



# **FUNDS MANAGEMENT SERVICE**

## **QUARTERLY INVESTMENT REPORT**

**30 September 2023**



**Government of  
South Australia**

Produced by  
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## Quarterly Investment Report – 30 September 2023

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

The Public Trustee is a statutory entity founded in 1881. At the end of the September 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 September quarter was generally weaker for financial markets. For the quarter, Public Trustee's investment strategy returns ranged from 0.90% p.a. for Cash to -1.63% 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.

Over the long term, ten year returns stand at 1.68% p.a. for Cash to 7.41% 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 September 2023

Investment Strategy	CPI Objective	Investment Horizon	Target Return % pa	Actual Return % pa	Over (+) / Under(-)
Capital Stable	CPI + 1.5% pa	3 Years	6.70%	1.33%	-
Balanced	CPI + 2.5% pa	5 Years	6.08%	2.28%	-
Growth	CPI + 3.5% pa	7 Years	6.58%	4.65%	-
Equities	CPI + 4% pa	10 Years	6.67%	7.41%	+

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

**Nicolle Rantanen**  
Public Trustee  
November 2023

## ➤ Market Overview

### Global

Global share markets performed strongly in July, but were weaker in August and September. Commodities were a notable outperformer with energy the strongest sector. Bond yields continued to move higher as inflation persisted. Emerging Markets also ended the quarter with negative returns, however, outperformed the broader global market. Annual inflation in the US increased at the beginning of the quarter, and then held steady, whilst Eurozone inflation fell.

### Australia

During the quarter Australia recorded an annual inflation rate of 5.4%. The Reserve Bank of Australia (RBA) held the cash rate steady at 4.10%, but reiterated that further rate rises might be required to reduce inflation to target. The Australian dollar slightly depreciated against the US Dollar, finishing the quarter at \$0.64 US.

### Share Markets

The S&P/ASX300 fell by 0.80% during the quarter despite the RBA keeping interest rates on hold. Similarly, MSCI All Country World index indicated that international equities fell by 0.30% during the period. The Energy Sector was the strongest sector, with the MSCI AC World Energy index rising 14%.

### Key Developments

Key developments over the quarter:

- The RBA kept interest rates on hold
- Oil prices increased
- Long term interest rates increased

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 kept official interest rates on hold. The fund's return was 0.90% for the quarter. The strategy's 3, 5, 7 and 10 year returns of 0.98%, 1.11%, 1.30% and 1.68% 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 September was 3.60% p.a.

**Fund size:** \$435 million.

Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
<b>Return (after fees)</b>	<b>0.90%</b>	<b>2.68%</b>	<b>0.98%</b>	<b>1.11%</b>	<b>1.30%</b>	<b>1.68%</b>
<b>Benchmark**</b>	0.83%	2.54%	0.36%	0.28%	0.43%	0.73%
<b>Difference</b>	0.07%	0.14%	0.62%	0.83%	0.87%	0.95%

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

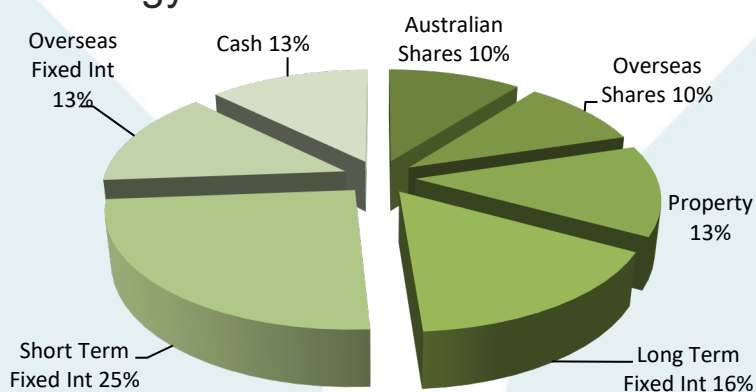
### Objective:

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 -0.32%, outperforming the benchmark return by 0.18%. The Strategy's 7 year and 10 year returns of 2.18% and 2.98% were 0.05% and 0.15% ahead of benchmark.

**Fund size:** \$174 million.



Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
<b>Return (after fees)</b>	<b>-0.32%</b>	<b>4.15%</b>	<b>1.33%</b>	<b>1.43%</b>	<b>2.18%</b>	<b>2.98%</b>
<b>Benchmark**</b>	-0.50%	4.29%	0.90%	1.63%	2.13%	2.83%
<b>Difference</b>	0.18%	-0.14%	0.43%	-0.20%	0.05%	0.15%

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

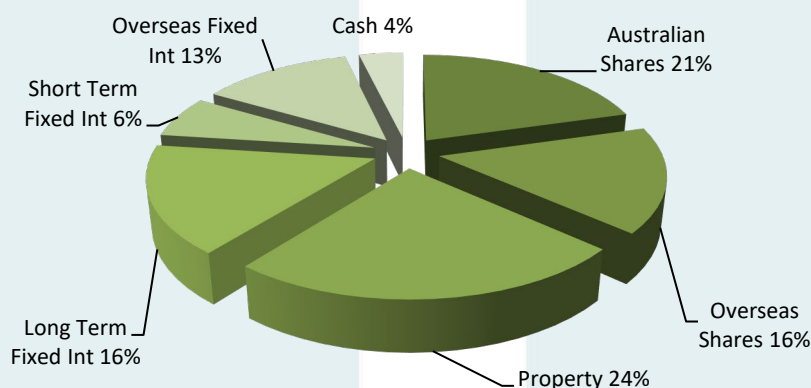
### Objective:

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 -1.04%, outperforming the benchmark return by 0.16%. The strategy's 7 year and 10 year returns of 3.48% and 4.48% were 0.28% and 0.09% below benchmark.

**Fund size:** \$279 million.



Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
<b>Return (after fees)</b>	<b>-1.04%</b>	<b>5.54%</b>	<b>2.79%</b>	<b>2.28%</b>	<b>3.48%</b>	<b>4.48%</b>
<b>Benchmark**</b>	-1.20%	6.25%	2.96%	2.97%	3.76%	4.57%
<b>Difference</b>	0.16%	-0.71%	-0.17%	-0.69%	-0.28%	-0.09%

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

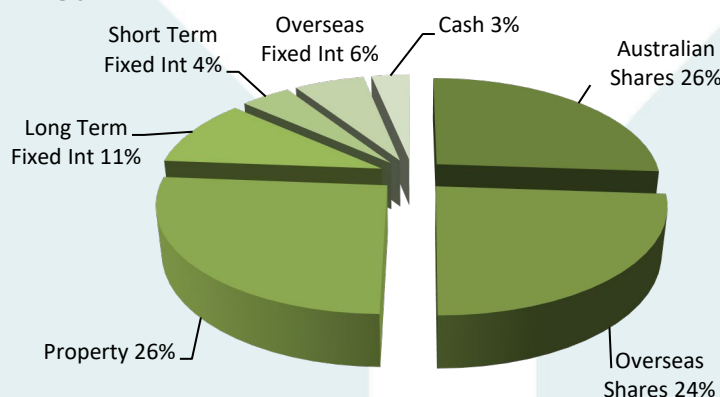
### Objective:

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 -1.27%, outperforming the benchmark return by 0.08%. The strategy's 7 year and 10 year returns of 4.65% and 5.59% were 0.58% and 0.19% below benchmark.

**Fund size:** \$218 million.



Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
<b>Return (after fees)</b>	<b>-1.27%</b>	<b>7.23%</b>	<b>4.23%</b>	<b>3.07%</b>	<b>4.65%</b>	<b>5.59%</b>
<b>Benchmark**</b>	-1.35%	8.29%	5.11%	4.14%	5.23%	5.78%
<b>Difference</b>	0.08%	-1.06%	-0.88%	-1.07%	-0.58%	-0.19%

\*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 -1.63%, underperforming the benchmark return by 0.27%. The strategy's 7 year and 10 year returns of 6.90% and 7.41% were 1.04% and 0.45% below benchmark.



**Fund size:** \$77 million.

Performance	Quarter %	1 year %	3 year %*	5 year%*	7 year%*	10 year%*
<b>Return (after fees)</b>	<b>-1.63%</b>	<b>13.69%</b>	<b>6.50%</b>	<b>4.43%</b>	<b>6.90%</b>	<b>7.41%</b>
<b>Benchmark**</b>	-1.36%	14.56%	8.90%	6.07%	7.94%	7.86%
<b>Difference</b>	-0.27%	-0.87%	-2.40%	-1.64%	-1.04%	-0.45%

\*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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