



Public Trust Investment Service.

Diversified Funds Quarterly Update 31 March 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.

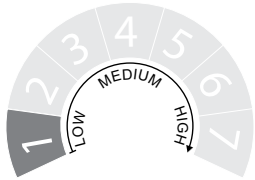
The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a non-consultable customer.

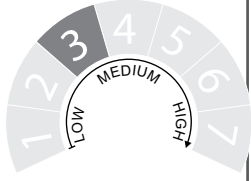
The Funds are not open to members of the public.

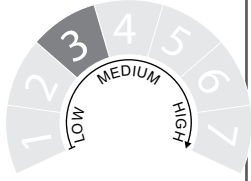
Any reference to us, we or our, refers to Public Trust.

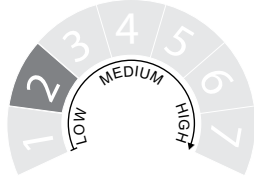
Description of the funds

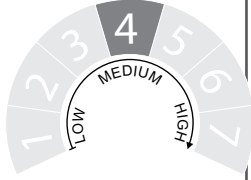
There are seven options offered in the Public Trust Investment Service Diversified Funds. The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a 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
Entry/exit spread	Nil
Total value of the Fund	\$38.7m
Unit price (redemption)	1.0604
Fund start date	28 July 2014

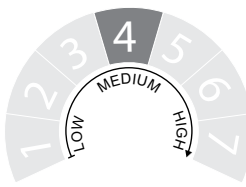
Conservative Portfolio	
Aims to produce stable returns with some capital growth and low to medium risk over the medium-term by investing 62.5% in the Defensive Fund and 37.5% in the Balanced Fund.	
	Risk indicator
Management fee	1.11% of your balance each year
Third party management fees	0.03% of your balance each year
Entry/exit spread	+/- 0.18%
Portfolio start date	28 July 2014

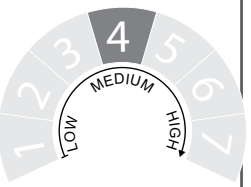
Moderate Portfolio	
Aims to produce moderate capital growth with moderate risk over the medium-term by investing 25% in the Defensive Fund and 75% in the Balanced Fund.	
	Risk indicator
Management fee	1.16% of your balance each year
Third party management fees	0.04% of your balance each year
Entry/exit spread	+/- 0.23%
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
Entry/exit spread	+/- 0.13%
Total value of the Fund	\$152m
Unit price (redemption)	1.1561
Fund start date	28 July 2014

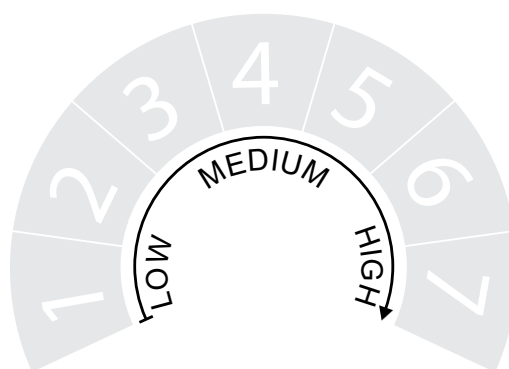
Balanced Fund	
Aims to produce long-term capital growth with medium levels of risk by investing 60% in diversified growth assets (shares and listed property) and 40% in diversified income assets (cash and bonds).	
	Risk indicator
Management fee	1.20% of your balance each year
Third party management fees	0.05% of your balance each year
Entry/exit spread	+/- 0.26%
Total value of the Fund	\$241.3m
Unit price (redemption)	1.246
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	1.20% of your balance each year
Third party management fees	0.06% of your balance each year
Entry/exit spread	+/- 0.29%
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
Entry/exit spread	+/- 0.32%
Total value of the Fund	\$23.4m
Unit price (redemption)	1.2823
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. 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 fee you pay is made up of two main types of fees:

- Management fees. These fees are 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 fees

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.

Market Update

Markets at a glance

	Returns	
	Quarter	Year
New Zealand shares	-14.50%	0.40%
Australian shares	-23.80%	-15.20%
Global shares (Unhedged)	-10.20%	3.10%
Global shares (Hedged)	-20.10%	-9.60%
New Zealand property	-20.40%	-3.70%

	Returns	
	Quarter	Year
New Zealand cash	0.40%	1.60%
New Zealand bonds	2.40%	4.70%
Global bonds	1.40%	6.00%
NZD/USD	-12.10%	-13.10%
NZD - TWI	-6.80%	-6.80%

Commentary

Globally, equity markets rallied in the early part of the quarter reaching new highs in the middle of February. However, as it became evident that the Covid-19 outbreak was a global phenomenon, global equity markets sold off dramatically, recovering somewhat in the last few weeks of the quarter. The S&P 500 and the NZX50 indices fell by 34% and 30% respectively from peak to trough as liquidity tightened and virtually all asset classes experienced declines. As governments around the world implemented strict containment measures to limit the spread of the virus, central banks and governments announced unprecedented support programmes for businesses, households and the financial system. Global markets rebounded from their lows after these announcements, with the S&P500 Index and the NZX 50 Index finishing the quarter down 20% and 14.5% respectively.

Global financial markets have continued to trend higher in April as they took comfort from evidence that Covid-19 cases may be peaking, and news that some countries were relaxing the strict containment measures put in place last quarter. The future course of the Covid-19 is not known and periods of market volatility can be expected going forward as questions remain as to how deep and prolonged the economic effects of the pandemic will be. In this environment, it is important to maintain focused on your long term financial goals and maintain a diversified portfolio.

Global Equities

The first quarter started well for global financial markets. Despite President Trump ordering a drone strike in January, killing a senior Iranian General, the MSCI World Index (unhedged) finished, up 3.6% (unhedged) for the month. Global equity markets reached a new all-time high on 19 February.

However, as February progressed and it became apparent that Covid-19 was a global pandemic as opposed to an isolated Chinese issue, global equity markets sold off

dramatically over a 5 week period, reaching their lows on 23 March. The decline in markets was the fastest we have seen since the Great Depression. The S&P 500 and the NZX50 indices fell by 34% and 30% respectively from peak to trough as liquidity tightened and virtually all asset classes experienced declines. The decline in equity markets was in response to countries implementing strict containment measures including the closing of national borders and the shutdown of all non-essential activities. The global economic system went into an official "induced coma" for the first time ever.

In response to the decline in global financial markets and the imposition of strict containment measures, central banks and governments acted swiftly by announcing unprecedented support programmes for businesses, households and the financial system, which buoyed markets in the last few weeks of the quarter. The US Federal Reserve cut interest rates to near zero and the US Senate passed a \$2.2 trillion fiscal stimulus package. The Bank of England and European Central Bank also introduced similar measures. As a result of the support measures announced by central banks and governments, equity market markets rallied with the S&P500 and the NZX50 finishing the quarter down 20% and 14.5% respectively.

New Zealand

The New Zealand equity market fared reasonably well compared to our trading partners, with the NZX50 Index falling 14.5% during the quarter compared to the ASX200 Index, down -23.8%. The government's commitment to a broad based economic stimulus was supported by the Reserve Bank of New Zealand announcing they would purchase \$33 billion of government and local government securities as well as lowering the official cash rate by 0.75% to 0.25% during the quarter.

The NZ government bond market and the NZ corporate bond market rose 3.5% and 1.3% respectively over the quarter as investors sought safety in bonds.

The flow on effects of the country's lockdown, including reduced foot traffic in department stores had a material impact on the NZ listed property sector, which was down -20.4% for the quarter.

The NZ dollar fell in response to the stimulus measures undertaken by the NZ government. Declining commodity prices also had an impact as well as a strengthening of the US dollar.

The NZD fell against the Japanese yen (12.7%), the US dollar (12.1%) , the Euro (10.1%) and the British pound (6.1%) which contrasted to our 1.3% appreciation against the Australian dollar.

Outlook

Global economic growth will be negatively impacted by the unprecedented economic shut down that has occurred as countries have tried to stop the spread on Covid 19. In the coming quarters we will get greater insight into the global economic consequences of the shutdown. Unprecedented monetary and fiscal policies have been announced by governments and central banks globally to alleviate the economic effects of the pandemic.

Global financial market have continued to trend higher in April as they took comfort from evidence that Covid-19 cases may be peaking, and news that some countries were relaxing the strict containment measures put in place last quarter. The future course of the pandemic is not known and periods of market volatility can be expected going forward as questions remain as to how deep and prolonged the economic effects of the pandemic will be.

In this environment, it is important to maintain focused on your long term financial goals and maintain a diversified portfolio.

How have the Funds performed?

	Past Quarter	1 Year	Annualised since inception
Cash Fund	0.14%	1.75%	2.35%
Defensive Fund	-2.69%	1.40%	4.16%
Conservative Portfolio	-5.49%	0.19%	4.65%
Moderate Portfolio	-8.29%	-1.02%	5.13%
Balanced Fund	-10.15%	-1.83%	5.46%
Balanced Growth Portfolio	-11.87%	-2.82%	5.59%
Growth Fund	-13.59%	-3.61%	5.73%

Commentary on performance

The performance of the diversified funds dropped for the first quarter of the year reflecting lower returns from global shares including here in New Zealand. With the exception of the Cash Fund, the Funds saw their returns finish in negative territory for both the quarter and year. Current performance of the Funds is lower, but taking a long-term view, returns since inception are positive.

In February, the Funds lowered the hedging ratio on international shares, which means they benefit from a decline in the NZD as their international shares are priced in local currency. Subsequent to this action, the NZD fell against the USD (-12.1%), which was advantageous for unhedged shares.

The NZ listed property sector performed very strongly in 2019, however, during the quarter it was the hardest hit sector falling 20.4%, but was ahead of global property by 8%. NZ shares were up against Australian shares by 9%, which was positive as the Funds allocate more to domestic shares. In fixed income, the Funds benefited from their exposure to NZ government bonds, which outperformed corporate bonds by 2.1% as investors sought safety.

The growth of \$10,000 invested in each of the Funds since inception is outlined in the chart below. It is notable that since inception the diversified funds have significantly outperformed the Cash Fund.

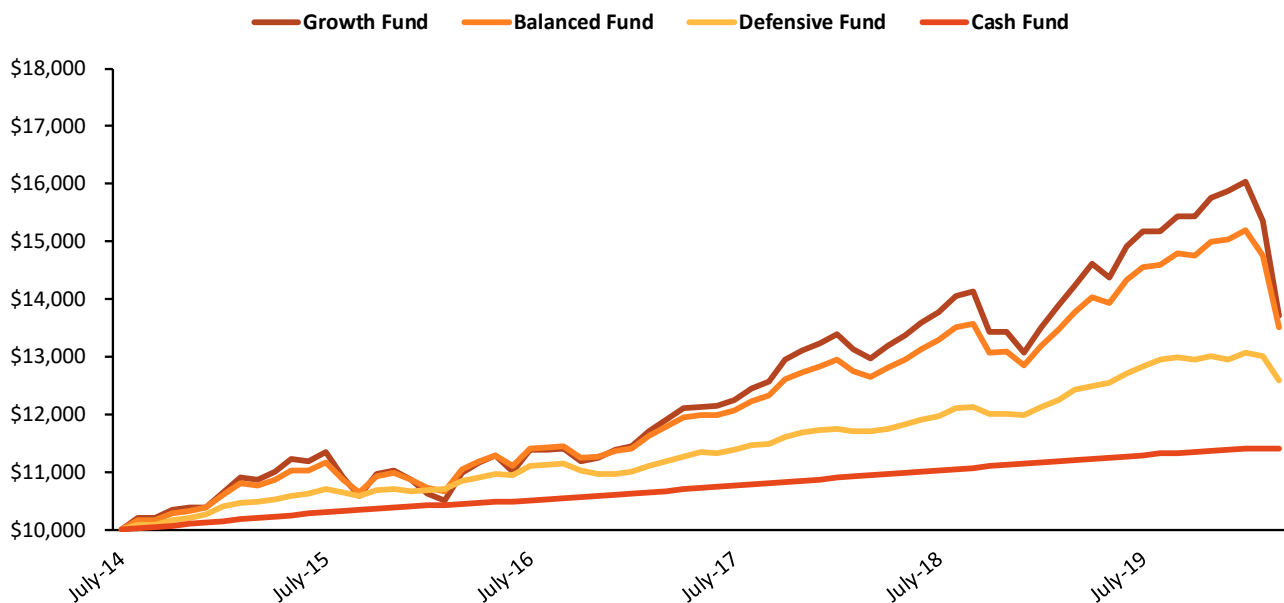
Note on returns

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

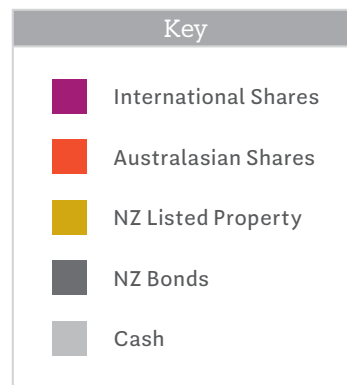
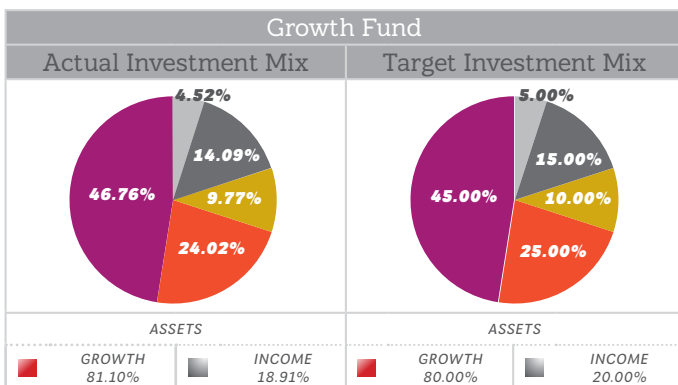
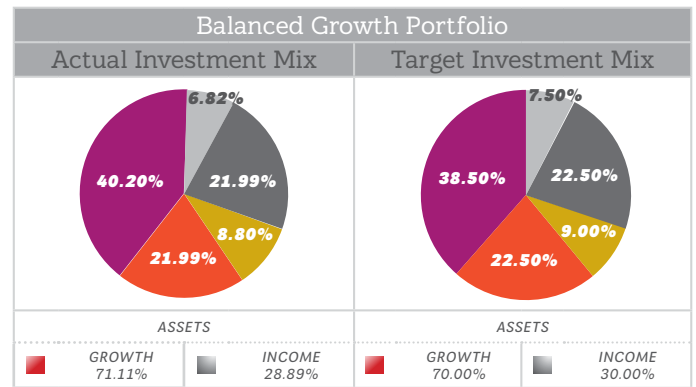
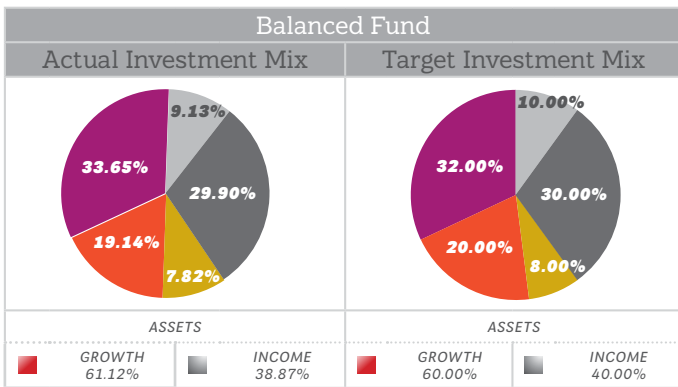
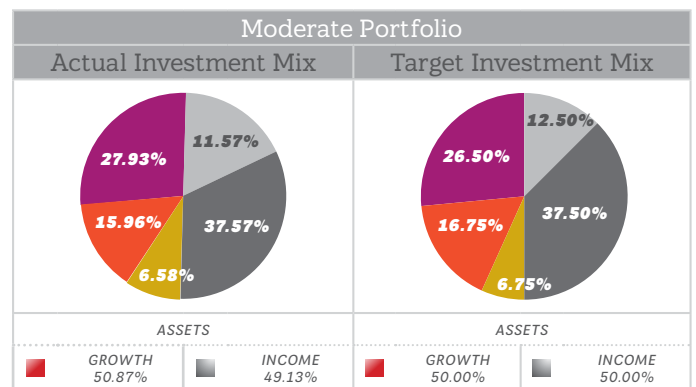
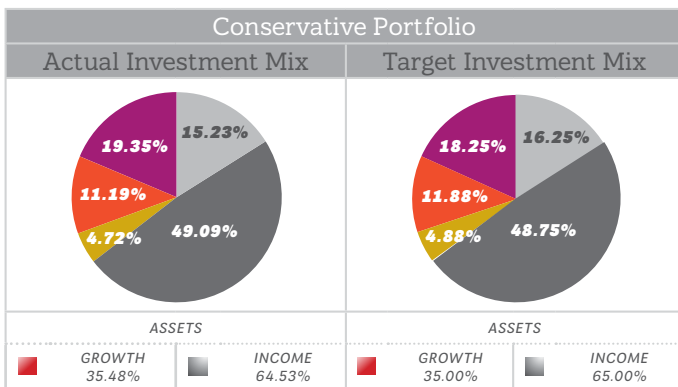
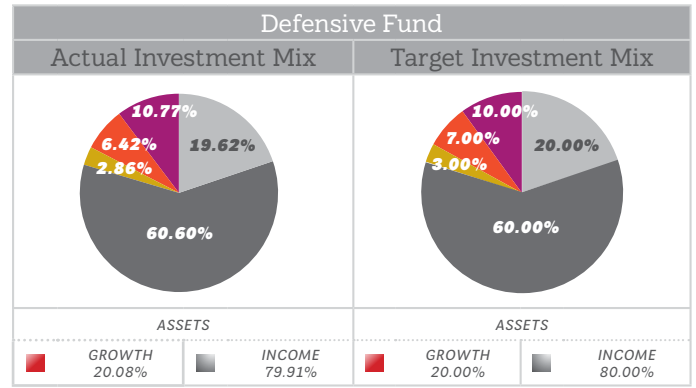
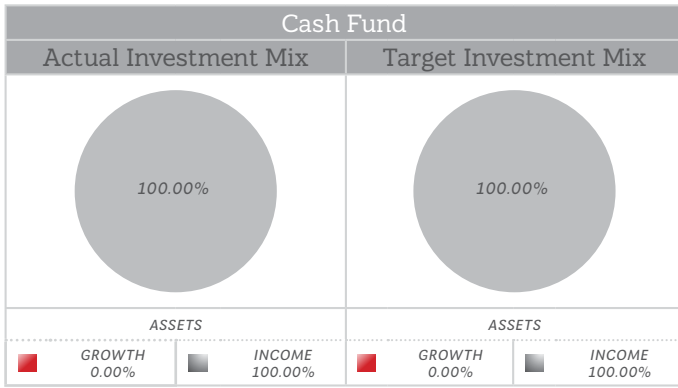


Assumes standard management fees, reinvestment of distributions and zero tax rate.

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
Microsoft Corp.	United States	2.87%
Apple Inc.	United States	2.84%
Amazon.com Inc.	United States	2.07%
Facebook Inc. Class A	United States	1.01%
Alphabet Inc. Class C	United States	0.90%
Alphabet Inc. Class A	United States	0.88%
Johnson & Johnson	United States	0.87%
Alibaba Group Holding ADR	China	0.85%
Nestle S.A.	Switzerland	0.77%
JPMorgan Chase & Co.	United States	0.71%
TOTAL		13.77%

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
Fisher & Paykel Healthcare Corporation Ltd	New Zealand	13.57%
a2 Milk Co Ltd	New Zealand	9.84%
Spark New Zealand Ltd	New Zealand	5.84%
Meridian Energy Ltd	New Zealand	3.95%
Auckland Intl Airport Ltd	New Zealand	3.67%
Ryman Healthcare Group Ltd	New Zealand	3.33%
Contact Energy Ltd	New Zealand	3.21%
Chorus Ltd	New Zealand	2.36%
Fletcher Building Ltd	New Zealand	2.33%
Mainfreight Ltd	New Zealand	2.28%
TOTAL		50.36%

NZ LISTED PROPERTY		
Company	Country	Weighting
Goodman Property Trust	New Zealand	13.43%
Precinct Properties New Zealand Limited	New Zealand	14.67%
Kiwi Property Group Limited	New Zealand	14.37%
Property for Industry Ltd	New Zealand	14.72%
Vital Healthcare Property Trust	New Zealand	14.82%
Argosy Property Ltd	New Zealand	13.76%
Stride Stapled Group	New Zealand	13.53%
TOTAL		99.30%

INCOME ASSETS

NZ CASH		
ISSUER	CREDIT	WEIGHTING
ASB Bank NZ Limited	AA-	18.18%
Bank of New Zealand	AA-	17.01%
Kiwibank Limited	A	16.99%
ANZ Bank NZ Limited	AA-	14.51%
Westpac NZ Limited	AA-	4.88%
Industrial and Commercial Bank of China NZ Limited	A	4.56%
Bank of China NZ Limited	A	3.72%
China Construction Bank NZ Limited	A	3.72%
Rabobank New Zealand Limited	A	3.29%
The Hongkong and Shanghai Bank NZ Limited	AA-	3.28%
TOTAL		90.14%

NZ BONDS		
ISSUER	CREDIT	WEIGHTING
New Zealand Government	AA+	32.46%
NZ Local Government Funding Agency Ltd	AA+	21.11%
Westpac New Zealand Ltd	AA-	5.24%
ANZ Bank New Zealand Ltd	AA-	4.70%
Bank Of New Zealand	AA-	4.60%
Housing New Zealand Ltd	AA+	3.97%
ASB Bank Ltd	AA-	3.96%
Auckland Regional Council	AA	3.15%
Fonterra Co-Operative Group Ltd	A-	2.06%
Auckland International Airport	A-*	1.88%
TOTAL		83.14%

Key personnel

Position	Management Investment Committee Chair	Chief Executive	Head of Investments
Name	Angela Dixon	Glenys Talivai	Theresa Egan
Time in position	3 years	1 year	2 years 4 months
Previous Position	General Manager- Operational Excellence	General Manager	Investment Manager
Time in previous position	3 years	4 years 5 months	5 years
Employer	IAG	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 April 2020, a copy of which is available on request to Public Trust.

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