FAQ's

Frequently Asked Questions

Global sharemarkets have recently experienced large losses due to the global financial crisis, and this has led to lower or negative returns for many investors. We understand that it can be distressing to see a reduction in the value of your investment, so we have compiled the following list of Frequently Asked Questions to help answer some of questions you may have about what's happened to the market and how the Public Trustee is managing your investment.

Why has the value of my investment changed?

The balance of your Public Trustee Investment Fund (PTIF) is a combination of the price per unit (the 'fund unit price') and the number of units you own (price per unit x number of units = your balance). The fund unit price will vary depending on the value of the assets your fund has invested in (e.g. shares, property, bonds, etc.).

If you have investments in the PTIF Conservative, Growth, Higher Growth or Australian Equities funds, you have invested in growth assets (i.e. listed property trusts and/or shares), and the value of these assets tends to fluctuate more than cash and fixed interest products in the short term. This can sometimes mean that the fund unit price, and therefore the value of your investment, is lower at the end of your statement period.

However, history shows that while growth assets may experience short-term losses, they tend to outperform other asset classes such as cash and fixed interest over the long term. Therefore, it is important not to panic, and to focus on your long-term investment objectives rather than short-term market volatility.

Why wasn't there a distribution for my fund this quarter?

The payments you receive from your fund, otherwise known as 'distributions', are issued on a quarterly basis and are based on your fund's income.

Due to the large losses experienced in Australian and international sharemarkets and listed property trusts, as well as the poor performance of the Australian fixed interest market, some of the Public Trustee's funds (specifically the Conservative, Growth and Higher Growth) have not produced sufficient income for a distribution this quarter. Further, it is likely that this will also be the case for the quarter ended 30 June 2009 as income generated will be offset against realised capital losses.

This is not unique to the Public Trustee's funds. The continuing challenges in financial markets are impacting all investors, and our experience is consistent with other funds across the industry (including super funds and managed funds).

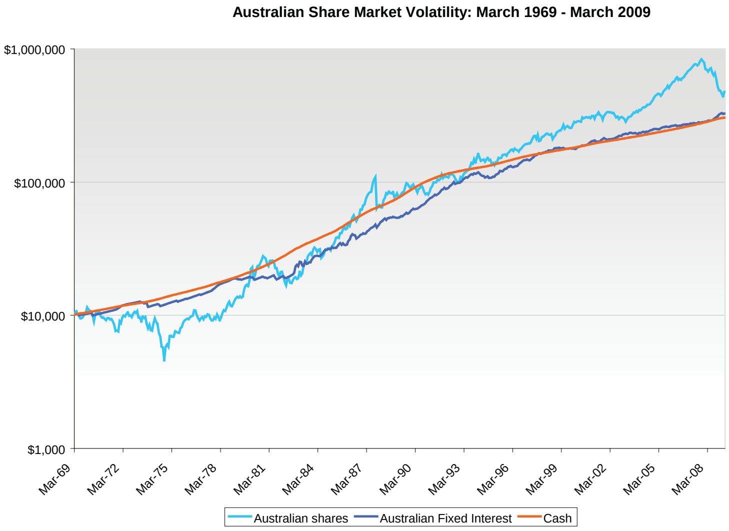
What's happened to the sharemarket?

Over the past year there has been lots of media coverage on the significant falls in global sharemarkets. From March 2003 to November 2007, global sharemarkets enjoyed a period of strong growth that delivered double-digit returns to investors. Since then, however, sharemarkets have fallen significantly due to the global financial crisis, and this has led to lower or negative returns for many investors.

While these results are disappointing, it is important to remember that markets move in cycles, and market downturns are a normal part of the economic cycle. For example, over the past 40 years the Australian sharemarket has experienced a number of down periods, where the sharemarket has fallen by more than 10%, and history shows us that the market always recovers.

When will the sharemarket recover?

The question of course that everyone is asking is when will the market recover? The answer is that no one can predict when the market will rise and fall. However, we do know that historically the strongest bounce backs have occurred following periods of significant downturns, and investors who cashed-in their shares before the rebound would have missed out on significant gains.



This graph shows over the long term, Australian shares have outperformed other types of investments such as fixed interest and cash.

If the sharemarket is falling, why does the Public Trustee continue to invest in shares?

One of the most important concepts when it comes to investing is that of risk and return. In general, investments that offer the highest potential long-term returns also have the highest risk of short-term ups and downs. Over the long term, Australian shares have outperformed other types of investments such as fixed interest and cash, and the trade-off for these higher returns is short-term falls in value. However, history shows us that the market always recovers, and the Public Trustee's investment manager, QIC, continues to seek good buying opportunities in the Australian and international sharemarkets to benefit the longer-term return on your investment.

Can I move my investment into cash?

We understand that it can be distressing to see the value of your investment fall, and many investors are asking if they should move their investments into cash. While this may seem like a sensible option, most experts advise against moving your money out of the sharemarket during periods of low or negative returns. It is impossible to predict when the market will rise and fall, and by selling your shares and moving your investment into cash when the market is down, you will turn the loss that you currently have 'on paper' into a real loss and will likely miss out on significant gains when the market recovers.

In addition, under the *Trusts (Investments) Amendment Act 1999*, we have a statutory responsibility to ensure that our clients' funds are invested in a prudent manner. If your investment is held in trust with the Public Trustee, your investment strategy has been developed in consultation with ABN AMRO Morgans, one of Australia's largest financial planning organisations, to help you achieve your short, medium and long-term financial goals. Any changes to your asset allocation (i.e. the weighting of different assets in your investment) can significantly change your investment strategy. Therefore, unless there has been a significant change in your circumstances that has altered your life expectancy and/or significantly changed your financial needs, we are unable to change the asset allocation of your investment outside of your scheduled review period. This is to ensure that we satisfy our legal obligations as trustee of your investment, and to help ensure that your financial needs can be met both now and in the future.

I'm turning 18 soon. What are my options?

If you are a minor (i.e. under the age of 18), your investment is held in trust with the Public Trustee until you turn 18, at which time you will gain legal ownership of your investment.

If you are turning 18 soon, you may be wondering what your options are, particularly if you have recently seen the value of your investment fall.

Your money was originally invested based on your investment timeframe (i.e. the number of years from when we first received your money until you turn 18), and, if your investment timeframe was long, your money may have been invested in growth assets such as shares which offer the highest potential long-term returns. The trade-off for these higher returns is short-term falls in value, and this is something all investors have experienced recently.

When you turn 18 and gain legal ownership of your investment, you have two broad options:

1. Redeem your investment for cash. If you do this, you will turn any loss 'on paper' into a real loss in cash, and you will not benefit from any recovery in the sharemarket.
2. Retain your investment. If you do this, the value of your investment will continue to be linked to market performance, and you will benefit when the sharemarket recovers.

We recommend you seek financial advice before making any investment decisions.

What is the Public Trustee doing to protect my money?

Most PTIF funds are multi-sector funds, which means that your money is invested in a pool of different types of investments such as Australian and international shares, listed property trusts, fixed interest and cash. In addition, the Public Trustee invests across a range of different companies, industries, sectors, countries and fund managers to ensure your investment is adequately diversified.

In simple terms, diversification means 'not putting all of your eggs in one basket', and traditionally this technique has helped to minimise risk and provide more stable returns, particularly in up-and-down markets. By spreading your investment across a range of different types of assets, you reduce the likelihood that a single asset (e.g. shares) will adversely affect the value of your investment portfolio.

In addition, in times of market downturn good buying opportunities often emerge, and shares are often heavily discounted. Therefore, the Public Trustee's investment manager, QIC, is currently actively seeking opportunities to buy heavily discounted shares and other types of investments, which should benefit the longer-term returns on your investment when the sharemarket recovers.

Where can I get more information?

Enclosed with your statement is a Quarterly Market Report which provides a detailed update on what's happened in financial markets over the last quarter, as well as the asset weightings and returns for your fund as at 31 March 2009.

You can also find this information on our website at **www.pt.qld.gov.au.**