



FUNDS MANAGEMENT SERVICE

QUARTERLY INVESTMENT REPORT

30 September 2020



**Government of
South Australia**

Produced by
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Quarterly Investment Report – 30 September 2020

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

The Public Trustee is a statutory entity founded in 1881. At the end of the September 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 September quarter was positive for financial markets. The Public Trustee's investment returns ranged from 0.09% for Cash to 3.48% for Equities, net of fees. Ten year returns stand at 2.78% p.a. for Cash to 8.96% 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 September 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	2.92%	2.50%	-	-0.42%
Balanced	CPI + 3% pa	5 Years	4.47%	4.66%	+	0.19%
Growth	CPI + 3.5% pa	7 Years	5.10%	6.18%	+	1.08%
Equities	CPI + 4% pa	10 Years	5.88%	8.96%	+	3.08%

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

Nicolle Rantanen
Public Trustee
November 2020

➤ Market Overview

Global

Global markets continued to recover over the quarter. US shares hit new highs as technology stocks reported strong earnings and the US Federal Reserve indicated it would keep interest rates low. In political news, polls show Democrat presidential nominee Joe Biden ahead of Donald Trump in the lead up to the US election. Elsewhere, European stocks fell as COVID-19 reinfection rates picked up and restrictions were re-imposed. China's share market surged 10% after the economy grew 3%, making China the first major economy to return to growth.

Australia

The Reserve Bank of Australia (RBA) held official interest rates at 0.25% during the quarter. The Australian Dollar appreciated against most major currencies, finishing the quarter at \$0.71 US.

Share Markets

The Australian share market, measured by the ASX 300 Index returned -0.1% for the quarter. Global share markets were the standout, rising 6.4% on a hedged basis, or 3.8% in unhedged terms due to the appreciation of the Australian dollar.

Key Developments

Key developments over the quarter were:

- A continued rebound in global shares
- A bounce back in economic activity
- China returns to positive economic growth

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 0.09% for the quarter was above the benchmark return by 0.31%. The strategy's 3, 5, 7 and 10 year returns of 1.47%, 1.66%, 1.98% and 2.78% 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 2020 was 0.30% p.a.

Fund size: \$374 million.

Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	0.09%	0.73%	1.47%	1.66%	1.98%	2.78%
Benchmark**	-0.22%	-0.42%	0.40%	0.63%	0.89%	1.56%
Difference	0.31%	1.15%	1.07%	1.03%	1.09%	1.22%

*Annualised ** Index return on Strategic Asset Allocation

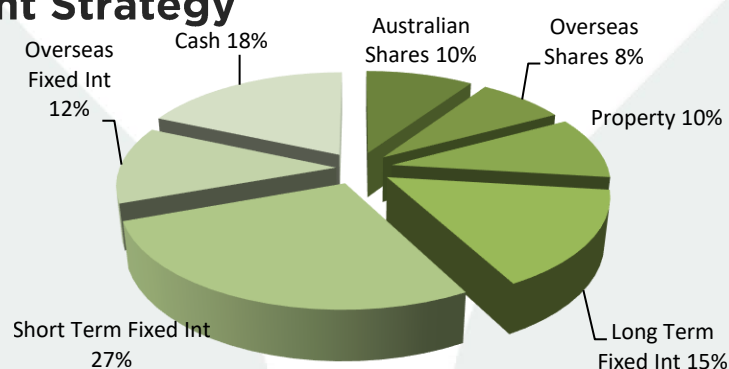
Objective:

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 0.95%, outperforming the benchmark return by 0.26%. The Strategy's 7 year and 10 year returns of 3.69% and 4.58% are 0.02% and 0.23% ahead of benchmark respectively.

Fund size: \$138 million.



Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	0.95%	-0.54%	2.50%	3.24%	3.69%	4.58%
Benchmark**	0.69%	-0.29%	3.21%	3.45%	3.67%	4.35%
Difference	0.26%	-0.25%	-0.71%	-0.21%	0.02%	0.23%

*Annualised ** Index return on Strategic Asset Allocation

Objective:

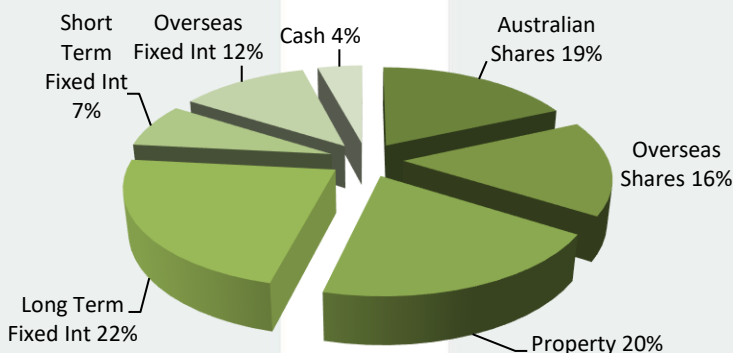
The objective of this strategy is to achieve CPI +1.5% p.a. over a three year time frame, by strategically allocating 28% of the funds in growth assets and the balance in fixed interest and cash. It is suitable for investors who are seeking higher returns than cash

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 1.67%, outperforming the benchmark return by 0.70%. The strategy's 7 year and 10 year returns of 5.22% and 6.27% are 0.05% below and 0.20% ahead of benchmark respectively.

Fund size: \$264 million.



Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	1.67%	-1.99%	3.37%	4.66%	5.22%	6.27%
Benchmark**	0.97%	-2.38%	4.29%	4.97%	5.27%	6.07%
Difference	0.70%	0.39%	-0.92%	-0.31%	-0.05%	0.20%

*Annualised ** Index return on Strategic Asset Allocation

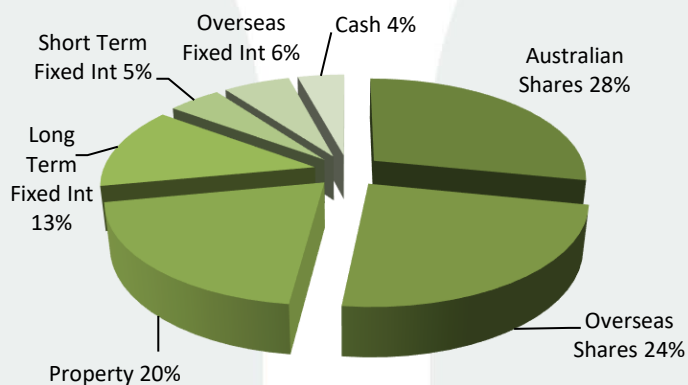
Objective:

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 2.20%, outperforming the benchmark return by 0.76%. The strategy's 7 year and 10 year returns of 6.18% and 7.36% are respectively 0.11% and 0.42% ahead of benchmark.

Fund size: \$229 million.



Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	2.20%	-2.58%	4.01%	5.68%	6.18%	7.36%
Benchmark**	1.44%	-2.91%	4.81%	5.95%	6.07%	6.94%
Difference	0.76%	0.33%	-0.80%	0.27%	0.11%	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 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 3.48%, outperforming the benchmark return by 1.41%. The strategy’s 7 year and 10 year returns of 7.81% and 8.96% are respectively 0.39% and 0.75% ahead of benchmark.



Fund size: \$85 million.

Performance	Quarter %	1 year %	3 year %*	5 year%**	7 year%**	10 year%**
Return (after fees)	3.48%	-2.11%	5.58%	7.66%	7.81%	8.96%
Benchmark**	2.07%	-3.96%	5.79%	7.68%	7.42%	8.21%
Difference	1.41%	1.85%	-0.21%	-0.02%	0.39%	0.75%

*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.

