



Public Trust Investment Service.

Diversified Funds Quarterly Update 30 September 2019

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.

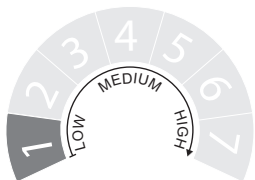
The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a non-consultable customer.

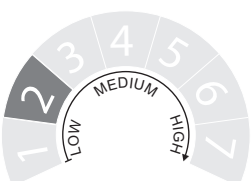
The Funds are not open to members of the public.

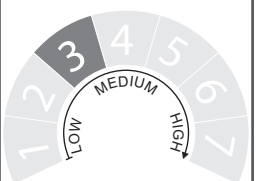
Any reference to us, we or our, refers to Public Trust.

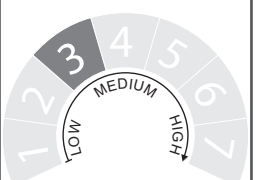
Description of the funds

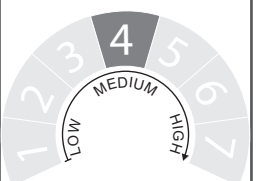
There are seven options offered in the Public Trust Investment Service Diversified Funds. The Funds referred to in this Quarterly Update are used by Public Trust as investment options where it is acting as trustee or co-trustee of an estate or trust, or as property attorney or property manager for a 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	\$26.1m
Unit price (redemption)	1.0648
Fund start date	28 July 2014

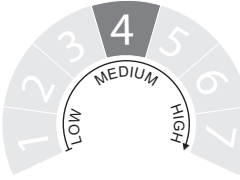
Defensive Fund	
Aims to produce stable returns with low capital growth and low risk over the medium-term by investing 80% in diversified income assets (cash and bonds) and 20% in diversified growth assets (shares and listed property).	 Risk indicator
Management fee	1.05% of your balance each year
Third party management fees	0.02% of your balance each year
Entry/exit spread	+/- 0.13%
Total value of the Fund	\$161.9m
Unit price (redemption)	1.2043
Fund start date	28 July 2014

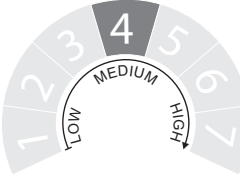
Conservative Portfolio	
Aims to produce stable returns with some capital growth and low to medium risk over the medium-term by investing 62.5% in the Defensive Fund and 37.5% in the Balanced Fund.	 Risk indicator
Management fee	1.11% of your balance each year
Third party management fees	0.03% of your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

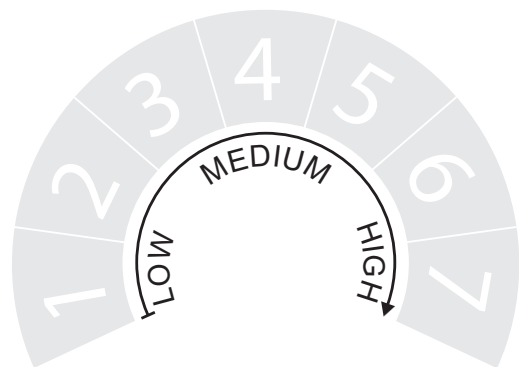
Balanced Fund	
Aims to produce long-term capital growth with medium levels of risk by investing 60% in diversified growth assets (shares and listed property) and 40% in diversified income assets (cash and bonds).	 Risk indicator
Management fee	1.20% of your balance each year
Third party management fees	0.05% of your balance each year
Entry/exit spread	+/- 0.26%
Total value of the Fund	\$265m
Unit price (redemption)	1.3914
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	0.06% 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).	 <p>Risk indicator</p>
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	\$29.4m
Unit price (redemption)	1.4532
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
International shares*	7.1%	7.2%
NZ shares	4.4%	19.6%
Australian shares*	5.4%	10.8%
NZ listed property	8.6%	34.7%

* In NZ Dollar terms

	Returns	
	Quarter	Year
NZ bonds	2.9%	9.6%
Cash	0.4%	1.9%
NZ Dollar**	-4.1%	-2.6%

** In trade weighted index terms

Commentary

Global equities ended modestly higher in the September quarter in NZ hedged terms, led by Japan (up 3.5%), Australia (up 2.4%) and Europe (up 2%). Financial conditions eased as major central banks (including the US Federal Reserve (the Fed), the Reserve Bank of New Zealand (RBNZ) and the Reserve Bank of Australia (RBA)) cut interest rates amid subdued inflation and softening economic data. The US and China raised average tariff rates above 20% further unsettling the world's largest trading relationship. The NZD fell 6.5% against the USD leading to currency gains for NZ investors.

Global Equities

US equities ended modestly higher for the quarter, with the MSCI ACWI returning 1.4% in hedged NZD terms. However, in unhedged NZD terms, returns were strong (7.1%). The fall in the NZ dollar once again benefited investors holding global shares.

Global stocks moved up and down, pressured by tensions between US and China. During Q3, average tariff rates on Chinese and US goods rose above 20%, further denting corporate confidence and spending.

Economic data was mixed as confidence surveys weighed on the US economy. Forward looking business confidence surveys disappointed, with the Institute of Supply Management (ISM) manufacturing purchases manager's index falling to 47.8% in September, the lowest in a decade. The services side of the economy, however, while in contraction territory was less pessimistic than manufacturing. Unemployment remains low (3.7%) on the back of a tight labour market and there were new jobs added, but the pace of growth in aggregate hours worked has slowed.

World central banks lowered interest rates during Q3, and the US Fed cut rates twice in the quarter while the European Central Bank (ECB) announced a new quantitative easing program set to begin in November.

In fixed income markets, spreads between corporate and treasury yields remained flat for the quarter. Credit

spreads, including investment grade and high yield are at their lowest levels since the financial crisis. Those factors are supportive because businesses and consumers can take advantage of refinancing at lower interest rates.

Emerging markets

Emerging markets stocks fell because of uncertainty over the US-China trade relationship and a strong US dollar. Overall, the MSCI World Emerging Markets index lost 2.1% in NZD hedged terms. For the year to date the index rose 7.8%.

New Zealand

The New Zealand NZX50 shares index returned 4.4% during the quarter as investors welcomed the new round of monetary stimulus.

In August, the RBNZ responded to the weaker economic outlook by reducing the Official Cash Rate (OCR) to record low of 1%, taking everyone in the market by surprise. While interest rates remained there for the quarter, the RBNZ indicated "there remains scope" for future rate cuts if conditions warrant. In short, the RBNZ is willing to keep the OCR low in the hope that the monetary stimulus will help meet their objectives of maximum sustainable employment and 2% inflation.

The recent ANZ business outlook survey disappointed, reporting that business confidence is sagging, with a net 54% respondents expecting general business conditions to deteriorate, the lowest in a decade. The New Zealand Institute of Economic Research Quarterly Survey of Business Opinion also disappointed, highlighting profitability in the retail sector is at its weakest level since 2009. On the brighter side, the unemployment rate fell to an 11 year low of 3.9%, surprising the market, who had expected it to rise from 4.3% to 4.4%.

In foreign exchange markets, the NZD fell against the USD, the pound sterling and most other countries. On a trade weight basis, the NZD weakened by 4.1% because of flagging domestic growth expectations and the unexpected cut in the RBNZ benchmark interest rate.

How have the Funds performed?

	Past Quarter	1 Year	Annualised since inception
Cash Fund	0.55%	2.33%	2.46%
Defensive Fund	2.28%	7.20%	5.21%
Conservative Portfolio	2.62%	7.86%	6.20%
Moderate Portfolio	2.96%	8.51%	7.20%
Balanced Fund	3.19%	8.95%	7.86%
Balanced Growth Portfolio	3.37%	9.09%	8.31%
Growth Fund	3.54%	9.22%	8.76%

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.

Outlook

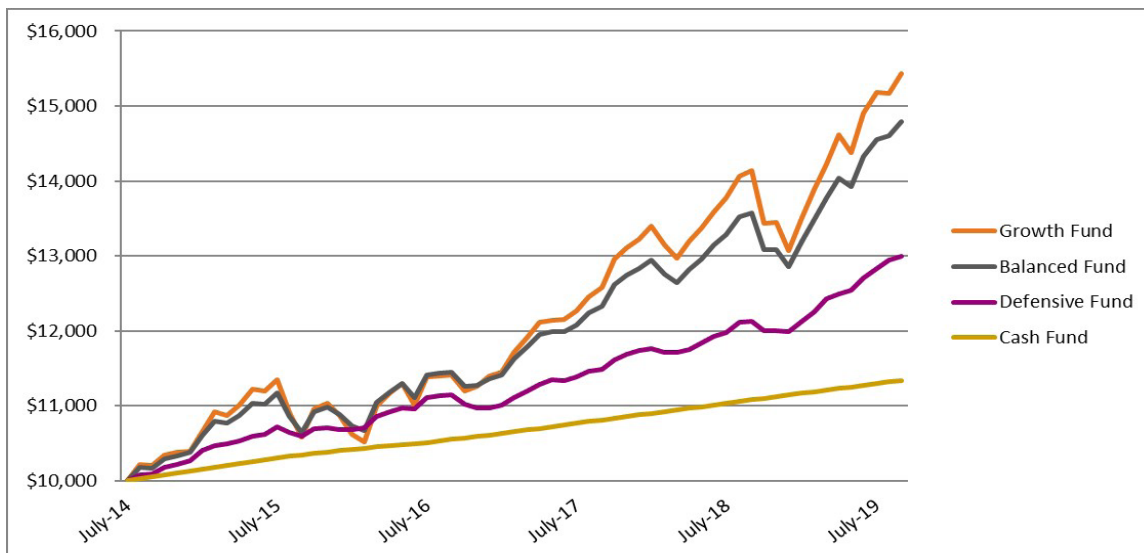
The global business cycle continues to mature, with the US and most major economies in the late cycle phase of expansion. Trade disputes and geopolitical frictions have become key headwinds on the economy and markets. The economy faces unpredictable risks, including the China-US trade war, the impact of Brexit, and Hong Kong protests, all of which, implies the potential for elevated financial market volatility in the quarters to come. The US and other global central banks have pivoted to stimulus measures, which may provide some relief for investors. An environment of falling yields and stocks turning more volatile, means it is crucial investors maintain a diverse mix of assets and a long-term focus.

Commentary on performance

All funds rose in the September quarter with all major asset classes delivering positive returns. Global shares made good gains in the quarter including NZ, Australia and US shares. Government and Corporate bonds delivered positive total returns as prices rose as yields fell. The NZ dollar finished down for the period, boosting returns of the unhedged equity positions in the portfolio. Emerging markets returned negative performance in a volatile quarter. The listed property sector repeated its strong performance with investors reaching for dividend yield.

Growth of a \$10,000 investment

Value of the investment

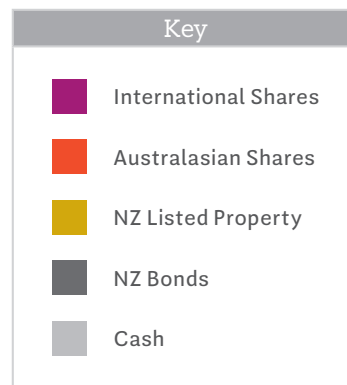
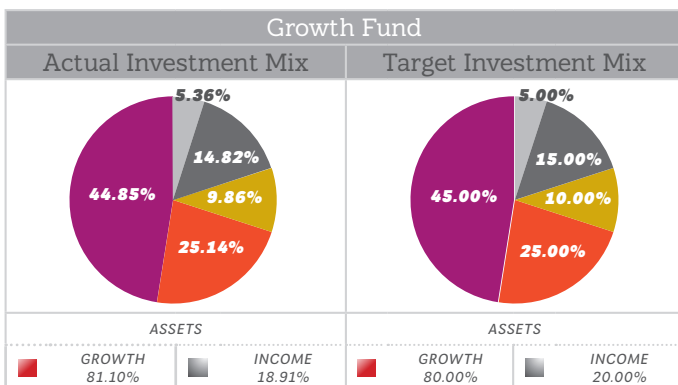
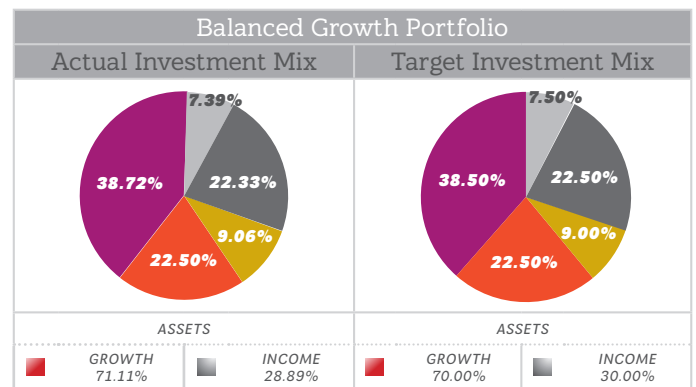
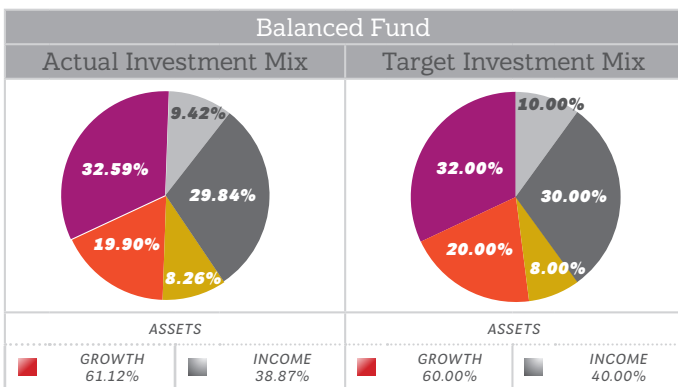
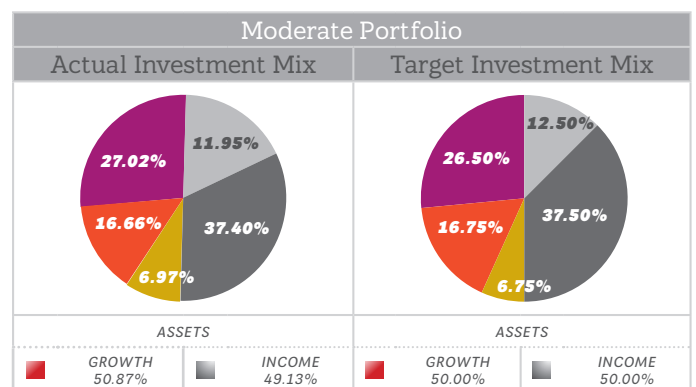
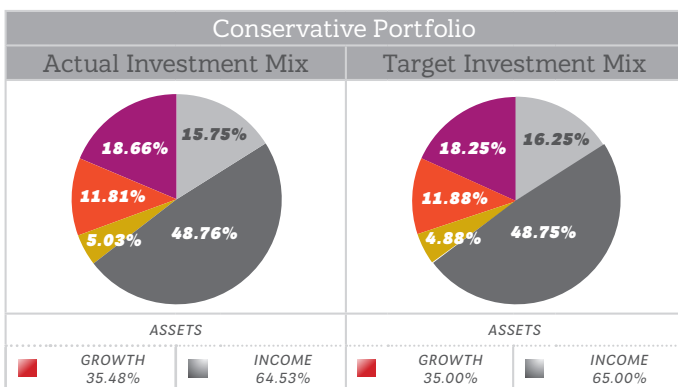
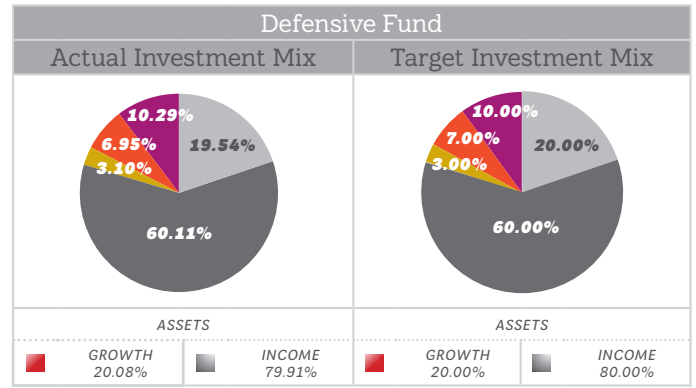
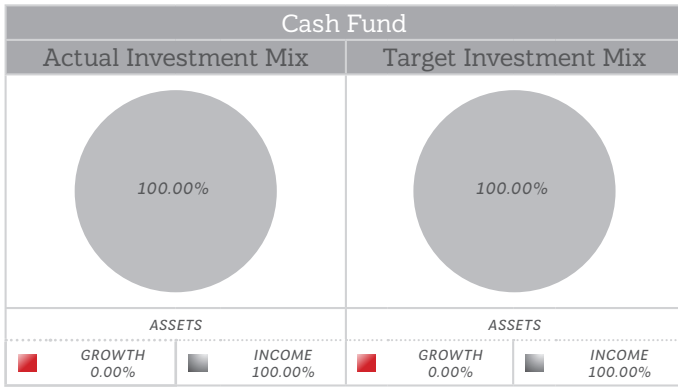


Assumes standard management fees, reinvestment of distributions and zero tax rate.

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 web site: www.publictrust.co.nz.

What do the Funds invest in?



Top 10 holdings

GROWTH ASSETS

INTERNATIONAL SHARES		
COMPANY	COUNTRY	WEIGHTING
Microsoft Corp.	United States	2.25%
Apple Inc.	United States	2.14%
Amazon.com Inc.	United States	1.82%
Facebook Inc.	United States	1.06%
Johnson & Johnson	United States	0.85%
JPMorgan Chase & Co.	United States	0.84%
Alphabet Inc. Class A	United States	0.77%
Alphabet Inc. Class C	United States	0.76%
Exxon Mobil Corp.	United States	0.75%
Nestle SA	Switzerland	0.73%
TOTAL		11.97%

AUSTRALASIAN SHARES		
COMPANY	COUNTRY	WEIGHTING
Fisher & Paykel Healthcare Corp.	New Zealand	6.75%
a2 Milk Co	New Zealand	6.63%
Auckland Intl Airport	New Zealand	5.88%
Spark New Zealand	New Zealand	5.51%
Meridian Energy	New Zealand	4.44%
Contact Energy	New Zealand	4.16%
Ryman Healthcare Group	New Zealand	3.75%
Fletcher Building	New Zealand	2.99%
Mainfreight Limited	New Zealand	2.30%
Infratil	New Zealand	2.21%
TOTAL		44.63%

NZ LISTED PROPERTY		
COMPANY	FUND	BENCH-MARK
Argosy Property	14.48%	17.86%
Goodman Property Trust	14.88%	17.19%
Kiwi Property Group	13.94%	12.02%
Precinct Properties NZ	14.20%	9.23%
Property for Industry	14.45%	9.82%
Stride Stapled Group	13.82%	17.60%
VitalHealthcarePropertyTrust	14.23%	12.03%
TOTAL	100%	100.00%

INCOME ASSETS

NZ CASH		
ISSUER	CREDIT	WEIGHTING
ASB Bank	AA-	17.57%
ANZ Bank	AA-	16.95%
Bank of New Zealand	AA-	16.13%
Kiwibank	A	14.40%
Industrial and Commercial Bank of China	A	4.35%
Westpac	AA-	3.95%
Bank of China	A	3.91%
China Construction Bank	A	3.90%
The Hongkong and Shanghai Bank	AA-	3.49%
Rabobank	A	3.48%
TOTAL		88.13%

NZ BONDS		
ISSUER	CREDIT	WEIGHTING
New Zealand (Government)	AA+	34.13%
New Zealand (Local Government Funding Agency)	AA+	21.92%
ANZ Bank	A+	5.11%
Westpac	A+	4.69%
ASB Bank	A+	4.17%
Bank of New Zealand	A+	3.91%
Auckland, Regional Council of	AA	3.61%
Housing New Zealand	AA+	3.00%
Fonterra Co-operative Group	A-	1.93%
Auckland Intl Airport	A-	1.92%
TOTAL		84.39%

Key personnel

Position	Investment Committee Chair	Chief Executive	Head of Investments
Name	<i>Fiona Oliver</i>	<i>Glenys Talivai</i>	<i>Theresa Egan</i>
Time in position	<i>5 years 2 months</i>	<i>7 months</i>	<i>1 Year 8 months</i>
Previous Position	<i>Committee member</i>	<i>General Manager</i>	<i>Investment Manager</i>
Time in previous position	<i>4 years 10 months</i>	<i>4 years 5 months</i>	<i>5 years</i>
Employer	<i>Public Trust Board member</i>	<i>Tower Insurance</i>	<i>Te Tuma Paeroa</i>

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 January 2019, a copy of which is available on request to Public Trust.

Contact information

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