



Public Trust Investment Service.

Diversified Funds
Quarterly Update
30 September 2017

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.

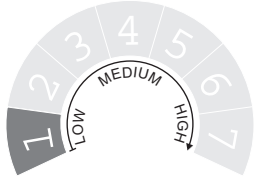
The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a non-consultable customer.

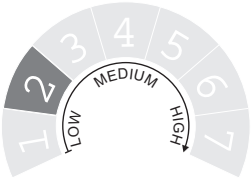
The Funds are not open to members of the public.

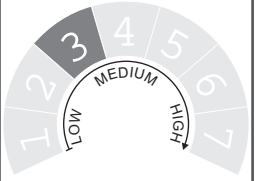
Any reference to us, we or our, refers to Public Trust.

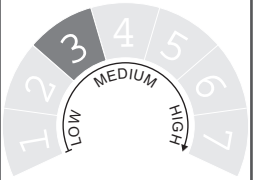
Description of the funds

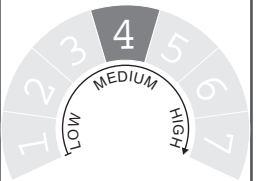
There are seven options offered in the Public Trust Investment Service Diversified Funds. The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a 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	\$9.73m
Unit price (redemption)	1.0570
Fund start date	28 July 2014

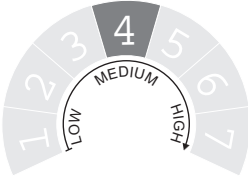
Defensive Fund	
Aims to produce stable returns with low capital growth and low risk over the medium-term by investing 80% in diversified income assets (cash and bonds) and 20% in diversified growth assets (shares and listed property).	 Risk indicator
Management fee	1.05% of your balance each year
Third party management fees	0.03% of your balance each year
Entry/exit spread	+/- 0.13%
Total value of the Fund	\$103.71m
Unit price (redemption)	1.1136
Fund start date	28 July 2014

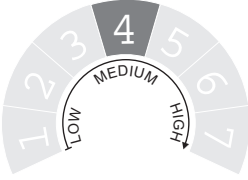
Conservative Portfolio	
Aims to produce stable returns with some capital growth and low to medium risk over the medium-term by investing 62.5% in the Defensive Fund and 37.5% in the Balanced Fund.	 Risk indicator
Management fee	1.11% of your balance each year
Third party management fees	0.05% of your 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

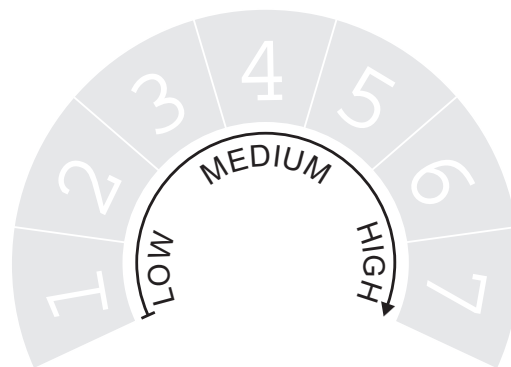
Balanced Fund	
Aims to produce long-term capital growth with medium levels of risk by investing 60% in diversified growth assets (shares and listed property) and 40% in diversified income assets (cash and bonds).	 Risk indicator
Management fee	1.20% of your balance each year
Third party management fees	0.04% of your balance each year
Entry/exit spread	+/- 0.26%
Total value of the Fund	\$229.48m
Unit price (redemption)	1.2023
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.	 <p>Risk indicator</p>
Management fee	1.20% of your balance each year
Third party management fees	0.05% 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).	 <p>Risk indicator</p>
Management fee	1.25% of your balance each year
Third party management fees	0.06% of your balance each year
Entry/exit spread	+/- 0.32%
Total value of the Fund	\$33.94m
Unit price (redemption)	1.2223
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%	0.01%
Conservative Portfolio	1.11%	0.03%
Moderate Portfolio	1.16%	0.04%
Balanced Fund	1.20%	0.04%
Balanced Growth Portfolio	1.20%	0.05%
Growth Fund	1.25%	0.06%

To be added to the Public Trust management fee is GST at the rate of 1.5%. This lower rate is because of the Trustee Corporations Association of New Zealand agreement with Inland Revenue that only 10% of the amount of the management fee is subject to GST.

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
International shares*	6.5%	19.4%
NZ shares	4.7%	9.1%
Australian shares*	4.3%	12.7%
NZ listed property	0.5%	0.0%

* In NZ Dollar terms

	Returns	
	Quarter	Year
NZ bonds	0.9%	0.2%
Cash	0.5%	2.1%
NZ Dollar**	-2.7%	-0.8%

** In trade weighted index terms

Commentary

With strong immigration and tourist numbers, low interest rates and improving dairy prices the New Zealand economy continues to remain strong. A softer economic outlook is, however, predicted and impending election results should not change this outlook.

Following on from a strong June quarter the September quarter has also proved positive for investors despite a worrying rise in geo/political tensions such as between Korea and the US. In addition, German and NZ elections have been held with the latter result still to be decided at time of writing.

The CBOE Volatility Index, or better known as the Vix and sometimes the 'Fear index', has remained relatively subdued over the last 12 months even with a number of political events causing angst. This index measures the level of volatility in markets and is a leading indicator market sentiment and momentum. Investors do tend to become a little complacent after years of strong sharemarket performance although tensions between Kim Jon Un and Donald Trump should sharpen the mind of investors who have become complacent.

Sharemarkets are now into an eight year plus "bull run" albeit with market corrections in 2011 (Greek crisis) and again in 2016 (energy market drops). As with all Bull markets they eventually come to an end. However for now rising company earnings particularly in the US and

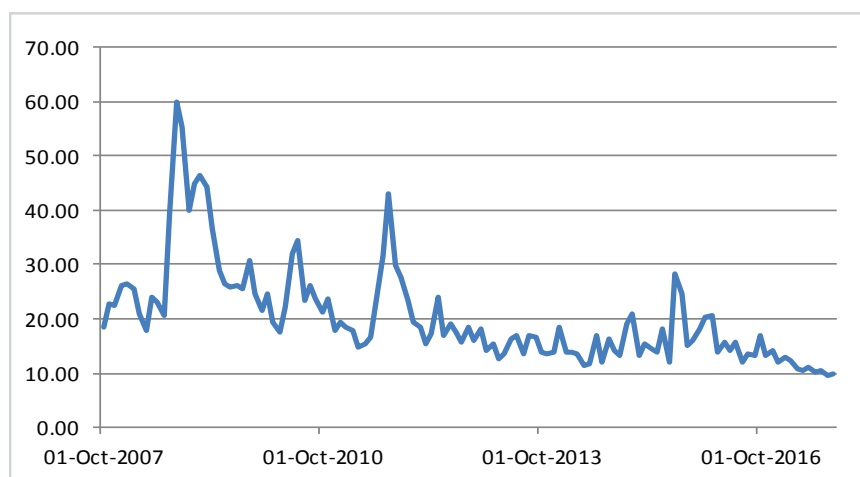
strengthening economic conditions continue to support sharemarkets.

Supporting this sentiment, the US Federal Reserve (The Fed) has lifted interest rates twice in 2017 and possibly will again before the end of 2017. The Fed has also signalled a start to unwinding some of the stimulus (quantitative easing) it created to avoid a depression back in 2008.

With strong immigration and tourist numbers, low interest rates and improving dairy prices the New Zealand economy continues to remain strong. A softer economic outlook is, however, predicted and impending election results should not change this outlook. The Reserve Bank left interest rates unchanged in September and there is little on the horizon to see a rate rise in the next 12 months. This should generally be supportive of business and homeowners repaying a mortgage.

Our neighbours across the Tasman appear to be enjoying a period of strong jobs growth with employment more than twice that forecast. The Reserve Bank of Australia (RBA) has kept cash rates at a record low of 1.75%, which has assisted this growth. High household debt and low wage growth does however keep household spending in check and in turn growth relatively benign. As we have seen in New Zealand, low interest rates have encouraged a surge in house prices with regulators likely to set measures to slow the continued increase in values.

CBOE Volatility Index "The Vix"



How have the Funds performed?

	Past Quarter	1 Year	Annualised since inception
Cash Fund	0.72%	2.56%	2.52%
Defensive Fund	1.42%	3.13%	4.48%
Conservative Portfolio	1.93%	4.85%	5.36%
Moderate Portfolio	2.44%	6.56%	6.24%
Balanced Fund	2.79%	7.71%	6.82%
Balanced Growth Portfolio	3.15%	8.96%	7.17%
Growth Fund	3.51%	10.22%	7.51%

Note on returns

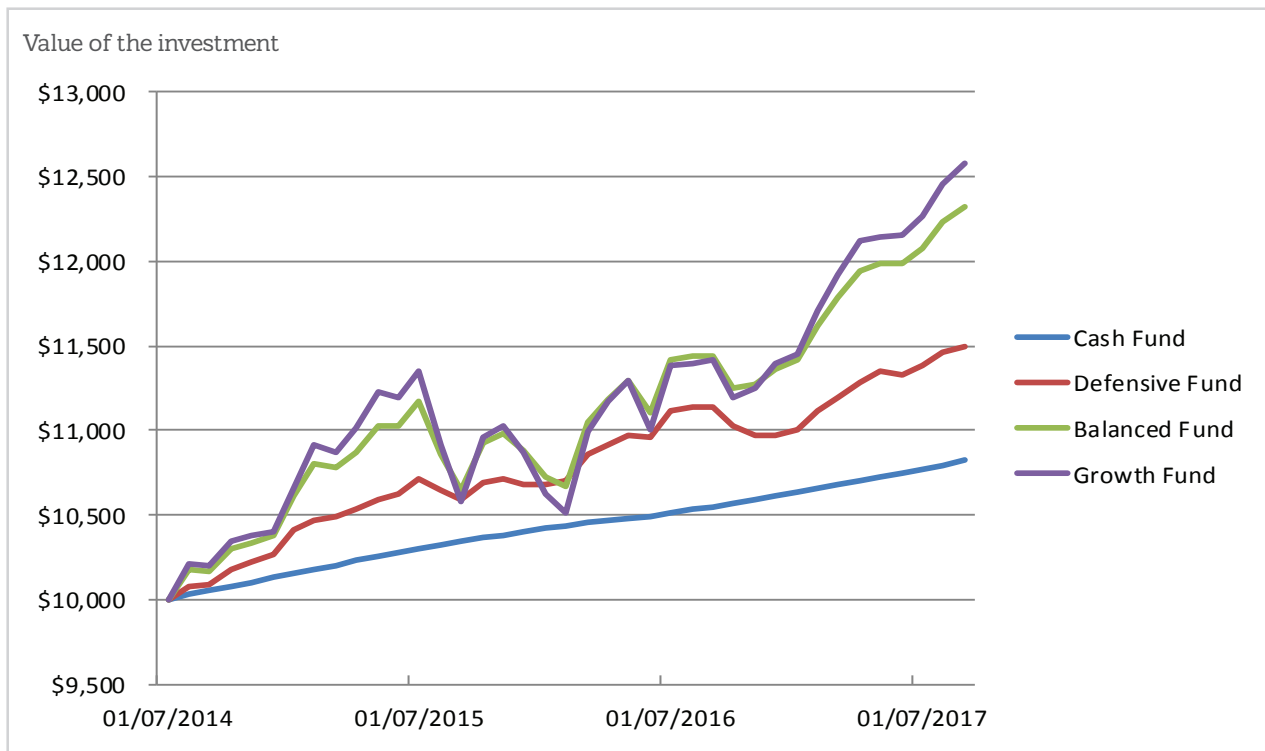
They also assume that distributions are reinvested. Fund returns are after deductions for charges, but before tax. Important: Returns reflect past performance and do not indicate future performance.

Commentary on performance

The September quarter has followed a similar vein to the first two quarters of 2017 with strong performance in International, NZ Shares and Australian sharemarkets. The funds with a higher proportion of shares are performing ahead of long term return expectations.

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.

Growth of a \$10,000 investment

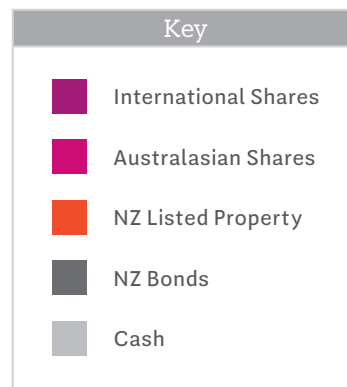
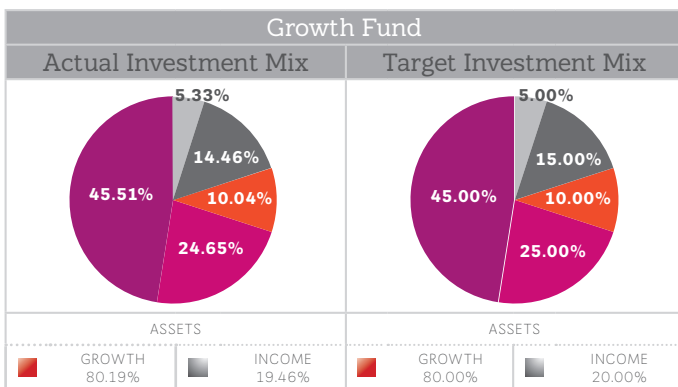
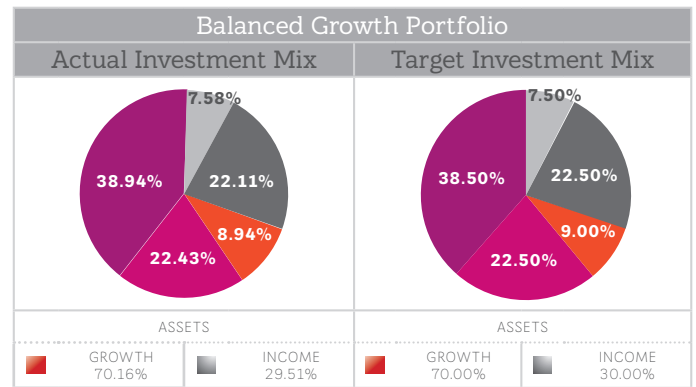
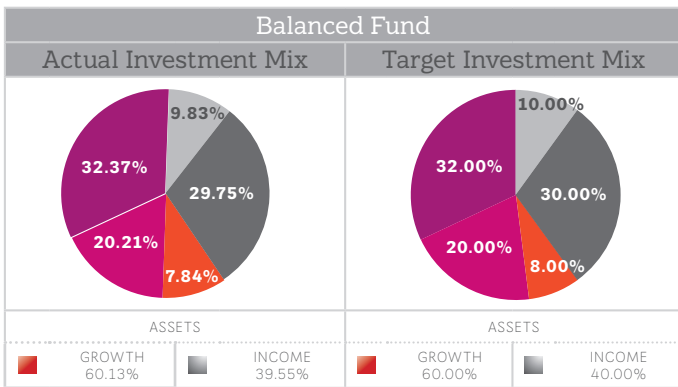
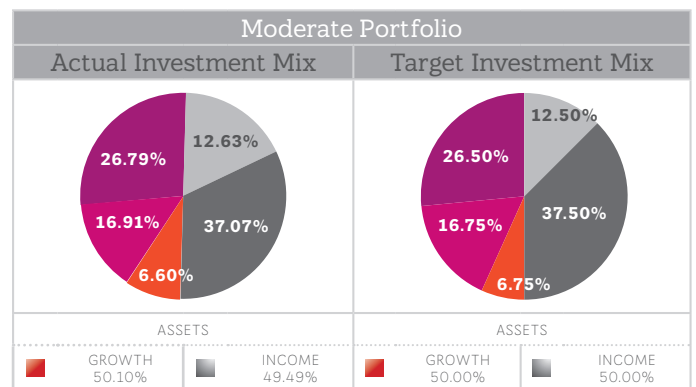
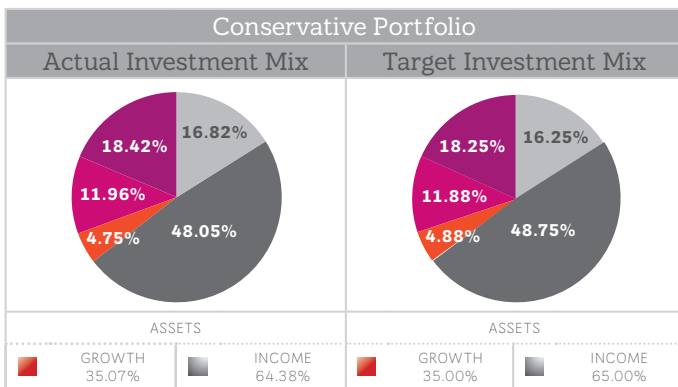
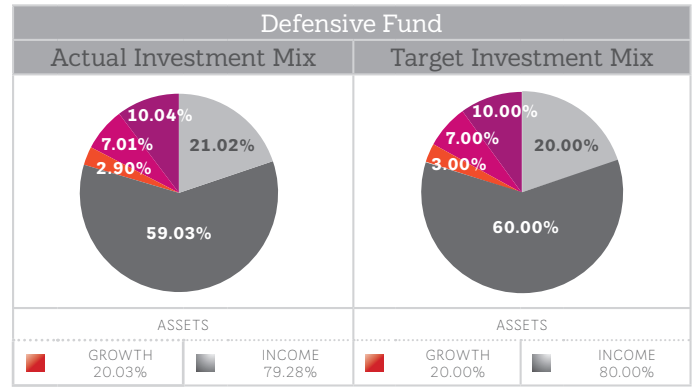
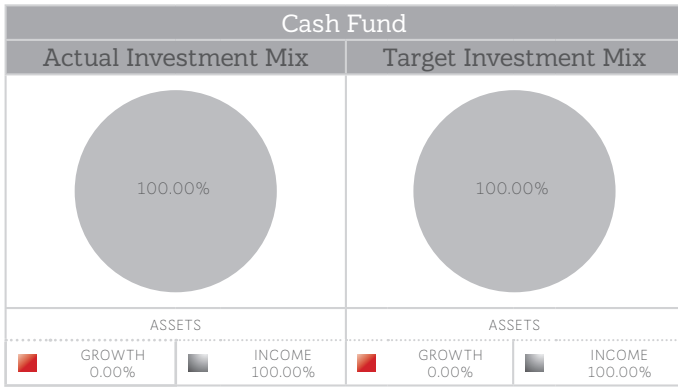


Assumes standard management fees, reinvestment of distributions and zero tax rate.

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 web site: www.publictrust.co.nz.

What do the Funds invest in?



Top 10 holdings

GROWTH ASSETS

INTERNATIONAL SHARES		
COMPANY	COUNTRY	WEIGHTING
Apple Inc.	United States	2.29%
Microsoft Corp.	United States	1.45%
Facebook Inc.	United States	1.07%
Amazon.com Inc.	United States	1.06%
Johnson & Johnson	United States	0.95%
Exxon Mobil Corp.	United States	0.86%
JPMorgan Chase & Co.	United States	0.86%
Alphabet Inc Class A	United States	0.77%
Alphabet Inc Class B	United States	0.74%
Nestle SA	Switzerland	0.70%
TOTAL		10.76%

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
Fisher & Paykel Healthcare Corp. Ltd	New Zealand	8.35%
Spark New Zealand Ltd	New Zealand	7.67%
Auckland Intl Airport Ltd	New Zealand	6.87%
Fletcher Building Ltd	New Zealand	6.38%
a2 Milk Co Ltd	New Zealand	5.36%
Ryman Healthcare Group Ltd	New Zealand	4.94%
Contact Energy Ltd	New Zealand	4.51%
Meridian Energy Ltd	New Zealand	3.93%
Z Energy Limited	New Zealand	3.38%
Xero	New Zealand	3.24%
TOTAL		54.63%

NZ LISTED PROPERTY		
COMPANY	FUND	BENCH-MARK
Vital Healthcare Property	15.10%	10.64%
Goodman Property Trust	14.60%	17.77%
Precinct Properties NZ Lir	14.50%	17.36%
Property For Industry Ltd	14.40%	11.23%
Argosy Property Ltd	14.30%	12.59%
Stride Stapled Group	13.30%	8.79%
Kiwi Property Group	13.10%	17.50%
TOTAL	99.30%	95.88%

INCOME ASSETS

NZ CASH		
ISSUER	CREDIT	WEIGHTING
ANZ National	A1+	21.59%
BNZ	A1+	13.22%
China Construction Bank	A1	11.11%
Kiwibank	A1	10.48%
Industrial and Commercial Bank of China	A1	10.45%
Bank of China	A1	7.68%
Westpac	A1+	7.65%
ASB	A1+	4.20%
Retail Financial Service (Asset Backed)	A1+	3.46%
Heartland Trust (Asset Backed)	A1+	3.46%
TOTAL		93.30%

NZ BONDS		
ISSUER	CREDIT	WEIGHTING
New Zealand (Government)	AA+	35.02%
New Zealand (Local Government Funding Agency Ltd)	AA+	16.43%
Westpac New Zealand Ltd	A+	5.67%
ANZ Bank New Zealand Ltd	A+	5.31%
Bank of New Zealand	A+	4.89%
ASB Bank Ltd	A+	4.68%
Auckland Council	AA	3.50%
Contact Energy Ltd	BBB	2.72%
Fonterra Co-Op Group Ltd	A-	2.68%
Rabobank NZ Ltd	A+	2.28%
TOTAL		83.17%

Key personnel

Position	Investment Committee Chair	Chief Executive	Head of Investments
Name	Fiona Oliver	Bob Smith	Angela Dixon (acting)
Time in position	3 years 2 months	3 years 9 months	1 month
Previous Position	Committee member	Consultant to the Chief Executive	Chief Financial and Information Officer (current)
Time in previous position	4 years 10 months	12 months	5 months (current)
Employer	Public Trust Board member	Public Trust	Public Trust

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 October 2017, a copy of which is available on request to Public Trust.

Contact information

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