



FUNDS MANAGEMENT SERVICE

QUARTERLY INVESTMENT REPORT

30 June 2020



**Government of
South Australia**

Produced by
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Quarterly Investment Report – 30 June 2020

This Quarterly Investment Report presents the results of the Public Trustee's Funds Management Service for the quarter ended 30 June 2020.

The Public Trustee is a statutory entity founded in 1881. At the end of the June 2020 quarter, it had approximately \$1.2 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 2019-20 financial year was an extremely volatile period for financial markets. After a particularly challenging March period, markets partially recovered in the June quarter.

For the financial year, global shares and fixed interest were the best performers, finishing in positive territory, whilst Australian shares, listed real estate and most other asset classes finished down. The Public Trustee's investment returns ranged from 1.03% for Cash to -2.48% for Equities, net of fees, with four out of the five investment strategies exceeding their industry benchmarks. Ten year returns stand at 2.90% p.a. for Cash to 9.26% p.a. for Equities, net of fees, with all investment strategies exceeding their industry benchmarks over this period. The investment strategy performance relative to CPI based targets, over the suggested time horizon, is illustrated below:

SIS Performance versus CPI Objectives as at 30 June 2020

Investment Strategy	CPI Objective	Investment Horizon	Target Return % pa	Actual Return % pa	Over (+) / Under(-)	Outperformance % pa
Capital Stable	CPI + 1.5% pa	3 Years	2.60%	2.45%	-	-0.15%
Balanced	CPI + 3% pa	5 Years	4.25%	4.18%	-	-0.07%
Growth	CPI + 3.5% pa	7 Years	5.04%	6.71%	+	1.67%
Equities	CPI + 4% pa	10 Years	5.79%	9.26%	+	3.47%

For any enquiries regarding your investments please contact Cosi Capozzo on 08 8226 9223.

Nicolle Rantanen

Public Trustee

August 2020

➤ Market Overview

Global

Global stocks recorded their best quarterly performance in 11 years. A reduction in coronavirus infection rates allowed governments to ease restrictions and policymakers provided more stimulus to help economies. In the US, stocks posted their biggest quarterly gain in more than 21 years as prospects for an economic recovery rose. European stocks also climbed as countries reopened, the European Central Bank (ECB) boosted monetary stimulus and, France and Germany unveiled a 750 billion Euro bailout to help virus-hit EU economies.

Australia

The Reserve Bank of Australia (RBA) held official interest rates at 0.25% during the quarter. The Australian Dollar appreciated strongly against most major currencies, finishing the quarter at \$0.68 US.

Share Markets

The ASX 300 Index rebounded strongly, returning 16% in the June quarter. Global share markets rose 17% on a hedged basis, or 6% in unhedged terms due to the appreciation of the Australian dollar.

Key Developments

Key developments over the quarter were:

- A strong rebound in global share markets
- Appreciation of the Australian Dollar
- Increased stimulus measures announced globally to combat COVID-19
- Record low global interest rates

Since 1990, funds invested through the Public Trustee have grown from \$160 million to \$1.2 billion today.

➤ Cash Investment Strategy

During the quarter, the Reserve Bank held the official cash rate at 0.25%. The fund's return of 0.15% for the quarter was above the benchmark return by 0.34%. The strategy's 3, 5, 7 and 10 year returns of 1.58%, 1.75%, 2.08% and 2.90% 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 2020 was 0.50% p.a.

Fund size: \$386 million.

Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	0.15%	1.03%	1.58%	1.75%	2.08%	2.90%
Benchmark**	-0.19%	-0.16%	0.53%	0.73%	0.99%	1.68%
Difference	0.34%	1.19%	1.05%	1.02%	1.09%	1.22%

*Annualised ** Index return on Strategic Asset Allocation

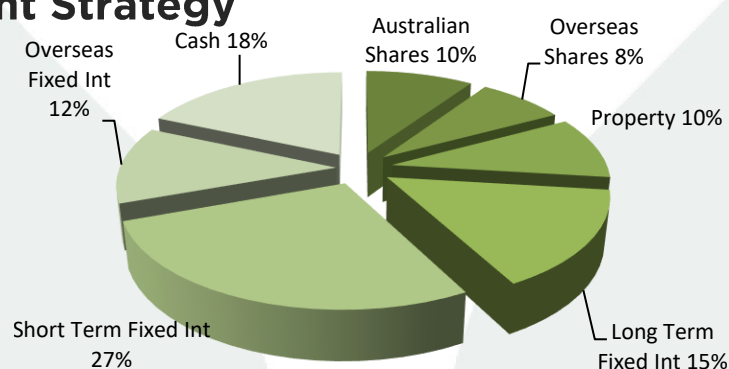
Objective:

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 3.02%, slightly underperforming the benchmark return by 0.33%. The Strategy's 7 year and 10 year returns of 3.96% and 4.79% are 0.05% and 0.23% ahead of benchmark respectively.

Fund size: \$135 million.



Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	3.02%	-0.02%	2.45%	3.03%	3.96%	4.79%
Benchmark**	3.35%	0.21%	3.16%	3.21%	3.91%	4.56%
Difference	-0.33%	-0.23%	-0.71%	-0.18%	0.05%	0.23%

*Annualised ** Index return on Strategic Asset Allocation

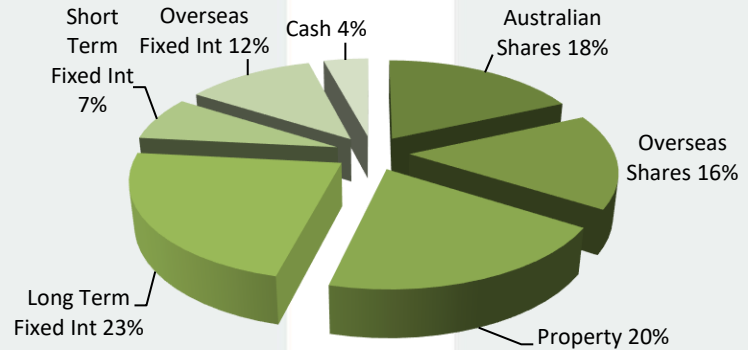
Objective:

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 5.43%, underperforming the benchmark return by 0.56%. The strategy's 7 year and 10 year returns of 5.61% and 6.54% are 0.08% below and 0.13% ahead of benchmark respectively.

Fund size: \$251 million.



Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	5.43%	-1.51%	3.21%	4.18%	5.61%	6.54%
Benchmark**	5.99%	-1.54%	4.25%	4.42%	5.69%	6.41%
Difference	-0.56%	0.03%	-1.04%	-0.24%	-0.08%	0.13%

*Annualised ** Index return on Strategic Asset Allocation

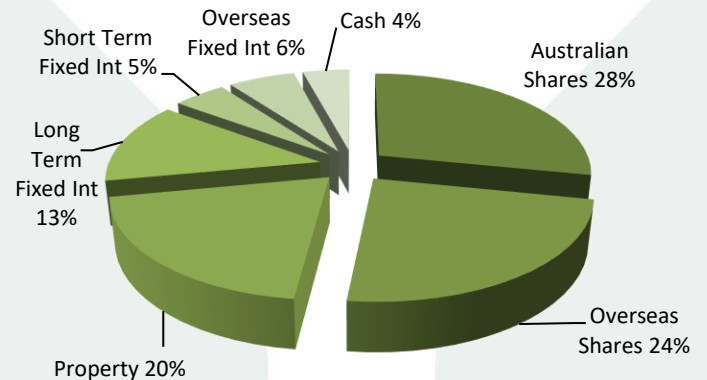
Objective:

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 7.77%, underperforming the benchmark return by 0.69%. The strategy's 7 year and 10 year returns of 6.71% and 7.67% are respectively 0.07% and 0.34% ahead of benchmark.

Fund size: \$219 million.



Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	7.77%	-2.27%	3.75%	4.93%	6.71%	7.67%
Benchmark**	8.46%	-2.40%	4.72%	5.00%	6.64%	7.33%
Difference	-0.69%	0.13%	-0.97%	-0.07%	0.07%	0.34%

*Annualised ** Index return on Strategic Asset Allocation

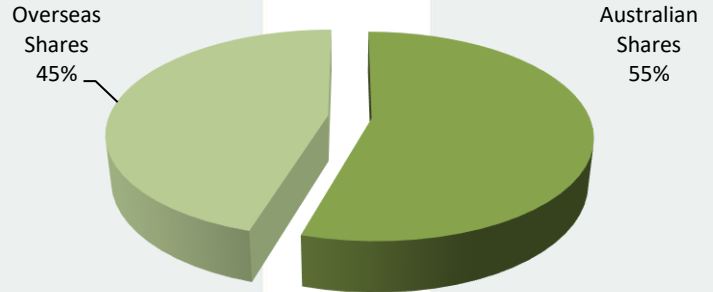
Objective:

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 14.25%, outperforming the benchmark return by 0.03%. The strategy's 7 year and 10 year returns of 8.61% and 9.26% are respectively 0.27% and 0.59% ahead of benchmark.



Fund size: \$81 million.

Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	14.25%	-2.48%	4.99%	6.31%	8.61%	9.26%
Benchmark**	14.22%	-3.79%	5.67%	6.06%	8.34%	8.67%
Difference	0.03%	1.31%	-0.68%	0.25%	0.27%	0.59%

*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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