



FUNDS MANAGEMENT SERVICE

QUARTERLY INVESTMENT REPORT

31 December 2019



**Government of
South Australia**

Produced by
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Quarterly Investment Report – 31 December 2019

This Quarterly Investment Report presents the results of the Public Trustee's Funds Management Service for the quarter ended 31 December 2019.

The Public Trustee is a statutory entity founded in 1881. At the end of the December 2019 quarter, it had approximately \$1.1 billion in funds under management. The Public Trustee's Funds Management Service has a record of high quality, proven and consistent investment performance. The Public Trustee is proud of its long-standing reputation for trust and reliability, and the vital role it plays for our customers.

The Public Trustee's December quarter investment returns ranged from 0.26% for Cash to 3.93% for Equities, net of fees. Five year returns stand at 1.94% for Cash to 9.41% for Equities, net of fees. Overall, all investment strategies have outperformed their CPI targets over the suggested time horizon, as illustrated below:

SIS Performance versus CPI Objectives as at 31 December 2019

Investment Strategy	CPI Objective	Investment Horizon	Target Return % pa	Actual Return % pa	Over (+) / Under(-)	Outperformance % pa
Capital Stable	CPI + 1.5% pa	3 Years	3.34%	4.10%	+	0.76%
Balanced	CPI + 3% pa	5 Years	4.74%	5.88%	+	1.14%
Growth	CPI + 3.5% pa	7 Years	5.38%	8.87%	+	3.49%
Equities	CPI + 4% pa	10 Years	6.11%	9.34%	+	3.23%

For any enquiries regarding your investments please contact Cosi Capozzo on 08 82269223.

Nicolle Rantanen
Acting Public Trustee
February 2020

Market Overview

Global

Global shares rose for a fourth consecutive quarter, with all major markets delivering positive returns. During the quarter the US Federal Reserve reduced interest rates by 0.25% and Chinese and US officials came to a 'phase one' trade pact, which de-escalated the tariff war. In the United Kingdom, parliament passed the measures required to ensure the country could leave the European Union on January 31, 2020. Economic news during the quarter was upbeat, with the US economy expanding 2.1% in the third quarter and the jobless rate fell to a 50 year low of 3.5%.

Australia

In October, the Reserve Bank of Australia (RBA) reduced interest rates to a record low of 0.75%, with interest rates remaining on hold for the remainder of the year. The Australian Dollar appreciated against most major currencies, finishing the quarter at \$0.70 US.

Share Markets

Australian shares increased 0.7% for the quarter, consolidating the strong performance over the last 12 months. Global shares had a particularly good quarter, rising 4.3% on an unhedged basis. Both US and European shares reached record highs and emerging market shares rallied 11.4%.

Key Developments

Key developments over the quarter were:

- Strong global share markets
- Interest rate cuts by the RBA and US Federal Reserve
- Easing in trade tensions between the US and China

Since 1990, funds invested through the Public Trustee have grown from \$160 million to \$1.1 billion today.

➤ Cash Investment Strategy

During the quarter, the Reserve Bank reduced interest rates by 0.25% to 0.75%. The fund's return of 0.26% for the quarter was above the benchmark return by 0.27%. The strategy's 3, 5, 7 and 10 year returns of 1.74%, 1.94%, 2.30% and 3.11% are all ahead of benchmark.

Crediting Rate:

The investment return for this fund is calculated daily, based on the net earnings of the fund. The daily crediting rate as at 31 December 2019 was 0.90% p.a.

Fund size: \$358 million.

Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	0.26%	1.64%	1.74%	1.94%	2.30%	3.11%
Benchmark**	-0.01%	0.49%	0.72%	0.91%	1.16%	1.87%
Difference	0.27%	1.15%	1.02%	1.03%	1.14%	1.24%

*Annualised ** Index return on Strategic Asset Allocation

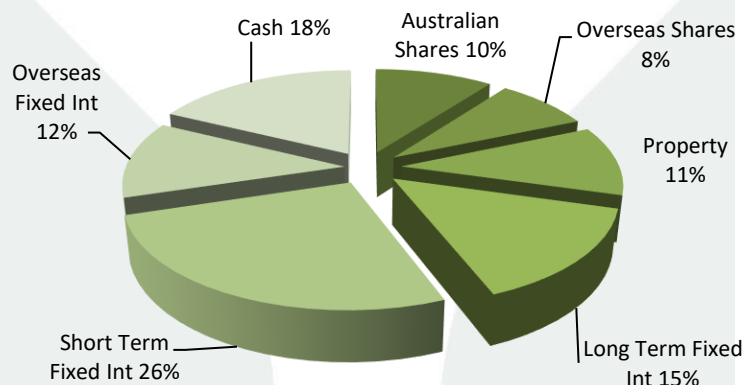
Objective:

Funds assigned to the cash investment strategy are invested in the Public Trustee's Cash Fund. The objective of the Cash Fund is the preservation of capital. The strategy is intended for investors who are seeking secure returns at prevailing short term interest rates.

➤ Capital Stable Investment Strategy

The strategy's return for the quarter was 1.07%, outperforming the benchmark return by 0.78%. The Strategy's 7 year and 10 year returns of 4.72% and 5.01% are both 0.27% ahead of benchmark.

Fund size: \$139 million.



Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	1.07%	7.05%	4.10%	3.95%	4.72%	5.01%
Benchmark**	0.29%	7.87%	4.24%	3.73%	4.45%	4.74%
Difference	0.78%	-0.82%	-0.14%	0.22%	0.27%	0.27%

*Annualised ** Index return on Strategic Asset Allocation

Objective:

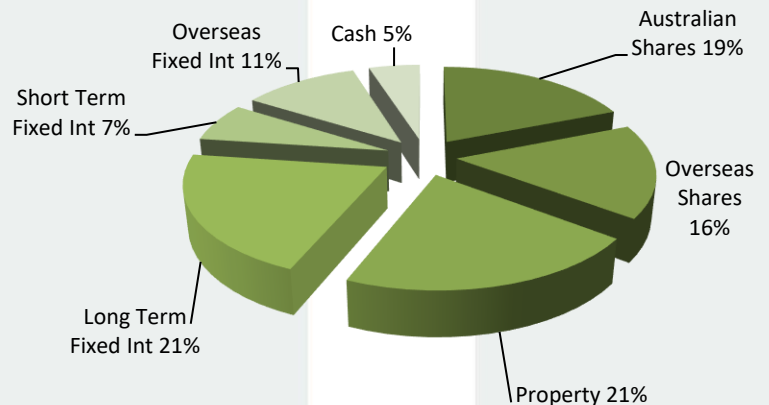
The objective of this strategy is to achieve CPI +1.5% p.a. over a three year time frame, by strategically allocating 28% of the funds in growth assets and the balance in fixed interest and cash. It is suitable for investors who are seeking higher returns than cash over time and are prepared to accept a slight increase in risk in terms of downward

movements in the value of their capital from time to time.

➤ Balanced Investment Strategy

The strategy's return for the quarter was 1.95%, outperforming the benchmark return by 1.38%. The strategy's 7 year and 10 year returns of 7.16% and 6.83% are respectively 0.19% and 0.16% ahead of benchmark.

Fund size: \$274 million.



Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	1.95%	11.96%	6.33%	5.88%	7.16%	6.83%
Benchmark**	0.57%	12.93%	6.63%	5.69%	6.97%	6.67%
Difference	1.38%	-0.97%	-0.30%	0.19%	0.19%	0.16%

*Annualised ** Index return on Strategic Asset Allocation

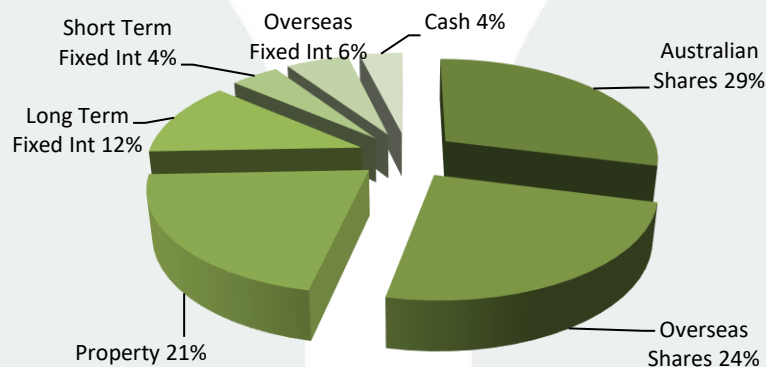
Objective:

The objective of this strategy is to achieve CPI + 3% p.a. over a five year time frame, by strategically allocating 55% of the funds in growth assets and the balance in fixed interest and cash. It is suitable for medium term investors who seek higher returns and are prepared to accept some volatility in the value of the funds invested.

➤ Growth Investment Strategy

The strategy's return for the quarter was 2.65%, outperforming the benchmark return by 1.17%. The strategy's 7 year and 10 year returns of 8.87% and 7.93% are respectively 0.31% and 0.40% ahead of benchmark.

Fund size: \$243 million.



Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	2.65%	15.65%	7.83%	7.21%	8.87%	7.93%
Benchmark**	1.48%	16.44%	7.97%	6.85%	8.56%	7.53%
Difference	1.17%	-0.79%	-0.14%	0.36%	0.31%	0.40%

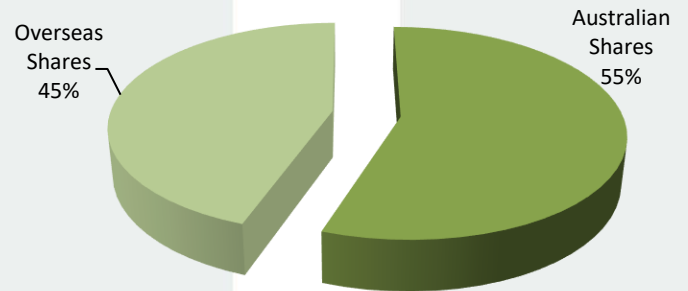
*Annualised ** Index return on Strategic Asset Allocation

Objective:

The objective of this strategy is to achieve CPI + 3.5% p.a. over a seven year time frame by strategically allocating 73% to growth assets and the balance in fixed interest and cash. It is suitable for long term investors who are prepared to accept high volatility in the value of the funds invested.

➤ Equities Investment Strategy

The strategy's return for the quarter was 3.93%, outperforming the benchmark return by 1.05%. The strategy's 7 year and 10 year returns of 11.53% and 9.34% are respectively 0.32% and 0.66% ahead of benchmark.



Fund size: \$92 million.

Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	3.93%	23.62%	10.45%	9.41%	11.53%	9.34%
Benchmark**	2.88%	23.90%	10.38%	8.93%	11.21%	8.68%
Difference	1.05%	-0.28%	0.07%	0.48%	0.32%	0.66%

*Annualised ** Index return on Strategic Asset Allocation

Objective:

The equities strategy offers 100% exposure to the world's share markets. Over the long term, it offers the prospects of high returns but with the likelihood that capital values will fluctuate broadly in line with the fortunes of the share markets. Typically, this strategy may be used as a return booster in conjunction with one of the other investment strategies.

The objective of this strategy is to achieve CPI + 4% p.a. over a 10 year time frame, with exposure to both domestic and overseas share markets. It has a 55%/45% strategic allocation to the two markets respectively.

NB: All the above investment strategies are exercised through investment in one, or a combination of, the Public Trustee Common Funds.

The investment returns presented in this quarterly report relate to past performances and must not be taken to imply that this predicts future returns of the funds. The information and opinions contained in this report have been compiled or are arrived at by the Public Trustee from sources believe to be reliable, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness or correctness.

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**Government of
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CASES MANAGED WELL
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THE PRINCIPLES WE LIVE BY TO GET THE 'TICK'
FOR SERVICE FROM OUR CUSTOMERS

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