



FUNDS MANAGEMENT SERVICE

QUARTERLY INVESTMENT REPORT

31 December 2023



**Government of
South Australia**

Produced by
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Quarterly Investment Report – 31 December 2023

This Quarterly Investment Report presents the results of the Public Trustee's Funds Management Service for the quarter ended 31 December 2023.

The Public Trustee is a statutory entity founded in 1881. At the end of the December 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.

Returns for the December quarter were strong for financial markets. For the year, Public Trustee's investment strategy returns range from 3.21% p.a. for Cash to 13.09% p.a. for Equities, net of fees.

Over the long term, ten year returns stand at 1.69% p.a. for Cash to 7.24% 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 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 31 December 2023

Investment Strategy	CPI Objective	Investment Horizon	Target Return % pa	Actual Return % pa	Over (+) / Under(-)
Capital Stable	CPI + 1.5% pa	3 Years	6.61%	1.41%	-
Balanced	CPI + 2.5% pa	5 Years	6.09%	3.90%	-
Growth	CPI + 3.5% pa	7 Years	6.59%	4.91%	-
Equities	CPI + 4% pa	10 Years	6.65%	7.24%	+

For any enquiries regarding your investments please contact Marc Skovberg on 08 82269259.

Nicolle Rantanen
Public Trustee
February 2024

➤ Market Overview

Global

Global share markets experienced a strong resurgence over the December 2023 quarter. This upswing was largely fueled by changing sentiment about the potential for interest rate cuts by Central Banks over 2024. The shift in market expectations toward lower rates in 2024 contributed to a fall in bond yields. The yield on the US 10-year Government bond dropped from 4.57% to 3.88%, and the yield on the Australian 10-year Government bond similarly decreased, moving from 4.49% to 3.96%.

Australia

The Reserve Bank of Australia (RBA) raised the cash rate to 4.35% in November due to persistently high inflation but paused rate hikes in December following milder inflation figures. The Australian Dollar strengthened against major currencies, appreciating by 5.7% against the US Dollar, 1.3% against the Euro, and 1.2% against the Pound Sterling.

Share Markets

In Australia, the S&P/ASX 300 Index rose by 8.4% for the quarter. The MSCI World Index also performed well, delivering a 5.4% gain for the quarter. The US stock market performed exceptionally well, rising 11%, led by information technology and real estate companies. Emerging market shares finished 2% higher, despite some weakness in China.

Key Developments

Key developments over the quarter:

- Strong global share market returns
- The US Federal Reserve signaled that interest rate cuts are a possibility in 2024
- Bond yields moved lower

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 raised official interest rates by 0.25%. The fund's return was 0.93% for the quarter. The strategy's 3, 5, 7 and 10 year returns of 1.28%, 1.20%, 1.37% and 1.69% 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 was 3.80% p.a.

Fund size: \$430 million.

Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
Return (after fees)	0.93%	3.21%	1.28%	1.20%	1.37%	1.69%
Benchmark**	0.81%	2.86%	0.71%	0.40%	0.52%	0.77%
Difference	0.12%	0.35%	0.57%	0.80%	0.85%	0.92%

*Annualised ** Index return on Strategic Asset Allocation

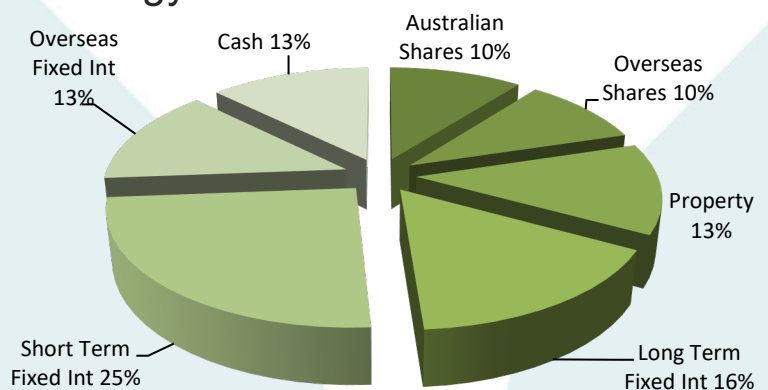
Objective:

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 2.68%, underperforming the benchmark return by 0.70%. The Strategy's 7 year and 10 year returns of 2.47% and 3.06% were -0.12% under and 0.01% ahead of benchmark.

Fund size: \$179 million.



Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
Return (after fees)	2.68%	5.18%	1.41%	2.39%	2.47%	3.06%
Benchmark**	3.38%	5.49%	1.14%	2.64%	2.59%	3.05%
Difference	-0.70%	-0.31%	0.27%	-0.25%	-0.12%	0.01%

*Annualised ** Index return on Strategic Asset Allocation

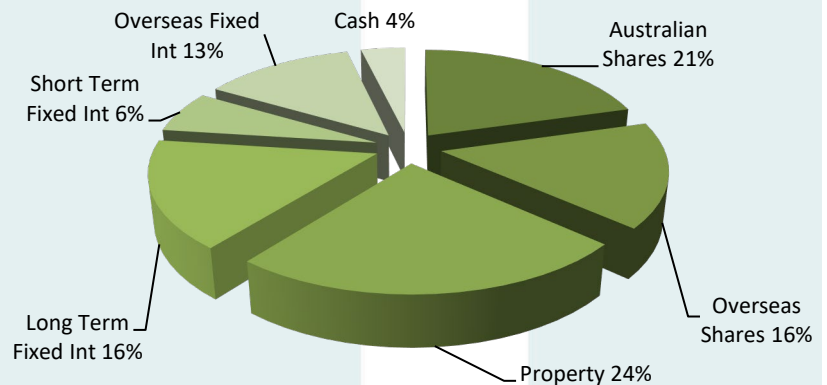
Objective:

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 3.56%, underperforming the benchmark return by 1.07%. The strategy's 7 year and 10 year returns of 3.82% and 4.50% were 0.50% and 0.27% below benchmark.

Fund size: \$280 million.



Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
Return (after fees)	3.56%	6.40%	2.50%	3.90%	3.82%	4.50%
Benchmark**	4.63%	7.29%	2.81%	4.60%	4.32%	4.77%
Difference	-1.07%	-0.89%	-0.30%	-0.70%	-0.50%	-0.27%

*Annualised ** Index return on Strategic Asset Allocation

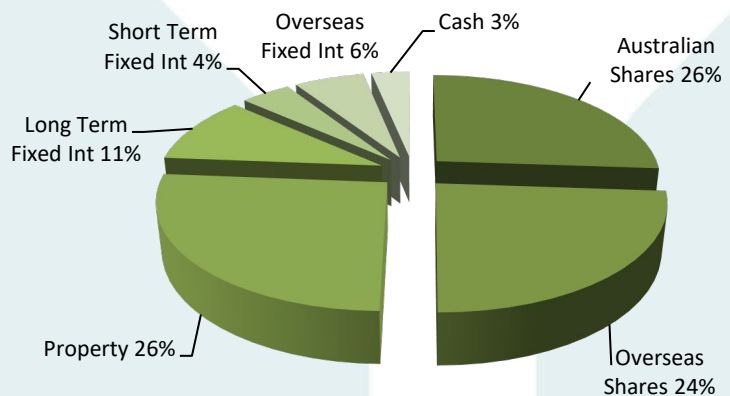
Objective:

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 3.82%, underperforming the benchmark return by 1.39%. The strategy's 7 year and 10 year returns of 4.91% and 5.49% were 0.77% and 0.42% below benchmark.

Fund size: \$220 million.



Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
Return (after fees)	3.82%	7.65%	3.49%	5.23%	4.91%	5.49%
Benchmark**	5.21%	8.98%	4.47%	6.37%	5.68%	5.91%
Difference	-1.39%	-1.33%	-0.98%	-1.14%	-0.77%	-0.42%

*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 5.08%, underperforming the benchmark return by 2.14%. The strategy's 7 year and 10 year returns of 7.05% and 7.24% were 1.16% and 0.68% below benchmark.



Fund size: \$78 million.

Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
Return (after fees)	5.08%	13.09%	5.03%	8.12%	7.05%	7.24%
Benchmark**	7.22%	14.75%	7.49%	9.86%	8.21%	7.92%
Difference	-2.14%	-1.66%	-2.46%	-1.74%	-1.16%	-0.68%

*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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