

# Financial performance

The Public Trustee recorded an operating surplus of \$2.2M against a budgeted loss of \$9.2M. The substantial improvement in the operating result is due to improved investment returns and less expenditure incurred than originally anticipated. This demonstrates the Public Trustee's ability to implement strategies to enhance its investment earnings and manage costs effectively, enabling the Public Trustee to fund its operations and continue to support customers under its Community Service Obligations policy.

## **Total Revenue**

Our revenue sources in the last two financial years comprise the following:

Revenue	2020-21 \$M	2019-20 \$M
Fees	\$59.1	\$58.5
Investment Revenue	\$42.7	\$21.0
Fair Value Gain on Investments	\$3.0	\$1.2
Other Income	\$2.7	\$2.5
<b>Total Revenue</b>	<b>\$107.5</b>	<b>\$83.2</b>

Total revenue increased by 29.2 % from the prior year due to an increase in investment revenue of \$21.7M.

The higher investment revenue is due to the implementation of a new Common Fund investment strategy, supported by favourable global financial markets. The new strategy was implemented with the assistance of QIC Limited and the advice of the Public Trust Office Investment Board. This strategy was progressively implemented during the financial year and included the investment of \$180M in the QIC Long Term Diversified Fund in February 2021; and a further \$180M in the QIC Global Credit Income Fund and the QIC Short Term Income Fund in March 2021. Investment revenue includes \$28.1M QIC distribution income. Refer to Notes 2 and 11 of the Public Trustee Financial Statements for further details of these investments and related revenue.

The increase in investment revenue and fair value gain on investments should be considered in conjunction with the fair value losses on investments (included under Expenditure) which partially reduces the overall investment return for the financial year.

Gross fees and Community Service Obligations are detailed in the table below. Refer to Note 1 of the Public Trustee Financial Statements for further details.

Fees	2020-21 \$M	2019-20 \$M
Gross Fees	\$94.1	\$91.0
Community Service Obligations	(\$35.0)	(\$32.4)
<b>Net Fees</b>	<b>\$59.1</b>	<b>\$58.6</b>

Gross revenue from fees before Community Service Obligations (as a percentage) increased by 3.4 % and net fees increased by 0.8 % compared to the previous year. Fees and charges increased by 1.8% in 2020-21 in line with the Government indexation rate.

The majority of Community Service Obligations (excluding the provision of free Will-making services of \$4.4M) are deducted from gross fees to arrive at net fees reported in the financial statements, with the remaining amount recorded in contributions expense (refer to Note 6 of the Public Trustee Financial Statements for further details).

### ***Total Expenses***

Our expenditure in the last two financial years comprises the following:

Expenditure	2020-21 \$M	2019-20 \$M
Employee Expenses	\$60.1	\$60.6
Supplies and Services	\$18.6	\$17.4
Contributions	\$1.3	\$1.3
Depreciation and Amortisation	\$2.8	\$2.7
Other Expenses	\$1.8	\$5.2
<b><i>Expenditure before Investment Expenses</i></b>	<b>\$84.6</b>	<b>\$87.2</b>
Fair Value Loss on Investments	\$17.5	-
Interest Expense	\$3.2	\$8.0
<b>Total Expenses</b>	<b>\$105.3</b>	<b>\$95.2</b>

Expenditure before investment expenses decreased by 3.0 % from the prior year due to good cost control and initiatives completed for less than budgeted expenditure during the year.

Fair value loss on investments of \$17.5M relate to the new QIC managed funds which were acquired during the year as part of the new Common Fund investment strategy.

## Other Comprehensive Income

The Public Trustee holds interests in financial assets and various land and buildings located throughout the state from which our offices operate. These assets are recorded at fair value and are revalued periodically in accordance with Australian Accounting Standards. The gains and losses that result from these revaluations are recorded as other comprehensive income in the statement of comprehensive income.

Three owned properties have been classified as held for sale during the year resulting in a decrease in the asset revaluation surplus of \$1.8M. Other than this decrease, no further adjustments were made to land and buildings during 2020-21 as there was no significant change in the fair value of the Public Trustee's land and buildings based on the movement in the relevant indices year-on-year.

The market value of the Public Trustee's financial assets recorded unrealised losses of \$9.3M due to a sharp rise in long-term bond yields during the year as interest rates declined.

## Statement of Financial Position

### **Total Assets**

Total assets include cash, other financial assets (mainly short to medium term investments) and property, plant and equipment.

As at 30 June 2021, the Public Trustee held \$983.7M in assets, an increase of \$6.5 from 30 June 2020, mainly due to a larger investment portfolio compared to the prior year. Total assets includes \$19.6M in property, plant and equipment held for sale relating to three owned properties that have been measured at fair value less costs to sell. Receivables include \$27.6M in distribution income receivable from the QIC managed funds.

### **Total Liabilities**

The Public Trustee's liabilities include amounts held on behalf of customers, amounts owing to staff for leave entitlements and amounts owed to suppliers. Total liabilities were \$775.7M as at 30 June 2021, an increase of \$15.3M from the previous year. The increase in liabilities is primarily due to an increase in deposits held in trust within the Common Fund of \$16.5M.

## Statement of Changes in Common Fund Reserves

Total Common Fund reserves were \$207.9M as at 30 June 2021, decreasing from \$216.8M in the prior year due to decrease in comprehensive income referred to above combined with the operating surplus for the year.

## Prospective Outlook

A budgetary deficit is forecast for the 2021-22 financial year which includes investment in continuous improvement initiatives which will ensure that the Public Trustee continues to be a sustainable self-funding organisation into the future, with a move towards a more modern, customers first service organisation.

The number of customers eligible for rebates under the Public Trustee's Community Service Obligations policy is expected to continue to impact the financial results in the coming year. However, the new investment strategy implemented during 2020-21 may reduce the budgeted deficit should market conditions continue to remain favourable. A number of high impact strategies are being developed to minimise the impact of the current environment on the Public Trustee's financial position. This

includes a review of fees and charges to ensure they are aligned with Queensland Government principles for fees and charges, including cost recovery.

### ***Chief Finance Officer Statement***

Our CFO has fulfilled the responsibility as required by the *Financial Administration Act 2009*. The CFO has provided the Public Trustee of Queensland with a statement about financial controls, in accordance with section 54 of the *Financial and Performance Management Standard 2019*. This statement was noted by the Audit and Risk Management Committee.

## The Public Trustee of Queensland Investment Trusts

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The Public Trustee of Queensland Investment Trusts were established to provide our customers with the opportunity to have their funds managed by the Public Trustee with the expert assistance of a professional investment manager.

The Public Trustee is the manager and trustee of the Public Trustee of Queensland Investment Trusts and is responsible for determining the investment objectives and strategy, arranging for the proper investment of all monies, and ensuring the appointed investment manager achieves acceptable rates of return. The Public Trustee has appointed QIC Limited ACN 130 539 123 (QIC) as the investment manager of the Public Trustee of Queensland Investment Trusts.

### The Public Trustee of Queensland Growth Trust (Growth Trust)

The investment aim and objective of the Growth Trust is to provide a fully diversified investment strategy for those seeking long-term income and capital growth. The investment objective of the Growth Trust is to generate average returns (net of fees and costs) of CPI + 2.4 % per annum over rolling five-year periods. However, this investment objective is currently under review to ensure appropriateness for the Growth Trust's customers in the lower return environment that has been forecasted.

The Growth Trust currently gains exposure to various assets classes and investment sectors by investing in the QIC Long Term Diversified Fund (formerly known as the QIC Growth Fund), while liquidity for the Growth Trust is managed by an investment of approximately 1 % in the QIC Cash Enhanced Fund or holding funds in cash at bank.

The asset allocation strategy of the Growth Trust is managed within the QIC Long Term Diversified Fund, a diversified portfolio of assets including Australian and international shares, fixed interest, property, infrastructure, private equity, alternative assets, and cash.

The investment objective of the Growth Trust and performance for the five-year period ending 30 June 2021 is as follows:

Fund	CPI Objective (after fees)	Objective Target Return (%)	Annualised Return (%)
Growth Trust	CPI + 2.4% over rolling 5 years	4.21%	7.08%

Further information on the Growth Trust is available in its Product Information Statement and additional information is available on our website at <http://www.pt.qld.gov.au/about/publications/investments/>.

### The Australian Foundation for Charitable Trusts (AFCT)

The AFCT has been established to provide an investment solution for perpetual charitable trusts with a long-term investment horizon and the need to maximise income. The investment strategy is expected to improve investment income earnings and provide more funds for charitable works including supporting vulnerable Queenslanders.

The investment objective of the AFCT is to provide capital growth to maintain the real value of capital invested and to provide for distribution of 1.45% per annum over rolling 10-year periods (after fees). The AFCT was created on 17 May 2021 and was seeded on 8 June 2021.

The AFCT currently gains exposure to various assets classes and investment sectors by investing in three QIC funds, as provided below, while liquidity for AFCT is managed by holding funds in cash at bank of up to 1 %.

The Public Trust Office Investment Board will assist the Public Trustee by providing oversight of the investment management of the AFCT.

<b>Funds</b>	<b>Benchmark Allocation</b>	<b>Operating Range</b>
QIC Diversified Australian Equities Fund	50%	45% - 55%
QIC Long Term Diversified Fund	40%	35% - 45%
QIC Short Term Income Fund	10%	5% - 15%
<b>Total</b>	<b>100%</b>	