

Public Trust Investment Funds

Fund Performance

Investor update 31 December 2011

Market briefing

Investor patience tested

For yet another quarter sovereign debt crises in Europe dominated financial markets, threatening to spread beyond countries such as Greece and Spain to engulf Italy and even France. Credit rating agencies prepared to downgrade virtually all countries in the European Union. European bank shares crashed as fears grew they would be swamped by losses on their sovereign bond holdings. Contingency plans were even drawn up for the potential break-up of the Euro-zone.

With many countries fearing the worst, politicians finally began to get serious about taking the more coordinated and aggressive policy response that financial markets have been calling for all year. New Prime Ministers were appointed in Greece and Italy with a specific mandate to address the economic problems in each country. But, regardless of the seemingly never-ending series of European

summit meetings, agreement on the necessary measures required to ring fence troubled countries still proved elusive.

With investors deeply pessimistic at the end of the previous quarter, even the mere prospect of positive resolution in Europe was enough to generate a powerful rebound in global sharemarkets in October. Contributing to the improvement in investor sentiment were signs the US economy was finally beginning to grow at a rate that would lead to a reduction in unemployment and an end to falling house prices. In addition, the Chinese Central Bank moved to loosen monetary conditions, easing fears of a “hard landing” for the Chinese economy.

The repeated failure of European politicians to turn promises into action led to a great deal of volatility as bouts of investor excitement at a potential resolution were often met with

disappointment. Nevertheless, sharemarkets generally rose over the quarter.

Here in New Zealand the Reserve Bank recognised the growing risk to the local economy of dramas in Europe and again pushed out any increase in the Official Cash Rate – now into the second half of 2012. With commodity prices still holding up, the anticipated spend to rebuild Christchurch, and government finances in good shape, the prospects for the local economy look good by world standards. This relative outperformance has helped support the NZ Dollar.

It is likely that the troubles of Europe will continue to dominate financial markets for many quarters yet, and consequently that volatility will remain high. It's hoped that decisive action will be taken by politicians before the patience of investors wears out.

Market returns at a glance

Sector	Quarter (to 31 Dec-11)	Year (to 31 Dec-11)
New Zealand Shares	-1.8%	0.4%
International Shares*	5.1%	-6.2%
New Zealand Listed Property	-0.2%	11.8%
New Zealand Bonds	3.8%	13.3%
International Bonds**	1.3%	8.3%
Cash	0.7%	2.9%
NZD	2.4%	0.9%

* In New Zealand Dollars ** Hedged to New Zealand Dollars



Colin Thomson is Public Trust's Head of Investments and has over 25 years' experience in financial markets. Public Trust is responsible for the management of over \$1.2 billion of investments, including Public Trust Investment Funds.

Funds at a glance

for the period ending 31 December 2011

Fund	Unit Prices*		Performance**			Asset Allocations
	Application Price	Withdrawal Price	Last year	Last 2 years	Last 3 years	
Defensive Fund	1.3758	1.3586	4.8%	4.9%	5.3%	<ul style="list-style-type: none"> NZ Bonds 42% NZ Cash 39% International Shares 12% NZ Shares 5% NZ Listed Property 2%
Conservative Fund	1.3061	1.2898	2.4%	3.8%	5.7%	<ul style="list-style-type: none"> NZ Bonds 32% NZ Cash 30% International Shares 24% NZ Shares 9% NZ Listed Property 5%
Moderate Growth Fund	1.2639	1.2481	0.8%	2.9%	5.9%	<ul style="list-style-type: none"> International Shares 31% NZ Cash 25% NZ Bonds 19% NZ Shares 12% International Bonds 7% NZ Listed Property 6%
Balanced Growth Fund	1.2314	1.2160	-0.3%	2.4%	5.9%	<ul style="list-style-type: none"> International Shares 37% NZ Cash 20% NZ Shares 15% NZ Bonds 15% NZ Listed Property 7% International Bonds 6%
Growth Priority Fund	1.2034	1.1884	-2.30%	1.5%	6.3%	<ul style="list-style-type: none"> International Shares 50% NZ Shares 20% NZ Cash 10% NZ Listed Property 10% NZ Bonds 7% International Bonds 3%
Balanced Fund	1.4584	1.4402	1.8%	3.6%	5.8%	<ul style="list-style-type: none"> International Shares 31% NZ Bonds 30% NZ Shares 12% International Bonds 11% NZ Cash 10% NZ Listed Property 6%
Capital Growth Fund	1.4109	1.3933	-1%	2.2%	5.9%	<ul style="list-style-type: none"> International Shares 44% NZ Shares 17% NZ Bonds 15% NZ Cash 10% NZ Listed Property 8% International Bonds 6%
Cash Management Fund	1.1707	1.1707	2.4%	2.4%	2.7%	<ul style="list-style-type: none"> Bank 74% Asset Backed Securities 13% Corporate 6% Local Authority 7%
NZ Bond Fund	1.5959	1.576	11.5%	9.10%	7.5%	<ul style="list-style-type: none"> Government Stock 45% Bank 29% Corporate 17% Local Authority 9%

* Application Unit Prices and Withdrawal Unit Prices are as at 31 December 2011. ** Performance returns are shown as annualised rates of return. The returns assume a lump sum invested at the beginning of the period with no subsequent contributions or withdrawals. Returns will vary over time and are dependent on market conditions and the performance of the individual asset allocations in each Fund.

Top 10 holdings at a glance as at 31 December 2011

The tables below show the top 10 companies or countries and their weighting as a percentage of the value of each sector.

International Shares*

Company	Weighting
Exxon Mobil	1.9%
Apple	1.6%
IBM	1.1%
Chevron	0.9%
Microsoft	0.9%
Nestle	0.8%
Procter & Gamble	0.8%
Johnson & Johnson	0.8%
AT & T	0.8%
General Electric	0.8%

International Bonds*

Country	Weighting
Japan	33.0%
United States	27.7%
France	6.4%
Germany	6.4%
United Kingdom	5.8%
Italy	5.7%
Spain	2.9%
Canada	2.0%
Netherlands	1.8%
Belgium	1.7%

NZ Shares

Company	Weighting
Fletcher Building	11.0%
Telecom New Zealand	10.6%
Contact Energy	9.8%
Auckland International Airport	9.0%
Sky Network Television	5.4%
Sky City Entertainment Group	5.3%
Chorus	4.2%
Ryman Healthcare	4.0%
Fisher & Paykel Healthcare	3.9%
Infratil	3.2%

NZ Listed Property

Company	Weighting
Kiwi Income Property Trust	27.1%
Goodman Property Trust	20.8%
AMP NZ Office	18.1%
Argosy Property Trust	10.6%
Vital Healthcare Property Trust	8.7%
Property For Industry	6.6%
NPT	2.7%
DNZ Property Fund	2.3%
Kermadec Property Fund	1.8%
CDL Investments	1.3%

NZ Bonds

Company	Weighting
Government Stock	45.2%
BNZ	11.0%
ASB Bank	6.7%
Auckland City Council	6.1%
Fonterra	5.8%
ANZ	5.2%
Queensland Treasury Corporation	4.7%
Westpac	3.5%
Rabobank	2.5%
Vector	1.3%

NZ Cash

Company	Weighting
ANZ	18.6%
Westpac	18.6%
Kiwibank	17.9%
BNZ	17.9%
Marac (ABCP Trust 1)	6.9%
Christchurch City Council	6.8%
Retail Financial Services (RFS Trust 2006-1)	6.8%
Toyota Finance	4.8%
Fonterra	1.7%
-	-

* Securities held by third party managers of international assets.

How *diversified portfolios* have performed: the past five years in the markets



To help you best understand the past five years of the global markets, we've compared the performance of Public Trust's Moderate Growth Fund with individual asset classes within the global sharemarket to best show the ups and downs and the importance of a diversified investment.

From the Global Financial Crisis of 2007 to the current global recession, the message of diversification is still clear.

While there has been a wide variation in performance returns for the individual asset classes from one year to the next, for example, NZ shares, the return for Public Trust's Moderate Growth Fund has held its own.

By investing your money across a range of different asset classes such as cash, bonds, shares and property, as well as countries, regions and industries, you can reduce, but not eliminate, the risks associated with investing in a single asset class.

Public Trust Moderate Growth Fund

Aim: To achieve moderate capital growth over the medium or long term with a diversified portfolio.

Suggested investment term: 3-5 years+.

Investment risk: Medium-high. The Fund's holdings in shares are diversified across a number of sectors and companies to help reduce risk typically associated with assets such as shares, which can be volatile in the short term. To help further reduce risk, without substantially compromising the rate of return, the Fund combines different asset classes which tend to perform differently from each other depending on economic movements such as recession.

2007	2008	2009	2010	2011
Global Bonds 8.87%	NZ Bonds 15.85%	NZ Shares 20.50%	NZ Bonds 6.98%	NZ Bonds 13.30%
Cash 8.44%	Global Bonds 15.23%	NZ Listed Property 12.91%	Public Trust Moderate Growth Fund 6.69%	NZ Listed Property 11.81%
Public Trust Moderate Growth Fund 4.02%	Cash 8.78%	Public Trust Moderate Growth Fund 11.46%	Global Bonds 6.27%	Global Bonds 8.31%
NZ Bonds 3.84%	Public Trust Moderate Growth Fund -9.32%	Global Shares 7.29%	Global Shares 4.70%	Public Trust Moderate Growth Fund 5.74%
NZ Shares 1.43%	NZ Listed Property -20.20%	Global Bonds 3.49%	NZ Listed Property 4.29%	Cash 2.90%
Global Shares -0.78%	Global Shares -21.42%	Cash 3.39%	NZ Shares 3.68%	NZ Shares 0.41%
NZ Listed Property -3.57%	NZ Shares -31.58%	NZ Bonds 1.65%	Cash 2.99%	Global Shares -6.31%

Performance returns for the funds are annualised and are for the calendar year shown. Refer to Funds at a glance on page 2 for information on the Moderate Growth Fund's asset allocation.

This newsletter has been prepared to update investors about the performance of their investments.

It provides general information only and is not a substitute for professional advice in any particular circumstances.

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A Public Trust adviser's disclosure statement is available, on request and free of charge.

Important information about the Public Trust Investment Funds and their performance

- On 1 October 2007, all Funds elected to operate as Portfolio Investment Entities (PIEs), where individual investors have income allocated to them and taxed on their behalf at their Prescribed Investor Rate (PIR) capped at 28%.
- All Fund performance figures exclude entry fees. Performance has been calculated before deduction of tax and after deduction of management fees.
- Returns reflect past performance and do not indicate future performance.
- No particular level of return is promised. None of Public Trust, the Government of New Zealand, the Statutory Supervisor, or any other person guarantees the repayment of any investment in the Funds, the performance of the Funds, or any particular rate of return. The value of an investment in any of the Public Trust Investment Funds can decrease, as well as increase.
- Unit prices are as at 31 December 2011. The withdrawal unit price is a gross price, before allowing for any PIE tax applicable to individual investors.
- The Balanced Fund and the Capital Growth Fund are currently closed to new Investors.