Private & Confidential

Mr Andrew Taylor
Chief Executive
Public Trustee and Guardian
PO Box 221
Civic Square ACT 2608

19 May 2020

Dear Andrew

Engagement Letter – Investment Strategy and Risk Management Review

Further to your letter dated 29 April 2020 regarding a proposal for a Review of Brokers and Risk associated with Internal Cash Management Policy, and Review of Performance by Vanguard as Investment Manager, we are writing to confirm our engagement to carry out the review for Public Trustee and Guardian (PTG).

1. Background

1.1 In November 2017, PTG implemented a new Common Fund structure following advice from PwC in May 2017. As a part of PWC's review in 2017 the Cash Common Fund was reviewed and subsequently the maximum exposure to a single entity was changed.

1.2 Following on from this, PTG is requesting a review from PricewaterhouseCoopers Securities Ltd ("PwCS") which covers advice regarding:

- a The suitability of the return objectives and risk profile of PTG's Conservative, Balanced and Growth Common Funds in light of market conditions.
- b Whether utilising brokerage services (e.g. Laminar or Imperium) is an acceptable service to support PTG's governance and risk management arrangements.
- c The appropriateness of increasing the current risk policy in relation to debt instruments by allowing investments in banks and ADI's that have a non-investment grade credit rating lower, that is lower than S&P equivalent 'BBB' long-term / 'A-3' short-term rating. PTG is currently applying interest to clients invested in the Cash Common Fund using the yield less fees payable to PTG keeping a reserve of 0.08% and is unsure whether this reserve is adequate.

1.3 The scope of this review is outlined in a separate document labelled "Review of Brokers and Risk associated with Internal Cash Management Policy, and Review of Performance by Vanguard as Investment Manager".

1.4 We have outlined our approach for each area of the review in the next section of this letter.

2. *Our approach*

Cash Common Fund

2.1 PwCS will provide a response to the specific questions regarding the Cash Common Fund put forward in the “Review of Brokers and Risk associated with Internal Cash Management Policy, and Review of Performance by Vanguard as Investment Manager” document, which are as follows:

a. Q1. Should PTG seek to obtain an increased rate of return for the cash common fund by accessing banks and ADIs rated below BBB? How would this affect the overall risk to the Cash Common Fund?

b. Q2. Should PTG consider increasing the maximum limit placed with building societies/Credit Union (currently BBB or better)?

c. Q3. Should PTG increase the maximum exposure to single entities across ADI’s?

d. Q4. PTG has enquired into using brokerage services through Imperium Markets and Laminar Capital regarding brokerage to help with the administration of investments. Are these services suitable for PTG to Utilise? (it is evident that the Tas Public Trustee is using Imperium to good effect). For this question we would:

   i. Have a teleconference meeting with Imperium Markets and Laminar Capital to understand the services and pricing offered; and

   ii. Conduct a high level analysis of each provider and outline the pros and cons of each service to assess the suitability and value for money based on PTG’s intended use.

   iii. If PTG require further analysis of Imperium Markets and Laminar Capital or other similar service providers, we can discuss the scope and fees accordingly.

e. Q5. Is it appropriate or indeed prudent that PTG match the rate payable by ADI’s and, rather than distributing the maximum amount to clients, should PTG consider building a buffer reserve?

Investment Common Funds and Risk Models

2.2 Q6 of the “Review of Brokers and Risk associated with Internal Cash Management Policy, and Review of Performance by Vanguard as Investment Manager” document, seeks advice on the following areas:

a. Q6 a) A review of the performance of Vanguard as an investment manager; and

b. Q6 b) An assessment of the suitability of the return objectives and risk profile of PTG’s risk models (Conservative, Balanced and Growth) in light of current market conditions including PWCs most recent capital markets assumptions and estimated risk/return outcomes.

Q6 a) Review of Vanguard

2.3 An assessment of Vanguard's performance as an investment manager for the Conservative Common Fund, Balanced Common Fund, and Growth Common Fund for periods to 30 April 2020. This will include:

a. Analysis of the performance of the relevant Vanguard funds including comparison against relevant indices;

b. Updates on investment manager developments and views regarding Vanguard and any recommendation actions;

c. World Market Highlights detailing economic and market developments; and

d. Morningstar investment manager performance surveys.

Q6 b) Review of the current investment objectives and risk profile of PTG's Risk Models

2.4 Our general approach would be to determine whether the current investment objectives are realistic and attainable by considering the risk and return profiles of a range of investment strategies to test whether they are consistent with PTG's risk and return objectives. If not, we would put forward alternative investment objectives for consideration. The details of this process approach are:

a. We would assess the expected risk/return profile of each Risk Model based on their SAA and set out the following for each Risk Model:

i. Expected returns;

ii. Expected volatility of returns;

iii. Expected income levels;

iv. Likelihood of capital losses; and

v. Expected probability of returns exceeding inflation.

b. We would assess whether the current investment objectives for each Risk Model are realistic and attainable by:

i. establishing a set of sample investment portfolios with varying risk/return profiles throughout the full risk/return spectrum;

ii. modelling each of the portfolios using a PwC proprietary model to attain risk attributes and expected returns. This model takes into account current market conditions, correlations between asset classes as well as longer term investment conditions;

iii. confirming whether the Risk Models' total return objectives are likely to be met by any of the sample investment portfolios; and

iv. confirming whether the other investment objectives (income and risk of loss) and time horizons are compatible with the total return objectives.

c. If necessary, we would propose either:

i. alternative investment objectives for each Risk Model, which would be based on the requirements outlined in the Prudent Person Rule, including consideration of such factors as PTG's and clients':

- Investment requirements e.g. preference for income over capital growth;

- Willingness and ability to accept investment risk;
- Willingness to accept other risks e.g. business risk;
- Time horizon;
- Liquidity requirements e.g. frequent expenditure requirements;
- Regulatory and tax requirements; and
- Other circumstances including industry practices.

ii. The high level options that could be considered regarding changes to the SAA that could be considered that would assist in achieving the stated objectives.

3. Deliverables

3.1 The deliverables from this engagement would be:

a. One draft report;

b. A final report following discussions with management on the draft report; and

c. Presentation of the final report to the PTG Investment Board (if required).

3.2 We would aim to provide our draft report by 30 June 2020, in particular the review of the Cash Common Fund being the priority for completion.

4. Scope exclusions

4.1 Our services do not include the following:

a. Review of superannuation arrangements for clients; and

b. Recommendation of any managers, other than an assessment of the suitability of the current investments with Vanguard.

5. Your responsibilities

5.1 We may request further information from PTG throughout the duration of the engagement. This may include qualitative and quantitative information relating to client/trust types and other information. You will undertake to provide this information to the best of your ability so as to enable the engagement to be completed in a timely manner.

6. *Fees and expenses*

6.1 Our total fees are as follows:

Service	Fees (excl GST)
Review of Brokers and Risk associated with Internal Cash Management Policy, and Review of Performance by Vanguard as Investment Manager: • Assess whether using brokerage services (e.g. Laminar or Imperium) is suitable to support PTG's governance and risk management arrangements • Review the appropriateness of increasing the current risk policy in relation to debt instruments • Review of Performance by Vanguard as the Investment Manager • Reviewing the suitability of the return objectives and risk profile of PTG's Conservative, Balanced and Growth Common Funds • Preparing the report including one draft	$29,000

6.2 In addition, you agree to pay a 2% Engagement Administration Charge to cover administrative expenses we incur in connection with the Services, plus GST at the prevailing rate.

6.3 The fees are based on the scope of work and deliverables outlined above under "The Services". If the scope or deliverables change then we will negotiate a revised fee with you.

6.4 If required, presentations to the PTG Investment Board will incur the following fee:

Service	Fees (excl GST)
Presentations to the PTG Investment Board	$2,000

6.5 Given the current travel restrictions related to COVID-19, the presentation to the PTG Investment Board would be via video or teleconference rather than in person.

6.6 Please note that we do not take any commissions, whether up-front or trailing commissions.

6.7 All other services will be provided based on hourly rates or as agreed. Our 2019/20 hourly rates are as follows:

Person	**Position**	**Hourly rate (19/20) (excluding GST)**
Catherine Nance	Partner	$867
Naresh Subramaniam	Director	$712
Matthew Johnston	Senior Manager	$435
Simo Ivetic	Associate	$215

6.8 As per clause 10.1 in our Terms of Business, either party may terminate this agreement by giving 14 days' notice in writing.

6.9 The basis of our fee arrangements is set out in the attached Terms of Business.

7. Limitation of liability

7.1 Our liability in respect of the Services provided under this letter will be limited as provided for in the Terms of Business.

7.2 The limitation of liability specified above applies to PTG for all claims in connection with or arising out of the Services performed under this engagement letter. PTG will not dispute the validity, enforceability or operation of the limitation of liability.

7.3 For more important information on our liability, please see our attached Terms of Business.

8. Applicable law

8.1 This assignment will be governed by and interpreted in accordance with the laws of the Australian Capital Territory and both of us submit to the jurisdiction of the courts of that place.

9. Acknowledgement of terms

9.1 Please acknowledge your agreement to the scope and terms of our engagement as set out in this engagement letter and the attached Terms of Business by signing the copy of the engagement letter in the space provided and returning it to us.

9.2 Should we not receive such a signed copy, but you continue to instruct us, you will be taken to have accepted the terms and conditions of this engagement letter including the attached Terms of Business.

9.3 If you would like to discuss any aspect of our assignment further, please contact Catherine Nance on (03) 8603 3919, Naresh Subramaniam on (03) 8603 0838 or Matthew Johnston on (03) 8603 5978.

Yours sincerely,

Catherine Nance, FIAA
Retirement Incomes and Asset Consulting

Authorised Representative (#265248) of PricewaterhouseCoopers Securities Limited

Naresh Subramaniam CPA
Retirement Incomes and Asset Consulting

Authorised Representative (#1264237) of PricewaterhouseCoopers Securities Limited

Catherine Nance
GPO Box 1331
MELBOURNE VIC 3001

Client Acceptance
Engagement Letter – Investment Consulting Services

The terms of this engagement are accepted by ____
(enter name of signatory),
on behalf of Public Trustee and Guardian who represents that he/she is authorised to accept these terms on its behalf.

Signed Andrew Taylor Digitally signed by Andrew Taylor Date: 2020.05.20 09:48:15 +10'00' ____________________

Name ____

Position ____

Date: ______________________________

Appendix A Terms of Business

These terms of business apply to the services you have engaged us to provide under the attached engagement letter. Our engagement letter and these terms of business form the entire agreement between us about those services. They replace any earlier agreements, representations or discussions. If anything in these terms of business is inconsistent with our engagement letter, our engagement letter takes precedence.

Contents

1 Our services

1.1 **Scope** – We will perform the services described in our engagement letter with reasonable skill and care.

1.2 **Changes** – Either of us may request a change to the services, or anything else in this agreement. A change will not be effective unless we have both agreed to it in writing.

1.3 **Oral advice and draft deliverables** – You may only rely on our final written deliverables. If you wish to rely on something we have told you, please let us know so that we can prepare a written deliverable on which you may rely.

1.4 **Services for your benefit** – Our services are provided solely for your use for the purpose set out in our engagement letter or the relevant deliverable. Except as stated in our engagement letter or the relevant deliverable, as required by law, or with our prior written consent, you may not:

a) show or provide a deliverable to any third party or include or refer to a deliverable or our name or logo in a public document

b) make any public statement about us or the services.

We consent to you providing copies of deliverables to your legal advisers provided they have agreed:

(i) the deliverables are not for their use or benefit
(ii) we accept no responsibility or liability to them
(iii) they may not do any of the things referred to in paragraph (a) or (b) above.

1.5 **No liability to third parties** - We accept no liability or responsibility to any third party in connection with our services. You agree to reimburse us for any liability (including reasonable legal costs) we incur in connection with any claim by a third party arising from your breach of this agreement.

1.6 **No legal services** – Our services under the attached engagement letter are not legal services.

2 Your responsibilities

2.1 **Generally** – You agree to:

a) provide us promptly with all information, instructions and access to third parties we reasonably require to perform the services, including letting us know if you want us to use information we hold from other engagements we have performed for you

b) ensure we are permitted to use any third party information or intellectual property rights you require us to use to perform the services

c) provide adequate and safe facilities for us when we work at your premises.

2.2 **Information** – You are responsible for the completeness and accuracy of information supplied to us. We may rely on this information to perform the services and will not verify it in any way, except to the extent we have expressly agreed to do so as part of the services. You agree to indemnify us against any liability (including reasonable legal costs) we incur in connection with:

a) information supplied to us being, or becoming, inaccurate, incomplete or misleading, except to the extent we have expressly agreed to verify its accuracy and completeness as part of the services

b) your failure to supply relevant information

2.3 **Interdependence** – Our performance depends on you also performing your obligations under this agreement. You agree we are not liable for any default to the extent it arises because you do not fulfil your obligations or because information supplied is, or becomes, inaccurate or incomplete, except to the extent we have expressly agreed to verify its accuracy and completeness as part of the services.

3 Fees, expenses and costs

3.1 **Payment for services** – You agree to pay us fees for our services on the basis set out in our engagement letter.

3.2 **Expenses** – You agree to pay any reasonable expenses we incur in connection with the services (other than expenses covered by the administration charge in clause 3.3).

3.3 **Administration charge** – You agree to pay an administration charge equal to 2% of our fees to cover costs such as telecommunications, stationery, printing, photocopying, mail and administrative support.

3.4 **GST** – Our fees, expenses and charges exclude GST (unless stated otherwise). If a supply to you under this agreement is a taxable supply under *A New Tax System (Goods and Services Tax) Act 1999*, you agree to pay us an amount equal to the GST we are required to pay on the taxable supply.

3.5 **Invoices and payment** – We will invoice you monthly, unless we have agreed something different in our engagement letter. You agree to pay the invoiced amount within 14 days of the invoice date**.**

3.6 **Fee scales** – If we calculate our fees based on time spent at hourly or other rates, we may increase those rates once every six months. The increase takes effect when we notify you.

3.7 **Compliance costs** – If we are required to provide information regarding you or the services to comply with a statutory obligation, court order or other compulsory process, you agree to pay the reasonable costs and expenses we incur in doing so. This includes time spent by professional staff and our reasonable legal costs. This clause does not apply to the extent a compulsory process relates to our alleged wrongdoing.

4 *Confidentiality and privacy*

4.1 **Confidential information** – We each agree not to disclose each other's confidential information, except for disclosures required by law or confidential disclosures under our respective policies.

4.2 **Referring to you and the services** – We may wish to refer to you and the nature of the services we have performed for you when marketing our services. You agree that we may do so, provided we do not disclose your confidential information.

4.3 **Privacy** – Our approach to privacy is set out in our Privacy Policy, available at www.pwc.com.au/privacy. You agree to comply with the Privacy Act 1988 (Cth) when providing us with information. We agree to co-operate with each other in addressing our respective privacy obligations in connection with the services.

5 *Liability*

5.1 **Liability cap** – You agree our liability for all claims connected directly or indirectly with the services (including claims of negligence) is limited to an amount equal to 10 times the fees payable for the services, up to an overall maximum of $20 million. Legislation providing for apportionment of liability also applies.

5.2 **Aggregate cap** – Where more than one client is identified in our engagement letter, the limits on our liability in this clause 5 must be allocated between them. We do not need to know how a limit is allocated and, if it is not, you agree not to dispute a limit on our liability on the basis that you have not agreed how it is to be allocated.

5.3 **Consequential loss –** To the extent permitted by law, we exclude all liability for:

a) loss or corruption of data

b) loss of profit, goodwill, business opportunity or anticipated savings or benefits

c) indirect or consequential loss or damage.

5.4 **No claims against employees** – You agree not to bring any claim against any of our employees personally in connection with the services. This includes claims in negligence but excludes claims of fraud or dishonesty. This clause is for the benefit of our employees. You agree that each of them may rely on it as if they were a party to this agreement. Each of our employees involved in providing the services relies on the protections in this clause 5.4 and we accept the benefit of it on their behalf.

6 *Electronic communications and tools*

6.1 **Electronic communications** – We each agree to take reasonable precautions to protect our own information technology systems, including implementing reasonable procedures to guard against viruses and unauthorised interception, access, use, corruption, loss or delay of electronic communications.

6.2 **Electronic tools** – We may develop or use electronic tools (eg spreadsheets, databases, software) in providing the services. We are not obliged to share these tools with you, unless they are specified as a deliverable in this agreement. If they are not a specified deliverable, and we do share them with you, you agree that:

a) they remain our property

b) we developed them solely for our use

c) you use them at your own risk

d) you may not provide them to any third party.

7 *Subcontractors (including other PwC firms)*

7.1 **Subcontractors –** We may use subcontractors, including other PwC firms (in Australia or overseas) to perform or assist us to perform the services. Despite this, we remain solely responsible for the services.

7.2 **No claims against other PwC firms -** No other PwC firm has any liability to you in connection with the services or this agreement and you agree not to bring and to ensure none of your affiliates brings any claim (including in negligence) against any other PwC firm or its partners or employees in connection with the services or this agreement. Any partner or employee of another PwC firm who deals with you in connection with the services does so solely on our behalf.

7.3 **Benefit of clause 7.2 -** Clause 7.2 is for the benefit of other PwC firms and their partners and employees (each a *beneficiary*). You agree each beneficiary may rely on clause 7.2 as if they were a party to this agreement. Each beneficiary that provides or assists in providing the services relies on the protections in clause 7.2 and we accept the benefit of clause 7.2 on their behalf.

7.4 **Transfer of information -** We use contractors or suppliers located in Australia and overseas to provide us with services we use in performing services and in our internal functions. Other PwC firms may be involved in our client relationship management and other admin systems and in quality reviews. You consent to information provided to us by you or on your behalf (including personal information and your confidential information) being transferred to those contractors and suppliers and to other PwC firms and our subcontractors, so long as they are bound by confidentiality obligations.

8 *Filing and destruction of documents*

If you leave documents or material with us, we may destroy them after seven years (except to the extent we are required to retain them by law).

9 *Performing services for others*

Provided we do not disclose your confidential information, you agree that we may perform services for your competitors or other parties whose interests may conflict with yours.

10 Termination

10.1 **By notice** – Either of us may terminate this agreement by giving the other at least 14 days notice in writing (unless it would be unlawful to do so). This agreement terminates on expiry of that notice.

10.2 **Changes affecting independence** – Changes to the law or other circumstances beyond our reasonable control may mean that providing the services to you results in us ceasing to be independent of an audit client. If that happens, we may terminate this agreement immediately by giving you notice in writing.

10.3 **Fees payable on termination** – You agree to pay us for all services we perform before termination, within 14 days after receipt of our invoice. Where we agree a fixed fee for services, and the services are not completed before termination, you agree to pay us for the services that we have performed on the basis of the time spent at our then current hourly rates, up to the amount of the fixed fee.

10.4 **Clauses applying after termination** – The following clauses continue to apply after termination of this agreement: 1.3, 1.4, 1.5, 2.3, 3, 4, 5, 6.2, 7, 8, 9, 10.3, 10.4, 11, 12, 13, 14, 15, 16 and 17.

11 Relationship

We are your independent contractor. You agree that we are not in a partnership, joint venture, fiduciary, employment, agency or other relationship with you. Neither of us has power to bind the other.

12 Corporations Act and SEC prohibitions

Nothing in this agreement applies to the extent that it is prohibited by the Corporations Act 2001 (Cth) or the rules of the US Securities and Exchange Commission.

13 Force majeure

Neither of us is liable to the other for delay or failure to fulfil obligations (other than an obligation to pay) to the extent that the delay or failure arises due to an unforeseen event beyond their reasonable control which is not otherwise dealt with in this agreement. Each of us agrees to use reasonable endeavours to remove or overcome the effects of the relevant event without delay.

14 Assignment

Neither of us may assign or deal with our rights under this agreement without the other's prior written consent.

15 Applicable law

Unless our engagement letter states otherwise, the law applying to this agreement is the law of New South Wales. Both of us submit to the exclusive jurisdiction of the courts of that state and waive any right either of us may have to claim that those courts do not have jurisdiction or are an inconvenient forum.

16 Definitions

In this agreement the following words and expressions have the meanings given to them below

16.1 **affiliate –** an entity which, directly or indirectly, controls or is controlled by or under common control with you

16.2 **PwC firm** – an entity or partnership which carries on business under a name which includes all or part of the name 'PricewaterhouseCoopers', or is otherwise within or a correspondent firm of the global network of PricewaterhouseCoopers firms, each of which is a separate and independent legal entity

16.3 **this agreement** – these terms of business and the engagement letter to which they are attached

16.4 **you –** client identified in our engagement letter

16.5 **we –** PricewaterhouseCoopers Securities Limited (ACN 003 311 617).

17 Confidentiality for certain tax services

17.1 **When clauses 17.2 and 17.3 apply –** Clauses 17.2 and 17.3 apply only if the services are tax services regarding a transaction and either:

a) you are an SEC registrant (or an affiliate of and SEC registrant) which is audited by a PwC firm or

b) our tax services could give rise to a tax benefit within the meaning of US Income Tax Regulation 1.6011-4 or a similar provision enacted by a US state.

17.2 **Permitted disclosure** – You may disclose to any person any information and materials we give you regarding the tax treatment and structure of the transaction (PwC materials).

17.3 **Consequences of disclosure** – If you make disclosure under clause 17.2, you agree to:

a) tell us the name and address of the person to whom you disclose PwC materials and the PwC materials you disclose

b) tell the person to whom you make the disclosure that they may not rely on any PwC materials and that we have no liability or responsibility to them in connection with the PwC materials

c) use your best efforts to obtain the person's agreement to release and indemnify all PwC firms from and against all liabilities (including legal costs) arising from or in connection with the disclosure of the PwC materials or the person's reliance on them.