



Public Trust Investment Service.

Diversified Funds
Quarterly Update
31 March 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.

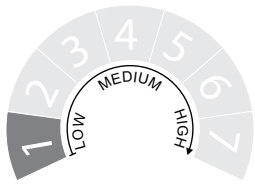
The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a non-consultable customer.

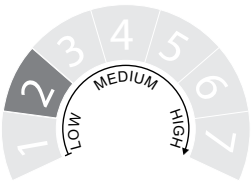
The Funds are not open to members of the public.

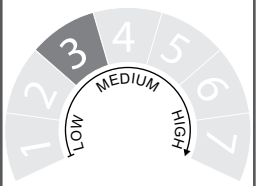
Any reference to us, we or our, refers to Public Trust.

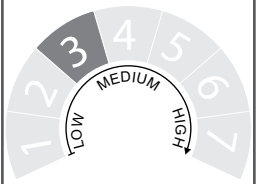
Description of the funds

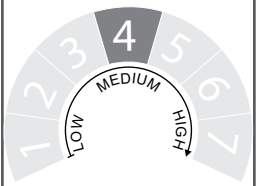
There are seven options offered in the Public Trust Investment Service Diversified Funds. The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a 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.	
Management fee	0.40% of your balance each year
Third party management fees	Nil
Entry/exit spread	Nil
Total value of the Fund	\$10.36m
Unit price (redemption)	1.0557
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).	
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	\$96.78m
Unit price (redemption)	1.1009
Fund start date	28 July 2014

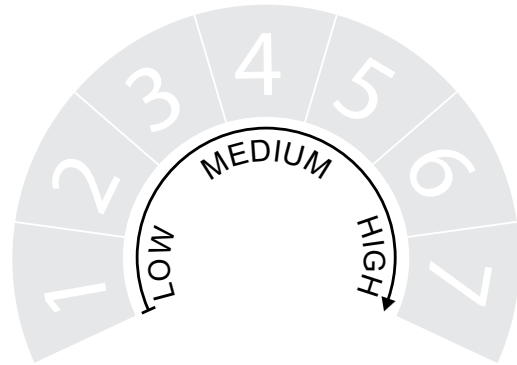
Conservative Portfolio	
Aims to produce stable returns with some capital growth and low to medium risk over the medium-term by investing 62.5% in the Defensive Fund and 37.5% in the Balanced Fund.	
Management fee	1.11% of your balance each year
Third party management fees	0.05% of your balance each year
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.	
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).	
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	\$227.71m
Unit price (redemption)	1.1649
Fund start date	24 July 2014

What are the risks of investing?

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.

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	\$33.90m
Unit price (redemption)	1.1722
Fund start date	28 July 2014

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.

All administration expenses are covered by the Public Trust management fee. Some Funds may incur brokerage costs on individual transactions but any brokerage costs will be immaterial to the Fund concerned.

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*	6.6%	14.3%
NZ shares	5.1%	7.9%
Australian shares*	10.5%	18.7%
NZ listed property	1.6%	0.1%

* In NZ Dollar terms

	Returns	
	Quarter	Year
NZ bonds	1.4%	1.0%
Cash	0.5%	2.3%
NZ Dollar**	-2.2%	3.9%

** In trade weighted index terms

Commentary

The quarter was a good one for investors as increasing signs of a recovery in world growth underpinned rising share markets.

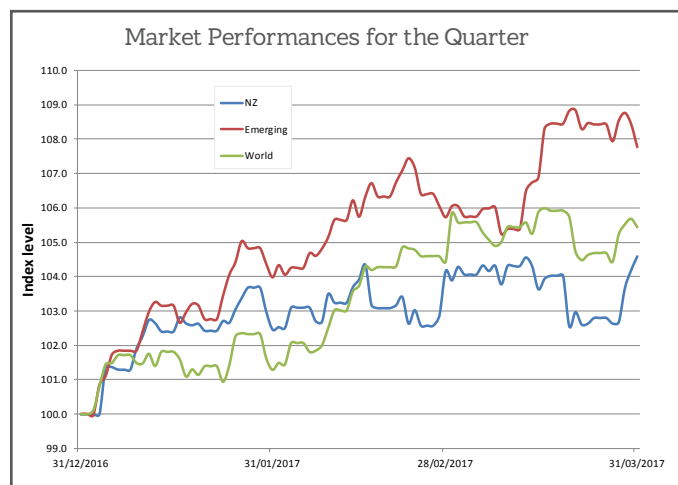
The positive momentum evident late in 2016 carried over into the New Year. Key to this momentum was growing evidence that the recovery in world economic activity is broadening. On many measures activity, while certainly not at a historical peak, is at its best level since the Global Financial Crisis (GFC) in 2007-09.

The United States (US) was again leading the way, so much so that the US Federal Reserve raised its official cash rate in March a further 0.25% to 1.00% after having previously raised 0.25% in December 2016. This is the first time it has raised its official cash rate more than once a year since the GFC. While other major central banks did not follow suit, their rhetoric generally changed from warning about downside risks to their respective economies to considering the possibility of tapering of the extraordinarily stimulatory monetary policy.

With the backdrop of a positive economic outlook share markets generally shrugged off the prospect of higher official interest rates and finished the quarter well up on their opening levels as investors picked that company profits were set to rise in the future. The US sharemarket in particular set a series of record highs before giving up some of its gains late in the quarter when the Trump administration's first major proposal (repeal of healthcare regulations) failed to gain sufficient votes to be passed. This in turn cast doubt on other more significant policy proposals that underpinned the sharemarket's positive view of growth prospects in the US.

The political risk in Europe that many investors were wary of failed to materialise. While elections in a number of European countries saw a rise in the popularity of protectionist/isolationist parties none of these parties actually achieved a position of power. Similarly Britain's exit from the European Union continues to progress very slowly and financial markets appear to be taking this in their stride.

The path of major sharemarket's over the quarter is outlined in the chart below.



Note index level is in local currency, not NZ Dollar, terms.

Source: Thomson Reuters, Public Trust

Here in New Zealand the story was a similar one. A recovery in dairy prices, record immigration and tourism are underpinning a buoyant economy. Despite the high level of activity inflation, while rising of a very low base, remains well contained primarily due to a strong NZ Dollar. As a result the Reserve Bank of New Zealand expects to leave the Official Cash Rate at its current record low of 1.75% well into next year.

The upturn in world economic activity is both overdue and welcome. Given financial markets forward looking nature much of the improved prospects have already been factored into sharemarket's. In addition investor confidence/complacency, as measured by low implied volatility, appears high. Consequently sharemarket's are exposed to the risk that things do not work out as well as currently anticipated. A particular source of risk remains the US Trump administration's ability to pass the legislation that underpins the current rosy view of America's prospects. In particular failure to pass the proposed radical new tax regulations would be a serious setback and likely to see the US sharemarket (and many others) significantly lower.

How have the Funds performed?

	Past Quarter	1 Year	Annualised since inception
Cash Fund	0.62%	2.15%	2.49%
Defensive Fund	1.98%	3.09%	4.32%
Conservative Portfolio	2.63%	4.43%	5.08%
Moderate Portfolio	3.27%	5.76%	5.84%
Balanced Fund	3.70%	6.66%	6.35%
Balanced Growth Portfolio	4.15%	7.52%	6.57%
Growth Fund	4.59%	8.39%	6.79%

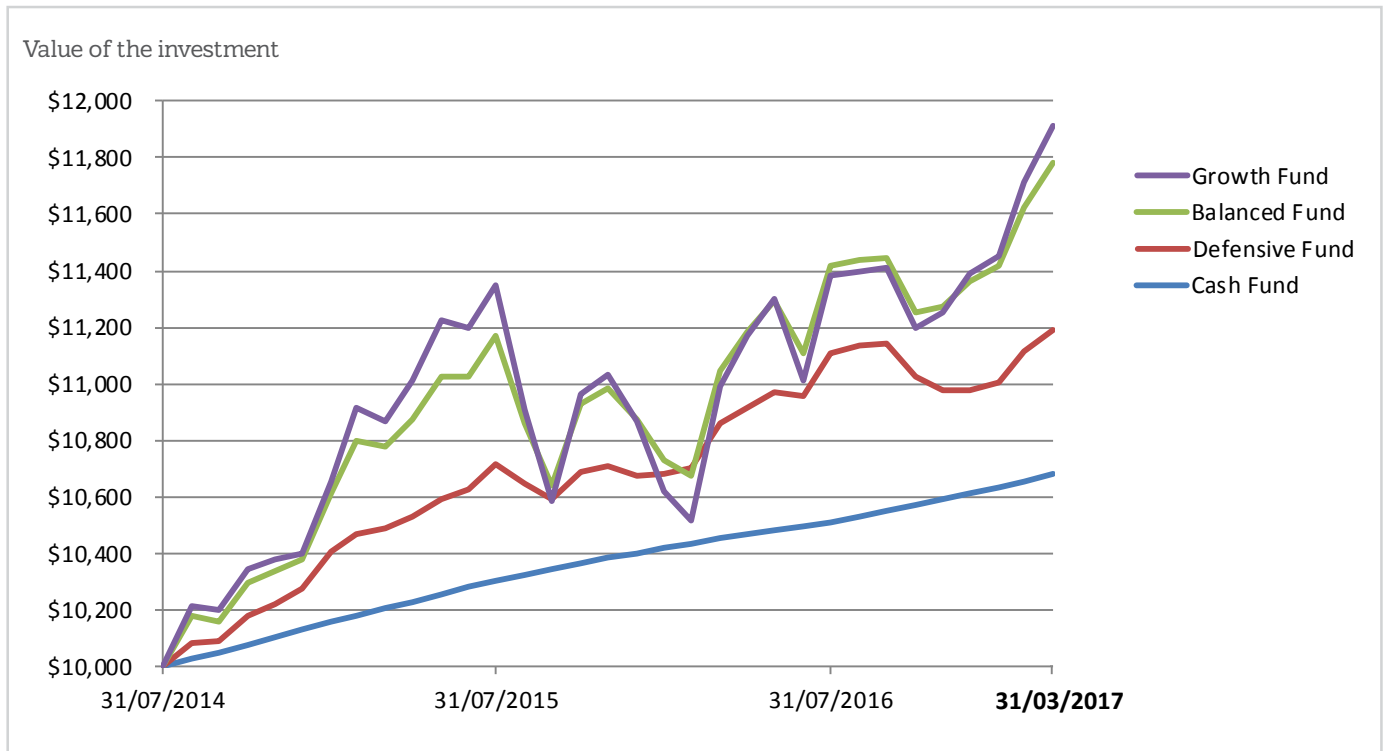
Note on returns

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

Fund returns for the quarter bounced back strongly from the weak prior quarter. This reflected increasing signs of a recovery in world growth which in turn underpinned rising share markets. Returns for the year and since inception are above long-term expected levels. 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

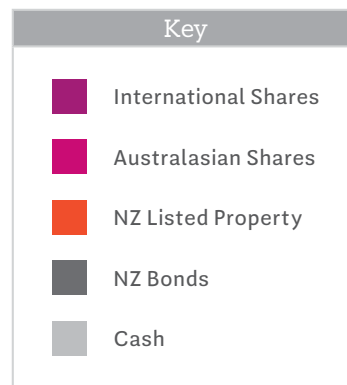
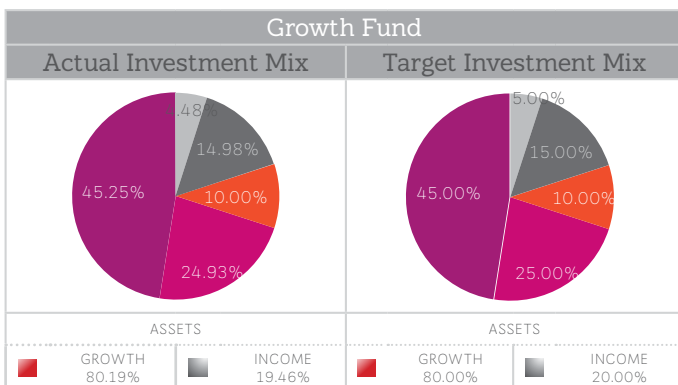
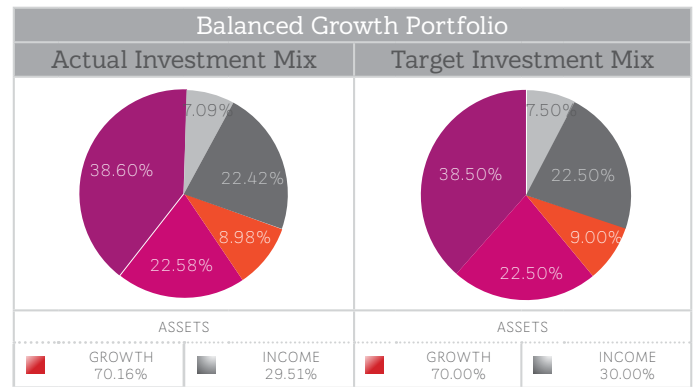
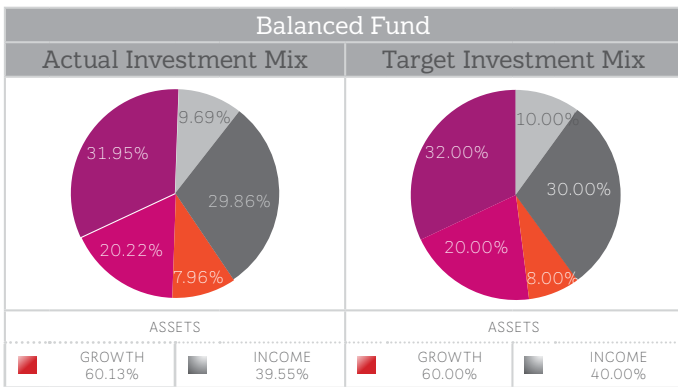
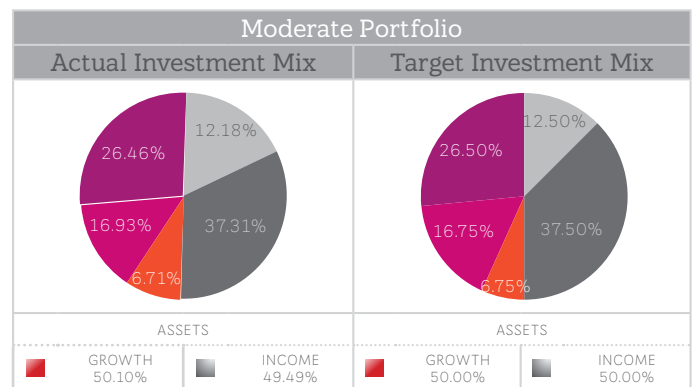
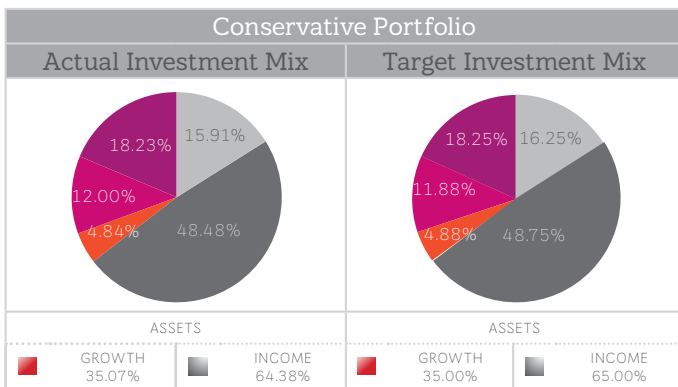
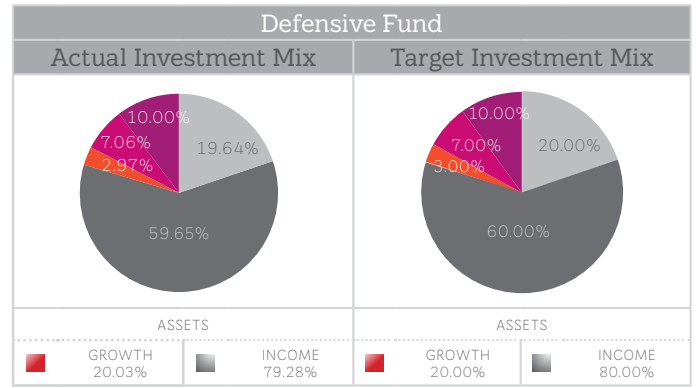
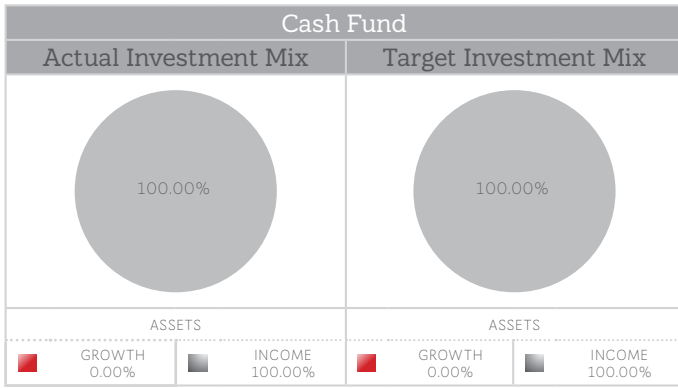


Assumes standard management fees, reinvestment of distributions and zero tax rate.

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	1.98%
Microsoft Corp.	United States	1.28%
Amazon.com Inc.	United States	0.93%
Exxon Mobil Corp.	United States	0.91%
Johnson & Johnson	United States	0.90%
JPMorgan Chase & Co.	United States	0.88%
Facebook Inc. Class A	United States	0.85%
Wells Fargo & Co.	United States	0.75%
General Electric Co.	United States	0.72%
AT&T Inc.	United States	0.69%
TOTAL		9.89%

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
Spark New Zealand	New Zealand	6.19%
Auckland Intl. Airport	New Zealand	5.87%
Fletcher Building	New Zealand	5.39%
Fisher & Paykel Healthcare	New Zealand	5.19%
Ryman Healthcare Group	New Zealand	3.72%
Contact Energy	New Zealand	3.50%
Meridian Energy	New Zealand	3.26%
Z Energy	New Zealand	2.68%
Westpac Banking Corp.	Australia	2.78%
SkyCity Entertainment Group	New Zealand	2.61%
TOTAL		41.20%

NZ LISTED PROPERTY	
COMPANY	WEIGHTING
Vital Healthcare	14.49%
Goodman Property	14.39%
Stride Property	14.34%
Property For Industry	14.33%
Kiwi Property Group	14.10%
Argosy Property	14.03%
Precinct Property	13.92%
TOTAL	99.59%

INCOME ASSETS

NZ BONDS		
ISSUER	CREDIT RATING	WEIGHTING
New Zealand (Government)	AA+	34.27%
NZ Local Government Funding Agency Ltd	AA+	16.43%
ASB Bank Ltd	AA-	5.60%
Bank of New Zealand	AA-	5.36%
Westpac New Zealand Ltd	AA-	4.90%
ANZ bank New Zealand Ltd	AA-	4.68%
Auckland Council	AA	3.89%
Rabobank	A+	3.21%
Contact Energy Ltd	BBB	2.90%
Fonterra	A-	2.83%
TOTAL		84.08%

NZ CASH		
ISSUER	CREDIT RATING	WEIGHTING
ANZ	A1+	23.26%
Westpac	A1+	16.43%
BNZ	A1+	13.71%
Kiwibank	A1	10.99%
Bank of China	A1	7.35%
China Construction Bank	A1	7.31%
ASB	A1+	5.52%
ICBC	A1	3.69%
Heartland Trust (Asset Backed)	A1+	3.64%
Retail Financial Service (Asset Backed)	A1+	2.73%
TOTAL		94.63%

Key personnel

Position	Investment Committee Chair	Chief Executive	Head of Investments
Name	Fiona Oliver	Bob Smith	Colin Thomson
Time in position	2 years 8 months	3 years 3 months	9 years 11 months
Previous Position	Committee member	Consultant to the Chief Executive	Investment Manager
Time in previous position	4 years 10 months	12 months	6 years 4 months
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 April 2017, a copy of which is available on request to Public Trust.

Contact information

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