



This disclosure statement provides information to beneficiaries about how Estate or Trust monies are invested into certain Public Trust managed funds detailed in this disclosure statement.

This is a disclosure statement for the purposes of the Public Trust Act 2001 and the Public Trust Regulations 2002 only and as a result is not an investment statement and does not constitute an offer of securities to the public under the Securities Act 1978. References to 'Investor' below are references to the trustee(s) of the Trust or Estate of which you are a beneficiary.

## **What is this document?**

This is important information about the Public Trust Investment Service Diversified Funds.

## **What are the Public Trust Investment Service Diversified Funds?**

The Public Trust Investment Service Diversified Funds are a collective investment scheme where investors' money is pooled with other investors' money and invested in various investments. Public Trust will charge a fee for this. The returns you receive depend on Public Trust's investment decisions and the performance of the investments. The value of these investments may go up or down. The types of investments and the fees you will be charged are described in this disclosure statement.

## **What is your money invested in?**

There are seven options offered in the Public Trust Investment Service Diversified Funds. They are:

- Cash Fund
- Defensive Fund
- Conservative Portfolio
- Moderate Portfolio
- Balanced Fund
- Balanced Growth Portfolio
- Growth Fund

## **Who manages the Public Trust Investment Service Diversified Funds?**

The manager of the Public Trust Investment Service Diversified Funds is Public Trust. See page 5 'Who is involved?' for further information.

## **Public Trust's investment beliefs and strategy**

Public Trust has been managing money for over 140 years and as at the date of this Information Statement manages funds of over \$1 billion. The Diversified Funds Service is used by Public Trust where it is acting in a fiduciary capacity. Consequently the investment programme may be characterised as prudent so as to meet obligations under the Trustee Act.

Within the overall investment programme a key investment belief is that, the main stream investment markets in which the Diversified Funds invest are competitive and dynamic, with active returns very difficult to find and constantly changing source.

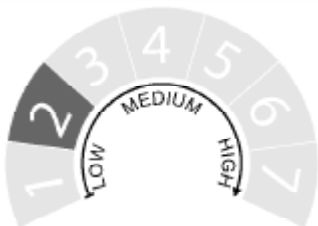
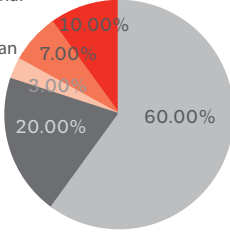
Therefore, the investment strategy we employ is a market capitalisation indexed strategy i.e. investing in accordance with the composition of the relevant benchmark for each asset class. The key benefits of this strategy are; that it provides reliable returns relative to the performance of the underlying market, is able to be implemented at a significantly lower cost than more active strategies that attempt to outperform the market and is simple to understand.

## **The benefits of investing in the Funds**


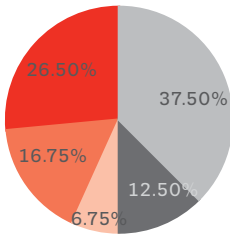
In each Fund, investors' money is pooled together with that of other investors and invested by Public Trust in accordance with the investment purpose and investment strategy of each Fund. This enables investors to have their money professionally managed and to gain access to a wider range of investment opportunities than is likely to be available to an individual investor.

## Description of the investment options

Option	Investment purpose and investment strategy	Target investment mix
<p><b>Cash Fund</b></p>  <p><b>Risk Indicator</b></p>	<p><b>Investment purpose</b> To provide investors with low risk returns consistent with short-term wholesale bank deposits.</p> <p><b>Investment strategy</b> Uses an index investment management style to invest 100% in income assets (short-term bank deposits and short-term fixed interest securities issued by New Zealand corporates).</p>	<p>International Shares Australasian Shares NZ Listed Property Cash NZ Bonds</p>  <p>ASSETS</p> <p>GROWTH 0% INCOME 100%</p>

Option	Investment purpose and investment strategy	Target investment mix
<p><b>Defensive Fund</b></p>  <p><b>Risk Indicator</b></p>	<p><b>Investment purpose</b> To provide investors with stable returns, low capital growth and low risk over the medium-term.</p> <p><b>Investment strategy</b> Uses an index investment management style to invest 80% in diversified income assets (cash and bonds) and 20% in diversified growth assets (shares and listed property).</p>	<p>International Shares Australasian Shares NZ Listed Property Cash NZ Bonds</p>  <p>ASSETS</p> <p>GROWTH 20% INCOME 80%</p>

Option	Investment purpose and investment strategy	Target investment mix
<p><b>Conservative Portfolio</b></p>  <p><b>Risk Indicator</b></p>	<p><b>Investment purpose</b> To provide investors with stable returns, some capital growth and low to medium risk over the medium-term.</p> <p><b>Investment strategy</b> Invests 62.5% in the Defensive Fund and 37.5% in the Balanced Fund.</p>	<p>International Shares Australasian Shares NZ Listed Property Cash NZ Bonds</p>  <p>ASSETS</p> <p>GROWTH 35% INCOME 65%</p>

Option	Investment purpose and investment strategy	Target investment mix
<p><b>Moderate Portfolio</b></p>  <p><b>Risk Indicator</b></p>	<p><b>Investment purpose</b> To provide investors with moderate capital growth with moderate risk over the medium-term.</p> <p><b>Investment strategy</b> Invests 25% in the Defensive Fund and 75% in the Balanced Fund.</p>	<p>International Shares Australasian Shares NZ Listed Property Cash NZ Bonds</p>  <p>ASSETS</p> <p>GROWTH 50% INCOME 50%</p>

## Description of the investment options

Option	Investment purpose and investment strategy	Target investment mix
<p><b>Balanced Fund</b></p>  <p><b>Risk Indicator</b></p>	<p><b>Investment purpose</b> To provide investors with long-term capital growth with medium levels of risk.</p> <p><b>Investment strategy</b> Uses an enhanced-index investment management style to invest 60% in diversified growth assets (shares and listed property) and 40% in diversified income assets (cash and bonds).</p>	 <p><b>ASSETS</b></p> <p><b>GROWTH 60%</b>    <b>INCOME 40%</b></p>

Option	Investment purpose and investment strategy	Target investment mix
<p><b>Balanced Growth Portfolio</b></p>  <p><b>Risk Indicator</b></p>	<p><b>Investment purpose</b> To provide investors with significant long-term capital growth with medium to high levels of risk.</p> <p><b>Investment strategy</b> Invests 50% in the Balanced Fund and 50% in the Growth Fund.</p>	 <p><b>ASSETS</b></p> <p><b>GROWTH 70%</b>    <b>INCOME 30%</b></p>

Option	Investment purpose and investment strategy	Target investment mix
<p><b>Growth Fund</b></p>  <p><b>Risk Indicator</b></p>	<p><b>Investment purpose</b> To provide investors with high long-term capital growth.</p> <p><b>Investment strategy</b> Uses an index investment management style to invest 80% in diversified growth assets (shares and listed property) and 20% in diversified income assets (cash and bonds).</p>	 <p><b>ASSETS</b></p> <p><b>GROWTH 80%</b>    <b>INCOME 20%</b></p>

### Important note

No particular rate of return is promised. None of Public Trust, the Government of New Zealand or any other person guarantees the repayment of any investment in the Funds, the performance of the Funds or any particular rate of return.

### What are the fees?

You will be charged fees for investing in the Public Trust Investment Service Diversified Funds. Fees are deducted from your investment, and will reduce your returns. If Public Trust invests in other funds, those funds may charge fees also. The total fees you pay are made up of three main types of fees:

- 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.
- Entry/exit spread. These are one-off fees charged for investing or withdrawing from a Fund.

### Management fee and 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 Portfolio	1.11%	0.03%
Moderate Portfolio	1.16%	0.04%
Balanced Fund	1.20%	0.05%
Balanced Growth Portfolio	1.20%	0.06%
Growth Fund	1.25%	0.08%

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

### Management fee rebate

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

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

The rebates are calculated daily and applied quarterly to your account held with Public Trust.

### Entry/exit spread

Transaction costs are incurred by a Fund when buying and selling investments. In order to help the Funds recover these expenses when investors enter or exit the Funds, an adjustment is made to the calculation of the

Funds' entry and exit unit prices. This is known as an entry/exit spread. The entry/exit spread applicable to each investment option is outlined in the table below.

Option	Application price plus:	Withdrawal price less:
Cash Fund	Nil	Nil
Defensive Fund	0.13%	0.13%
Conservative Portfolio	0.18%	0.18%
Moderate Portfolio	0.23%	0.23%
Balanced Fund	0.26%	0.26%
Balanced Growth Portfolio	0.29%	0.29%
Growth Fund	0.32%	0.32%

The Fee is not charged in the Fund itself, but is based on the buy / sell spread of the wholesale funds in which it invests.

As transaction costs may change, the entry/exit spread may also change without prior notice. The income earned by the entry/exit spread goes towards the Fund's transaction costs and is not paid to 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, audit, legal and specialist investment advice. 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 (excluding the entry/exit spread), establishment fees, termination fees or any other fees or charges unless disclosed in the Information Statement.

### 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).

## Making your investment

The minimum balance you may have in a Fund or combination of Funds is \$5,000\*.

The minimum contribution amount you can make to your Public Trust investment is \$500.

*\*Except where investment is by or through a Prepaid Funeral Trust or Education Trust where the minimum balance is \$500.*

## Withdrawing your investment

Subject to the terms of the governing trust deed or will (if relevant) you may withdraw your money in the Funds by writing to us at any time at the details given in section 11 'Contact information' in the Information Statement, in a manner approved by us. However, you must have held units in the Fund from which you are withdrawing for a minimum of seven business days. The minimum withdrawal amount is \$500. Withdrawal requests are processed each business day.

If your withdrawal request results in your investment falling below \$5,000\*, we may treat this as a request for a full withdrawal.

When you withdraw your investment from a Fund, we will cash in the units held on your behalf at the withdrawal price for that Fund. We will process your application and pay the withdrawal price to your Public Trust account within 10 business days.

Subject to the terms of the governing trust deed or will (if relevant), you may also set up regular withdrawals to be made to your Public Trust account at monthly, quarterly, six-monthly or yearly intervals. The minimum regular withdrawal amount is \$500.

We may, in good faith, suspend withdrawals from a Fund or Funds. We may do this if, in our opinion, withdrawals from a Fund or Funds would not be practicable or would be materially prejudicial to your interests or the interests of other investors. In this case, withdrawals will be suspended until we give you notice stating otherwise.

Your investment in the Funds cannot be sold or transferred to anyone else.

No assets of a Fund are available to be applied to meet the liabilities of any other Fund in the Public Trust Investment Service Diversified Funds.

## Who is involved?

### About Public Trust

Public Trust is the manager and trustee of the Funds. Public Trust has 140 years' experience in a wide range of services as trustee, executor, manager and attorney. As at the date of this disclosure statement, Public Trust administers or supervises estates, trusts, funds and agencies of a value of approximately \$42 billion and Public Trust's Investment Team manages funds of more than \$1 billion.

Public Trust is a statutory corporation under the Public Trust Act 2001 and is a Crown entity under the Crown Entities Act 2004. Public Trust is governed by a board, appointed by the Minister of Justice acting with the agreement of the Minister of Finance.

### Who else is involved?

	<b>Name</b>	<b>Role</b>
Manager and trustee	Public Trust	Makes decisions about what the Funds invest in.
Custodian	BNP Paribas Fund Services Australasia Pty Limited (BNP Paribas) (trading as BNP Paribas Securities Services)	Appointed by the trustee to hold the assets of the Funds on behalf of investors.
Registry	Trustees Executors Limited	Keeps individual records of investments into the Funds.

### Further information

Further information on the Public Trust Investment Service Diversified Funds, is available in the Information Statement and quarterly Funds Update. These may be found at [www.publictrust.co.nz](http://www.publictrust.co.nz). Your adviser can provide a copy on request, at no charge.