



# **FUNDS MANAGEMENT SERVICE**

## **QUARTERLY INVESTMENT REPORT**

**30 June 2023**



**Government of  
South Australia**

Produced by  
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## Quarterly Investment Report – 30 June 2023

This Quarterly Investment Report presents the results of the Public Trustee's Funds Management Service for the quarter ended 30 June 2023.

The Public Trustee is a statutory entity founded in 1881. At the end of the June 2023 quarter, it had approximately \$1.4 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 June quarter performance was strong for Public Trustee's investment strategies. For the 2022-23 financial year Public Trustee's investment strategy returns ranged from 2.00% p.a. for Cash to 14.16% p.a. for Equities, net of fees. Increases in RBA cash rates have been beneficial for the return on cash investments, which make up a large portion of Public Trustee customers funds. During the financial year some strategies slightly lagged their benchmarks, which was due to the defensive positioning of fund managers and some weakness in the commercial property market.

Over the long term, ten year returns stand at 1.67% p.a. for Cash to 8.52% p.a. for Equities, net of fees. The investment strategy performance relative to CPI based targets, over the suggested time horizon, is illustrated below. Due to continued high levels of inflation (CPI) some investments now trail the CPI based objectives. This may continue in the short term, while inflation remains high.

### SIS Performance versus CPI Objectives as at 30 June 2023

Investment Strategy	CPI Objective	Investment Horizon	Target Return % pa	Actual Return % pa	Over (+) / Under(-)
Capital Stable	CPI + 1.5% pa	3 Years	6.83%	1.76%	-
Balanced	CPI + 2.5% pa	5 Years	5.92%	2.75%	-
Growth	CPI + 3.5% pa	7 Years	6.51%	5.31%	-
Equities	CPI + 4% pa	10 Years	6.66%	8.52%	+

For any enquiries regarding your investments please contact Marc Skovberg on 08 82269223.

**Nicolle Rantanen**  
Public Trustee  
August 2023

## ➤ Market Overview

### Global

The June quarter was generally positive for financial markets. Global share markets performed well driven by exuberance for technology stocks and reduced concerns about inflation. Japanese equities were a standout, gaining 15% on strong economic growth. Emerging market returns were positive but China's economic recovery has been slower than expected. During the quarter interest rates continued to rise and there was progress made by Central Banks in bringing down inflation.

### Australia

During the quarter Australia recorded an annual inflation rate of 6.0%, a decrease in the inflation rate compared to the previous quarter. The Reserve Bank of Australia (RBA) increased official interest rates two times during the quarter by a total of 0.50%, increasing the cash rate to 4.10%. The Australian dollar slightly depreciated against the US Dollar, finishing the quarter at \$0.66 US.

### Share Markets

The MSCI Global Equities ex Australia Index climbed 7.6%, with Information Technology and Consumer Discretionary being the strongest sectors over the quarter, returning 15.0% and 11.3% respectively. Australian shares had a positive quarter albeit lagging global markets, with the S&P/ASX300 index returning 0.99% over the quarter and 14.4% over the financial year.

### Key Developments

Key developments over the quarter:

- The RBA continued to increase official interest rates
- Global share markets delivered strong returns
- Signs that high inflation is easing

Since 1990, funds invested through the Public Trustee have grown from \$160 million to \$1.4 billion today.

## ➤ Cash Investment Strategy

During the quarter, the Reserve Bank of Australia lifted official interest rates two times by a total of 0.50%. The fund's return was 0.76% for the quarter. The strategy's 3, 5, 7 and 10 year returns of 0.71%, 1.02%, 1.25% and 1.67% 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 30 June was 3.40% p.a.

**Fund size:** \$451 million.

Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
<b>Return (after fees)</b>	<b>0.76%</b>	<b>2.00%</b>	<b>0.71%</b>	<b>1.02%</b>	<b>1.25%</b>	<b>1.67%</b>
<b>Benchmark**</b>	0.65%	1.87%	0.01%	0.17%	0.35%	0.69%
<b>Difference</b>	0.11%	0.13%	0.70%	0.85%	0.90%	0.98%

\*Annualised \*\* Index return on Strategic Asset Allocation

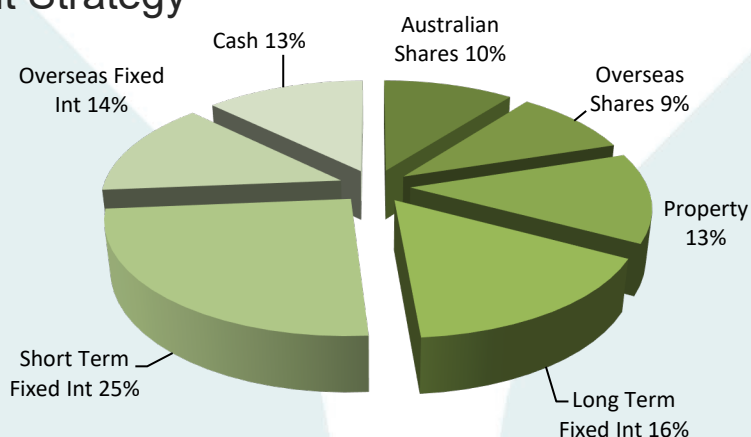
### Objective:

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 0.63%, outperforming the benchmark return by 0.53%. The Strategy's 7 year and 10 year returns of 2.44% and 3.29% were 0.07% and 0.17% ahead of benchmark.

**Fund size:** \$161 million.



Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
<b>Return (after fees)</b>	<b>0.63%</b>	<b>3.76%</b>	<b>1.76%</b>	<b>1.67%</b>	<b>2.44%</b>	<b>3.29%</b>
<b>Benchmark**</b>	0.10%	3.78%	1.30%	1.91%	2.37%	3.12%
<b>Difference</b>	0.53%	-0.02%	0.46%	-0.24%	0.07%	0.17%

\*Annualised \*\* Index return on Strategic Asset Allocation

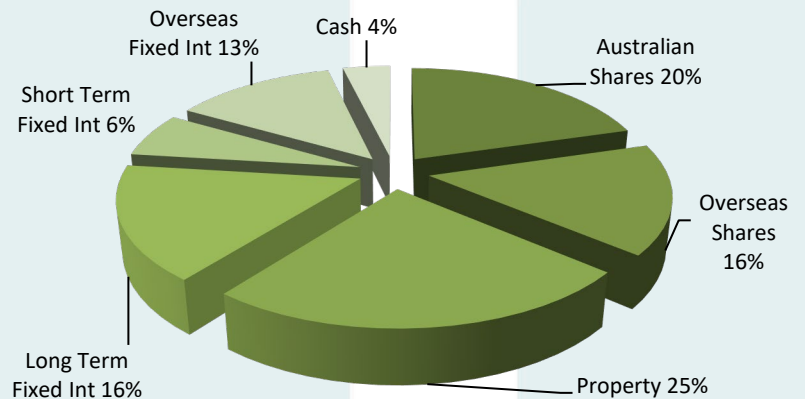
### Objective:

The objective of this strategy is to achieve CPI +1.5% p.a. over a three year time frame, by strategically allocating 34% 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 0.84%, outperforming the benchmark return by 0.17%. The strategy's 7 year and 10 year returns of 3.97% and 5.04% were 0.27% and 0.05% below benchmark.

**Fund size:** \$265 million.



Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
<b>Return (after fees)</b>	<b>0.84%</b>	<b>5.56%</b>	<b>3.72%</b>	<b>2.75%</b>	<b>3.97%</b>	<b>5.04%</b>
<b>Benchmark**</b>	0.67%	6.18%	3.71%	3.51%	4.24%	5.09%
<b>Difference</b>	0.17%	-0.62%	0.01%	-0.76%	-0.27%	-0.05%

\*Annualised \*\* Index return on Strategic Asset Allocation

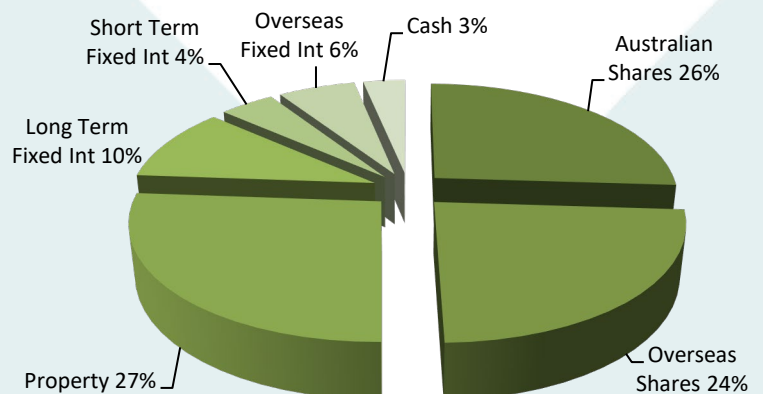
### Objective:

The objective of this strategy is to achieve CPI + 2.5% p.a. over a five year time frame, by strategically allocating 61.5% 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 1.37%, slightly underperforming the benchmark return by 0.02%. The strategy's 7 year and 10 year returns of 5.31% and 6.33% were 0.53% and 0.14% below benchmark.

**Fund size:** \$216 million.



Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
<b>Return (after fees)</b>	<b>1.37%</b>	<b>7.43%</b>	<b>5.43%</b>	<b>3.67%</b>	<b>5.31%</b>	<b>6.33%</b>
<b>Benchmark**</b>	1.39%	8.38%	6.09%	4.83%	5.84%	6.47%
<b>Difference</b>	-0.02%	-0.95%	-0.66%	-1.16%	-0.53%	-0.14%

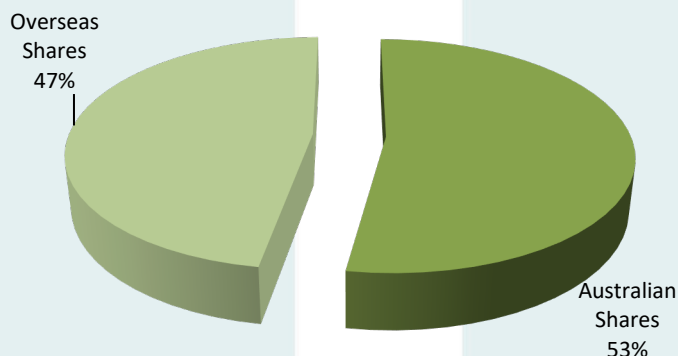
\*Annualised \*\* Index return on Strategic Asset Allocation

### Objective:

The objective of this strategy is to achieve CPI + 3.5% p.a. over a seven year time frame by strategically allocating 77% 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 3.32%, outperforming the benchmark return by 0.08%. The strategy's 7 year and 10 year returns of 7.92% and 8.52% were 0.87% and 0.36% below benchmark.



**Fund size:** \$76 million.

Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
<b>Return (after fees)</b>	<b>3.32%</b>	<b>14.16%</b>	<b>8.31%</b>	<b>5.29%</b>	<b>7.92%</b>	<b>8.52%</b>
<b>Benchmark**</b>	3.24%	14.83%	10.15%	7.02%	8.79%	8.88%
<b>Difference</b>	0.08%	-0.67%	-1.84%	-1.73%	-0.87%	-0.36%

\*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. The information in this report is of a general nature. The Public Trustee strongly recommends that you contact our Office to discuss your particular circumstances. The Public Trustee does not accept any liability whatsoever for any direct or consequential loss arising from any usage of information herein contained.



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