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Private & Confidential

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

7 September 2016

Dear Andrew

Engagement Letter – Investment Consulting Services

Further to your letter dated 29 July 2016 regarding a proposal for a strategy and risk management review, we are writing to confirm our engagement to carry out the review for Public Trustee and Guardian (PTG).

1. *Background*

1.1 PTG conducts periodic five year reviews of the investment strategies of PTG's Common Funds and Risk Models.

1.2 As part of this review, PricewaterhouseCoopers Securities Ltd ("PwCS") has been asked to provide a report which covers:

- a A review of the investment arrangements of the Cash Common Fund
- b A review of the performance of Vanguard as investment manager
- c An assessment of the suitability of the return objectives and risk profile of PTG's Risk Models (Income Stable, Balanced and Growth) in light of market conditions, as well as reviewing the investment portfolio structures of PTG's Risk Models.

1.3 The scope of this review is outlined in a separate document labelled "Review of Internal Cash Management Policy, Strategic Investment and Risk Management".

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

2. *Our approach*

Review of 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 Internal Cash Management Policy, Strategic Investment and Risk Management" document, which are as follows:

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a. Q1. Can PTG obtain an increased rate of return for the cash common fund by investing in alternate cash investments while maintaining its fixed $1.00 unit valuation at all times? The Board requested additionally that PTG seek PwC undertake historical cash market performance return comparison on a quarterly basis.

b. Q2. AAA financial institutions have introduced a policy under which 30 days notice must be provided prior to liquidating a term deposit prior to maturity. What strategies should PTG have in place in response to this?

c. Q3. Can PTG obtain an increased rate of return via adjustments to the maximum 180 day duration, minimum BBB rating or maximum 25% weighting of an individual ADI without increasing risk?

d. Q4. Is there a financial/administrative benefit in outsourcing the management of the cash common fund to an external provider compared to in-house cash management?

e. Q5. PwC to provide a comparative assessment of PTG's cash performance against, for example, Macquarie to assure the Board that in-house cash performance is optimal.

Review of Vanguard performance

2.2 PwCS will provide an assessment of Vanguard's performance for periods to 30 June 2016. 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.

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

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

Our approach

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. A more detailed approach is set out below.

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Review of Investment Objectives

2.5 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:

a. Expected returns

b. Expected volatility of returns

c. Expected income levels

d. Likelihood of capital losses and

e. Expected probability of returns exceeding inflation.

2.6 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. 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

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

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

2.7 If necessary, we would propose either:

a. 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':

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

  ii. Willingness and ability to accept investment risk

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

  iv. Time horizon

  v. Liquidity requirements e.g. frequent expenditure requirements

  vi. Regulatory and tax requirements and

  vii. Other circumstances including industry practices.

b. 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.

2.8 As part of our review we would provide a response to the specific questions regarding the Risk Models that were put forward in the "Review of Internal Cash Management Policy, Strategic Investment and Risk Management" document, which are as follows:

a. Q6. Would there be any significant diversification or return benefits for PTG's Risk Models if another investment class was added to the list of common funds?

b. Q7. PTG maintains Strategic Asset Allocations for its risk models where weightings are static and do not adjust for short term market performance expectations (Tactical AA). Is PTG's current SAA policy consistent with industry peers or should other strategies be considered?

c. Q8 While referencing the Standard Risk Measures Guidelines, what would be the current Risk Bands/Labels for the existing Capital Stable, Income Stable, Balanced and Growth Risk Models based on the likelihood of negative returns over a 20 year period?

d. Q9. Despite the differences in SAA, the three non-cash Risk Models have an extremely high correlation. Are the risk models relatively well spread in terms of risk and duration, or are they too similar?

e. Q10. Are the return objectives for each risk model reflective of industry expectations and can the SAA weightings be optimised?

f. Q11. PWC to consider Board's concern that Risk Model objectives such as the Income Stable CPI + 2% does not advise whether it is to occur in the long term or short term. It does not factor the current environment and market stability and a Risk Model is likely to fall short of its target making it unreliable for long term assumptions. Other Public Trustee jurisdictions utilise tactical asset allocations which could be a viable method for PTG.

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.

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

3.2 We would aim to provide our draft report by mid October 2016 in order to allow time for the report to be finalised in time for the 7 December 2016 Board meeting.

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.

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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	Fee (excl GST)	GST (10%)	Fee (incl GST)
Review of Cash Common Fund strategy	$5,000	$500	$5,500
Review of Vanguard performance	$5,000	$500	$5,500
Review of investment strategy and objectives of PTG's Risk Models	$10,000	$1,000	$11,000

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)	GST (10%)	Fee (incl GST)
Presentations to the PTG Investment Board (including travel expenses)	$1,600	$160	$1,600

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

6.6 All other services will be provided based on hourly rates or as agreed. Our 2016/17 hourly rates are as follows:

Person	**Position**	**Hourly rate (16/17) (excluding GST)**
Stephen Jackman	Director	$657
Catherine Nance	Partner	$769
Matthew Johnston	Senior Manager	$584
Shaun Eldred	Senior Analyst	$371

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

6.8 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 Stephen Jackman on (03) 8603 1498 or Matthew Johnston on (03) 8603 5978.

Yours sincerely,

Stephen Jackman, FIAA
Retirement Incomes and Asset Consulting

Authorised Representative (#464654) of PricewaterhouseCoopers Securities Ltd

Catherine Nance, FIAA
Retirement Incomes and Asset Consulting

Authorised Representative (#265248) of PricewaterhouseCoopers Securities Limited

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Mr Stephen Jackman
GPO Box 1331
MELBOURNE VIC 3001

Client Acceptance
Engagement Letter – Investment Consulting Services

Andrew Taylor
Public Trustee and Guardian

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 ______________________________

Name Andrew Taylor
Public Trustee and Guardian

Position ______________________________

Date: 8 September 2016

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.

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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.

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

a) the deliverables are not for their use or benefit

b) we accept no responsibility or liability to them

c) they may not do any of the things referred to in paragraph (a) or (b) above.

1.6 **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.

1.7 **Additional terms for legal services** – Our services are not legal services unless expressly identified as legal services in the engagement letter. The additional terms of business for legal services apply to legal services (in addition to these terms of business).

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 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.

2.3 **Interdependence** – Our performance depends on you also performing your 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 (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 **Accountants scheme** – Our partners are members or affiliate members of the Institute of Chartered Accountants in Australia (ICAA) which has schemes approved under professional standards legislation in force in Australian states and territories. Our liability in connection with the services (other than legal services which are subject to a different limitation of liability scheme) is limited in accordance with those ICAA schemes, and legislation providing for apportionment of liability also applies.

Please let us know if you would like a copy of the relevant scheme.

5.2 **Liability cap where no scheme** – Where our liability is not limited by a scheme, 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.

5.3 **Aggregate cap** – Where more than one client is named 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.

5.4 **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.

5.5 **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 5.5 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 **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*

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

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 named in our engagement letter

16.5 **we** –PricewaterhouseCoopers Securities Ltd (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 US federal and/or state tax benefit within the meaning of US Income Tax Regulation 1.6011-4 and/or similar state provisions.

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

PUBLIC TRUSTEE
AND GUARDIAN

Review of Internal Cash Management Policy, Strategic Investment and Risk Management

PTG Scope Document:	**Final**
Endorsed by:	**PTG Investment Board**
Approved by:	**Andrew Taylor, Senior Member, PTG Investment Board**
Endorsed Date:	**29 July 2016**
Review Date:	**5 years (June 2021/22)**

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Key Stakeholders:	Investment Board:	Andrew Taylor (Chair) Thach Hyunh Patrick McAuliffe Jill Charker
	PTG Managers:	Callum Hughes (Mgr - Inv Funds Mgt) Joanne Thompson (Mgr - Finance)
	Consultant (PWC):	Stephen Jackman Catherine Nance
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Background

PTG Financial and Governance Background

The Public Trustee and Guardian (PTG) is an independent ACT Statutory Authority established by the *Public Trustee and Guardian Act 1985* (the Act). Under Division 6.3 of the Act the PTG is required to establish common funds and currently operates five of these which is representative of the pooled investments of all the trusts, estates and managed personal finances currently under the care of PTG.

Each common fund represents a particular investment market with current investments totalling $85.7 million in the Australian cash market, $34.5 million in the Australian equities market, $31.3 million in the Australian fixed interest market, $8 million in the Australian listed property trusts market and $15.2 million in international equity markets.

This total of $174.7 million represents internal clients with the Cash Common Fund managed internally by PTG's Finance Unit in line with PTG's *Cash Common Fund Investments Policy.* The remaining four common funds are managed by PTG's Investment/Funds Management Unit which invests externally with Vanguard Investment Management Australia in a passive (index-matched) style of investment in accordance with advices from the PTG's current asset consultant PWC, and prior consultants Russell Investment Group and Robert Johnson & Associates.

Under the *Financial Management Act 1996* (FMA) PTG also acts as an investor of trust moneys on behalf of other Territory agencies and Directorates. PTG currently holds in excess of $171.4 million in the Australian cash market and $6.1 million in Australian fixed interest on behalf of these entities and invests each of these asset classes in essentially the same manner as internal PTG clients with the main difference being a removal of capital commission fees for the FMA accounts.

Under these two Acts PTG is currently entrusted with over $352 million for pure funds management.

PTG is also responsible for over $107 million in unrealised assets belonging to PTG clients in the form of real estate, superannuation, shares, managed funds and nursing home deposits.

Key governance measures are applied under Divisions 6.1 and 6.2 of the Act with the establishment of the Public Trustee and Guardian Investment Board, which meets regularly to monitor performance, compliance and to advise on the investment policies covering the common funds. While the Board is not charged under legislation to advise and monitor external funds management under the FMA, these funds are considerable and invested in an identical fashion as the internal process and therefore the advices of the Board are highly sought after and respected.

PWC - Recent Developments

In July 2015 PTG commenced discussion with PWC regarding Asset Consultant services under a new contract. The request highlighted the previous removal of quarterly fund manager reports given PTG's wholly passive arrangement with Vanguard to be replaced with an annual report. PTG also discussed a prospective review of the existing Cash Common Fund Investment Policy.

The new contract requested a new annual report to be prepared which not only reviewed Vanguard's investment management of PTG's common funds, but to also perform a cursory 'short review' of the existing risk models Income Stable, Balanced and Growth. The short review was to examine whether the existing Strategic Asset Allocations and Return Objectives reflect up-to-date market assumptions (i.e. return, volatility and correlation). This short review would be a key indicator as to whether the five-yearly 'full review' should be brought forward in certain years.

During the process of drafting the new contract arrangement, PWC contacted PTG and suggested that without having performed the short review of the risk models, they felt confident that the current objectives are already very optimistic and will need to be adjusted, and suggested that PTG should combine the cash common fund review with the periodic 5-year review.

This document outlines the scope of the advice sought from PWC and defines the responsibilities of the key stakeholders involved. Due to the high number of steps required throughout the consultation process it is imperative that PTG promotes timely responses and utilises out-of-session Board communications rather than reflecting the existing Board meeting schedule.

Key Stakeholders and Responsibilities

Name	Role Description	Responsibilities
Callum Hughes	Mgr Inv/Funds Mgmt	Co-ordinator of Review Process
Joanne Thompson	Mgr Finance	Manager of Cash Common Fund to be reviewed by PWC
Andrew Taylor Thach Hyunh Patrick McAuliffe Jill Charker	Current PTG (Senior Member) and PTG Board Members	Assist PTG develop scope of advice, refine initial advice and recommend actions to be taken by PTG
Stephen Jackman Catherine Nance	PWC Consultants	Provide advice in accordance with scope document and comments from PTG's Investment Board
PTG clients	Affected party	To be advised of changes to circumstances (if appropriate)

Co-ordinator

The Co-ordinator will be the Manager Investment/Funds Management. The Co-ordinator's responsibilities include:

- Determine required timings for whole review process and maintain schedule for relevant parties.
- Organise meetings in relation to the review and provide relevant agendas and discussion points.
- Publish draft minutes of meetings and action items in a timely basis.
- Promote discussion between PTG's Finance Unit and the PTG's Investment/Funds Management Unit.
- Provide Consultant with relevant data and policy documents for the purposes of providing advice.
- Maintain records in accordance with the *Territory Records Act 2002* and maintain confidentiality of client information in accordance with the *Information Privacy Act 2014*.

Timeline of Project

At present it is estimated that the project timeline will be spread over the coming months as follows:

By end of July 2016 -

- This Scope Document to be finalised and endorsed by PTG's Investment Board.
- Letter sent to PWC requesting advice.

Two months (end of September 2016):

- PWC to have provided PTG with a draft Report of Advice based upon questions raised in the Scope Document.
- PTG to circulate draft advice to Board out-of-session for comments and suggested changes.
- PTG to provide PWC with list of comments and suggested changes.
- PTG to work with PWC to finalise the Report of Advice in preparation of Board Meeting on 7 December 2016.
- PTG circulate final Report of Advice to Board and also prepare and circulate a report outlining the effects of recommendations and how they are likely to affect PTG clients in preparation for the Board Meeting.

7 December 2016:

- Investment Board to recommend Action Items in response to the Report of Advice from PWC and PTG report noting effects on clients.

2 months (end of January):

- PTG to advise clients of certain changes to their accounts (if appropriate).
- PTG to action all recommended changes within current PTG investment policy documents.
- PTG to action changes to Common Funds as required.
- PTG to prepare a status report of changes completed and changes still to be completed in preparation for the Board Meeting in February/March 2017.

Ongoing:

- PTG to action and report on any incomplete action items not done by February/March 2017.

Questions for PWC

The questions for PWC are separated into two lists based on existing internal policies. The letter to PWC will promote that existing policies and relevant investment data will be provided to them to assist them with their research.

Cash Common Fund

At present PTG invests its cash common fund in-house into numerous term securities up to a maximum of 180 days in banks and other ADIs rated BBB or higher. No ADI can have more than a 25% weighting (10% for Building Society/Credit Union) and investments are typically between $350,000 and $2,000,000 in value per security.

Q1. Can PTG obtain an increased rate of return for the cash common fund by investing in alternate cash investments while maintaining its fixed $1.00 unit valuation at all times? The Board requested additionally that PTG seek PwC undertake historical cash market performance return comparison on a quarterly basis.

Q2. AAA financial institutions have introduced a policy under which 30 days notice must be provided prior to liquidating a term deposit prior to maturity. What strategies should PTG have in place in response to this?

Q3. Can PTG obtain an increased rate of return via adjustments to the maximum 180 day duration, minimum BBB rating or maximum 25% weighting of an individual ADI without increasing risk?

Q4. Is there a financial/administrative benefit in outsourcing the management of the cash common fund to an external provider compared to in-house cash management?

Q5. PwC to provide a comparative assessment of PTG's cash performance against, for example, Macquarie to assure the Board that in-house cash performance is optimal.

Investment Common Funds and Risk Models

The Australian Equities Common Fund, Fixed Interest Common Fund, Listed Property Trusts Common Fund and International Equities Common Fund have been actively advised upon for a number of years. All of the funds are invested in a passive environment (i.e. Vanguard's index matching funds) and at present the choice of the current investment manager is out of scope for this review.

The Risk Models (Capital Stable, Income Stable, Balanced and Growth) are currently considered to have optimistic return and risk objectives and should be reviewed with reference to the Standard Risk Measures paper by FSC (provided).

Q6. Would there be any significant diversification or return benefits for PTG's Risk Models if another investment class was added to the list of common funds?

Q7. PTG maintains Strategic Asset Allocations for its risk models where weightings are static and do not adjust for short term market performance expectations (Tactical AA). Is PTG's current SAA policy consistent with industry peers or should other strategies be considered?

Q8. While referencing the Standard Risk Measures Guidelines, what would be the current Risk Bands/Labels for the existing Capital Stable, Income Stable, Balanced and Growth Risk Models based on the likelihood of negative returns over a 20 year period?

Q9. Despite the differences in SAA, the three non-cash Risk Models have an extremely high correlation. Are the risk models relatively well spread in terms of risk and duration, or are they too similar?

Q10. Are the return objectives for each risk model reflective of industry expectations and can the SAA weightings be optimised?

Q11. PWC to consider Board's concern that Risk Model objectives such as the Income Stable CPI + 2% does not advise whether it is to occur in the long term or short term. It does not factor the current environment and market stability and a Risk Model is likely to fall short of its target making it unreliable for long term assumptions. Other Public Trustee jurisdictions utilise tactical asset allocations which could be a viable method for PTG.

Estimated Costs

In PWC's Engagement Letter - Strategy Review dated 7 September 2016 the fees attributable to the review are as follows:

Review of investment strategy for Cash Common Fund	$5,500 including GST
Review of Vanguard Performance:	$5,500 including GST
Review of investment strategy and objectives of PTG's Risk Models:	$11,000 including GST

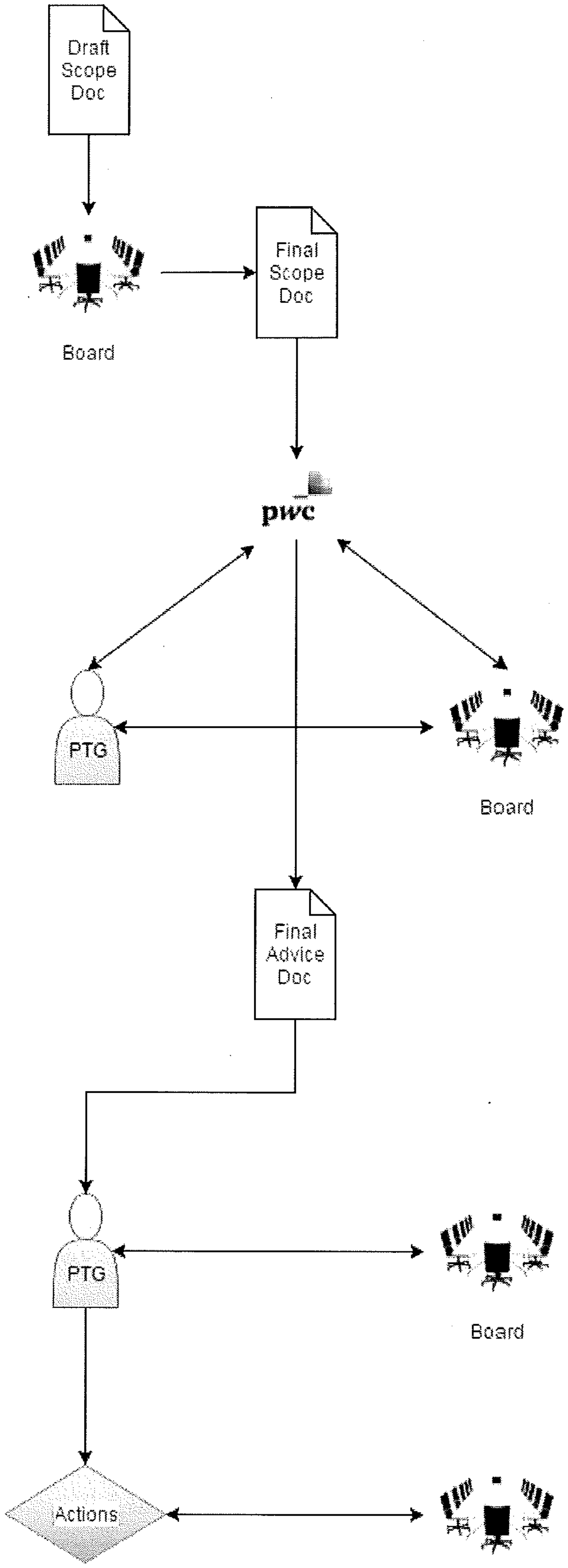
Presentation to Board (if required): $1,760 including GST (plus travel expenses)

Additional Costs:

Director:	$657/hr
Partner:	$769/hr
Senior Manager:	$584/hr
Senior Analyst:	$371/hr

Based off the agreement the review is expected to cost $22,000 plus the cost of presentation if required.

Workflow of Review/Advice Process



1. Draft Document

2. Changes to Doc

3. Request Advice from PWC

4. PTG provide data and information as required by PWC to form advice.

5. PTG provide Board with drafts for comment.

6. Board comments and suggests changes via PTG.

7. PWC attend Board for presentation (if required)

8. Final Advice prepared by PWC.

9. PTG presents PWC Advice to Board and details effects of advice to PTG clients.

10. Board recommends actions required by PTG.

11. PTG drafts new Internal Investment Policy with advice from Board.

12. PTG effects recommendations and reports outcomes to Board

Supporting Documentation for Terms of Reference:

1. "Public Trustee and Guardian Cash Common Fund Investments Policy" *(Internal)*

2. "Public Trustee for the ACT Investment Strategy and Risk Management Review February 2012" *(PWC advice)*

3. "Standard Risk Measure Guidance Paper for Trustees" *(FSC Paper July 2011)*