pwc

Mr Andrew Taylor
Public Trustee for the ACT
PO Box 221
Civic Square ACT 2608

30 November 2011

Dear Andrew,

Engagement Letter– Strategy and Risk Management Review

Further to our draft proposal dated 26 September 2011 and subsequent discussions, we are writing to confirm our engagement to carry out the Strategy and Risk Management Review for the Public Trustee for the ACT (PTACT). This engagement letter, including the Terms of Business attached (which are identical to those previously agreed), confirms the scope of our Services and the terms of our engagement.

Could you please sign the confirmation on page 7 and return to our office at your convenience?

1. The services

1.1 PricewaterhouseCoopers Securities Ltd (PwCS) has been requested to provide a Strategy and Risk Management Review for PTACT. This will comprise a report covering the items set out below:

Review of the current investment objectives and Strategic Asset Allocation of PTACT's Risk Models

Key issues/outcomes

1.2 We understand that PTACT requires comfort around the suitability of the investment objectives and Strategic Asset Allocation of the Risk Models.

Our approach

1.3 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 PTACT's risk and return objectives. If not, we would put forward alternative investment objectives for consideration. Subsequently, we would consider alternative investment strategies to determine whether there are more appropriate strategies to meet PTACT's investment objectives. A more detailed approach is set out below.

Review of Investment Objectives

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

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

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

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

1.5 If necessary, we would propose 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 PTACT's and clients':

a. Investment requirements e.g. preference for income over capital growth

b. Willingness and ability to accept investment risk

c. Willingness to accept other risks e.g. business risk

d. Time horizon

e. Liquidity requirements e.g. frequent expenditure requirements

f. Regulatory and tax requirements

g. Other circumstances including industry practices.

Review of SAA

1.6 We would assess whether the SAA is appropriately aligned with the current (and/or proposed) investment objectives by setting out for each Risk Model:

a. Expected returns

b. Expected volatility of returns

c. Expected income levels

d. Likelihood of capital losses

e. Expected probability of returns exceeding inflation.

1.7 To assess the current SAA for each Risk Model against possible alternatives, we would:

a. Establish a set of sample investment portfolios with varying risk/return profiles that may be suitable

b. Test each of these portfolios, along with the current portfolios for:

i. Efficiency, using both long-term and short-term expected investment returns

ii. Consistency with currently accepted investment and Trustee industry practice

c. Model 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

d. Test each of the portfolios against the investment objectives.

1.8 We would ensure our recommendations are based on the requirements set out in the Prudent Person Rule.

Review of investment arrangements for perpetual, tax-exempt charitable accounts

Key issues/outcomes

1.9 Given the tax status of PTACT's charitable, tax-exempt trusts provides tax advantages for investing in Australian equities (instead of overseas equities) and given the requirement to distribute income on a regular basis, we understand PTACT requires an assessment of whether a new Risk Model (and SAA) would be more appropriate for these trusts.

Our approach

1.10 In determining whether a new Risk Model (and SAA) would be more appropriate for PTACT's charitable, tax-exempt trusts, we would consider:

a. the additional income expected to be gained (after tax) from increasing Australian equities exposure

b. the impact on risk and return of increasing Australian equities exposure

c. the number of charitable, tax-exempt trusts and the level of assets currently invested and

d. the matters outlined in the Prudent Person Rule.

1.11 The main point we would consider is whether the expected increase in income is great enough to offset the extent to which the newly proposed SAA impacts on the risk of the overall portfolio.

Review of investment strategy for clients approaching investment maturity

Key issues

1.12 We understand PTACT requires assistance with reviewing the current approach to investing client assets as they approach maturity and advising whether an alternative approach may be more appropriate.

Our approach

1.13 We will review the current approach to investing client assets as they approach investment maturity and advise whether an alternative approach may be more appropriate by considering:

a. the alignment of investment strategy with client circumstances, particularly with regards to risk tolerance

b. transaction costs

c. ease and efficiency of implementation and

d. the matters set out in the Prudent Person Rule.

1.14 The recommendations made may depend upon the outcome of other areas of our review, particularly the review of investment objectives and the review of implementation of clients' cash balances.

2. Deliverables

2.1 The deliverables from this engagement would be:

a. One draft report

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

c. Presentation of the final report to the PTACT Investment Board.

2.2 We would provide our draft report two weeks prior the February 2012 Investment Board meeting, and our final report one week prior to the Investment Board meeting. We would also update PTACT on any interim findings prior to the end of the 2011 calendar year.

3. Scope exclusions

3.1 Our services do not include the following:

a. Review of the Capital Secure Risk Model

b. Review of superannuation arrangements for clients and

c. Review of current external fund management providers (as this is already reviewed by PwCS on a quarterly basis as part of a separate engagement).

4. Your responsibilities

4.1 We may request further information from PTACT 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. We note that some information has already been provided to us by PTACT in a letter dated 19 September 2011.

5. Our team

5.1 We have selected the individual team members to ensure the right blend of abilities, specialist expertise and practical experience relevant to your needs.

5.2 The key team members are:

a. **Paul Taylor, CFA** – Director with over 14 years experience in providing investment advice to institutional clients in both Australia and overseas. Paul has significant experience in providing advice to Public Trustees having provided advice to the Public Trustee in Western Australia, Queensland and Tasmania. Paul is the Director responsible for the engagement and will be the day to day contact for PTACT.

b. **Keith Davies** – Director with over 30 years experience in providing investment advice to institutional investors. Keith will peer review the work undertaken.

c. **Sean Hollins** – Senior Analyst with four years experience in conducting investment analysis on behalf of institutional investors, including Public Trustees in Queensland and Tasmania. Sean will provide analytical support to the team.

d. **Catherine Nance, FIAA** – Partner with over 20 years experience in investment consulting to institutional funds. Catherine will be the Partner responsible for delivering the services.

5.3 In the course of providing Services under this letter, PwC may, at its discretion, draw on the resources of other PricewaterhouseCoopers Firms. The Client agrees that its relationship is with PwC alone. The Client also agrees that it will not bring any claim of any nature against any other PwC Firm or any partner or employee of such firm relating to the Services provided under this engagement letter, except where such a claim cannot be excluded by law.

5.4 While every effort will be made to ensure the above personnel are available for the duration of the engagement, we reserve the right to change personnel at our sole discretion.

6. Fees and expenses

6.1 Our total fees are as follows:

Service	Fee (excl GST)	GST (10%)	Fee (incl GST)
Review of investment objectives and SAA	$18,000	$1,800	$19,800
Review of investment arrangements for perpetual, tax-exempt charitable accounts	$7,000	$700	$7,700
Review of investment strategy for clients approaching investment maturity	$7,000	$700	$7,700
Presentation to the PTACT Investment Board (incl. travel expenses)	$1,500	$150	$1,650

6.2 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.

6.3 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 PTACT for all claims in connection with or arising out of the Services performed under this engagement letter. PTACT 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.

Should you have any queries regarding the above, please do not hesitate to contact us.

Yours sincerely,

Paul Taylor
Retirement Incomes and Asset Consulting

Authorised Representative (#317309) of PricewaterhouseCoopers Securities Ltd

Catherine Nance, FIAA
Retirement Incomes and Asset Consulting

Authorised Representative (#265248) of PricewaterhouseCoopers Securities Limited

Paul Taylor
Retirement Incomes and Asset Consulting
PricewaterhouseCoopers Securities Ltd
GPO Box 1331
MELBOURNE VIC 3001

Engagement Letter – Strategy and Risk Management Review

29 November 2011

Client Acceptance

Andrew Taylor
PUBLIC TRUSTEE FOR THE A.C.T.

The terms of this engagement are accepted by ______________________
(enter name of signatory)
on behalf of the Public Trustee for the ACT who represents that he/she is authorised to accept these terms on its behalf.

Signed ______________________

Andrew Taylor
PUBLIC TRUSTEE FOR THE A.C.T.
Position ______________________

Date 30.11.11

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 both agree 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.

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 indemnify us against any liability (including legal costs) that 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 do not include 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 responsibly require to perform the services

b. provide reasonable facilities for us when we work at your premises

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

2.2 **Information –** You agree to:

a. ensure that information provided to us in accurate, complete and not misleading (we will 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)

b. alert us to changes to information provided to us

c. let us know if you expect us to use information from other engagements in connection with this one (otherwise, we are not required to use that information and will not be deemed to know if for the purposes of this agreement)

d. indemnify us against any liability (including legal costs) that we incur in connection with:

i. our reliance on information provided by you or on your behalf which is inaccurate, incomplete or misleading or

ii. your failure to provide us with relevant information.

2.3 **Interdependence –** Our performance depends on you also performing you obligations under this agreement. You agree that we are not liable for any default that arises because you do not fulfil your obligations.

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, plus any GST we are required to pay in connection with the services.

3.2 **Expenses –** You agree to pay any reasonable expenses we incur in connection with the services, plus GST at the prevailing rate (to the extent applicable).

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

3.4 **Fee scales –** We revise our fee scale every six months. Rates quoted to you remain in force until the next 31

December or 30 June, as the case may be. We may increase our fee for any work performed after that date.

3.5 **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.

4. Confidentiality and privacy

4.1 **Confidential information –** We 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 that 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 dollars. Legislation providing for appointment of liability may also apply.

5.2 **Aggregate cap –** When more than one client is named in our engagement letter, the limits on our liability in this clause 5.1 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 (including in negligence) against any of our employees personally in connection with the services. This clause is for the benefit of our employees. You agree that each of our employees may rely on this clause 5.4 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 to provide the services to you. We remain liable for subcontracted services.

7.2 **Other PwC firms –** We may use other PwC firms to provide the services to your, or have them assist us in providing the services. Despite this, we remain solely responsible for the services.

7.3 **No claims against other PwC firms –** You agree not to bring any claim (including in negligence) against another PwC firm (or its partners or employees) in connection with the services. Any partner or employee of another PwC firm who deals with you in connection with the services does so solely on our behalf.

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

7.5 **Transfer of information –** Where subcontractors or other PwC firms are involved in providing the services, you consent to information being transferred to them. This includes personal information and transfer outside Australia.

8. Filing and destruction of documents

8.1 It is our practice to destroy our documents after seven years, unless the law requires us to retain them. If you leave documents or material with us, they will be filed and destroyed with our documents.

9. Performing services for others

9.1 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 (other than 7.5), 8, 9, 11, 12, 13, 14, 15, 16, 17 and 18.

11. Resolving disputes

11.1 If a dispute arises in connection with this agreement, you agree to meet with us to attempt to resolve it. If the dispute is not resolved through those negotiations, you agree we will both attempt to resolve the dispute through mediation before commencing legal proceedings

12. Relationship

12.1 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.

13. Corporations Act and SEC prohibitions

13.1 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.

14. Force Majeure

14.1 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.

15. Assignment

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

16. Applicable law

16.1 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 inconvenience forum.

17. Definitions

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

17.2 **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 associated or connected with an entity within) or is a correspondent firm of the global network of PricewaterhouseCoopers firms

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

17.4 **you –** client named in our engagement letter

17.5 **we –** PricewaterhouseCoopers Securities Ltd (ACN 003 311 617)

18. Confidentiality for certain tax services

18.1 **When clauses 18.2 and 18.3 apply –** Clauses 18.2 and 18.3 apply only if the service are tax services regarding a transaction and either:

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

b. our tax services could give rise to a US federal tax benefit within the meaning of US Income Tax Regulation 1.6011-4.

18.2 **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).

18.3 **Consequences of disclosure –** If you make disclosure under clause 18.2, 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.