The Public Trustee

Investment Services

Prudent Person Rule Policy Framework

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25 Oct 2011	4.3	Craig Dean	Updated for $25,000 to $50,000 Strategy
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November 2020	13.0	Craig Dean / Christine Ivic	Updated with legal review recommendations & reference to *Guardianship and Administration and Other Legislation Amendment Act 2019*

Approved for Release

Approved	Position	Sign	Date
Frank Prostamo	Director Investment Advisory & Taxation Services	Final Signed	23 / 03 / 2021

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1 Background

The Public Trustee has had a legislative obligation to apply the *Prudent Person Rule* when making investments for customers since 3 February 2000 when the *Trusts (Investments) Amendment Act 1999* amended Part 3 of the *Trusts Act 1973*, removing the statutory list of investments Trustees could make.[1]

The Public Trustee must demonstrate compliance with this rule when making investment decisions for its customers. This is a whole of office responsibility, which The Public Trustee has directed will be owned by the Investment Services Program.

2 Purpose

This policy framework details the measures we take to ensure compliance with the *Prudent Person Rule* and defines who does what to meet our obligations under Part 3 of the *Trusts Act 1973*, refer to Attachment 1.

Prudence is a test of conduct not investment performance. It should be primarily measured by the process through which investment strategies are developed, implemented and monitored. Prudence is demonstrated by the process through which risk is managed, not the assessment of whether individual investments or products are either prudent or imprudent.[2]

This policy framework is not a standalone document: it is to be read in conjunction with relevant manuals of the Office, which provides details of processes and procedures to be undertaken.

This means that it is important for appropriate systems, policies and procedures to be in place to demonstrate we have a prudential investment decision-making framework in place. This includes initial and ongoing training of The Public Trustee of Queensland (PTQ) staff. This policy framework will be maintained by Investment Services, which is the subject matter authority within the Office.

3 Definition of the Prudent Person Rule

The *Prudent Person Rule* (Rule) applies when The Public Trustee makes investment decisions for estates under administration, including:

a) Beneficiaries of a deceased estate under administration;[3]

b) Beneficiaries of trusts, including life interest estates; and

c) Customers in our capacity whom we act as their Financial Attorney or Financial Administrator or Trustee, through a power of attorney or Court or Queensland Civil

[1] Cockburn, T. *Trustee Investment Law Reform – Trusts (Investments) Amendment Act 1999.* QLS Lunchtime Seminar 11 April 2000

[2] Davis, R.L. and Shaw, G. 1997, *Trustee Investment: The Prudent Person Approach. 2nd ed, Butterworths Wellington Page 37*

[3] *Public Trustee Act 1978* (QLD), Section 6

and Administrative Tribunal (QCAT) appointment.

These elements of the Rule impact on The Public Trustee of Queensland:

a) Unless expressly forbidden by the trust instrument, a trustee may invest in any form of investment and at any time vary or realise an investment and reinvest with the same degree of freedom; and[4]

b) *'If the trustee's profession, business or employment is or includes acting as a trustee or investing money for other persons – exercise the care, diligence and skill a prudent person engaged in that profession, business or employment would exercise in managing the affairs of other persons'*[5]

This means that there is a higher standard of care expected of a professional trustee than the ordinary businessperson, which acknowledges the higher standard imposed on the professional by the courts. That duty of care is the standard of a prudent person making investment decisions for the benefit of other people.[6]

c) There is a requirement for an annual review of the performance individually and as a whole of trust investments. However, the annual review is a minimum requirement. There may be circumstances when the customer's situation changes such that the failure to conduct an interim review would be regarded as imprudent and a breach of trust.[7]

d) The following fundamental duties of trustees apply:

    1. To exercise their powers in the best interests of all present and future beneficiaries;

    2. To invest trust funds in investments that are not speculative or hazardous;

    3. To act impartially towards beneficiaries and between different classes of beneficiaries; and

    4. To obtain advice.

e) Where a trustee obtains advice about the investment decision-making process, then it may pay the cost of that advice out of trust funds. As an example, The Public Trustee may seek professional Financial Planning advice for individual customers. The Prudent Person Rule authorises The Public Trustee to pay for the reasonable cost of that advice out of trusts funds. The rule also allows The Public Trustee to seek independent and impartial advice of the investment or management of trust funds from a competent adviser, and again to pay for the

[4] *Trusts Act 1973,* Section 21
[5] *Trusts Act 1973,* Section 22(1)(a)
[6] Clarkson, L. (2001), *Trusts and the Prudent Person Rule, Page 5*
[7] Clarkson, L. (2002), *Trusts and the Prudent Person Rule, Page 6*

reasonable costs of that advice out of trust funds.[8]

f) The essence of the *Prudent Person Rule* is contained in Section 24 of the *Trusts Act 1973* and is reproduced below. These are matters that a trustee must consider when making investment decisions.

"Without limiting the matters a trustee may take into account when exercising a power of investment, a trustee must so far as they are appropriate to the circumstances of the trust have regard to the following matters:[9]

1. *the purpose of the trust and the needs of circumstances of the beneficiaries;*
2. *the desirability of diversifying trust investments;*
3. *the nature of and risk associated with existing trust investments and other trust property;*
4. *the need to maintain the real value of the capital or income of that trust;*
5. *the risk of capital appreciation;*
6. *the likely income return and the timing of income return;*
7. *the length of the term of the proposed investment;*
8. *the probable duration of the trust;*
9. *the liquidity and marketability of the proposed investment during and at the end of the term of the proposed investment;*
10. *the total value of the trust estate;*
11. *the effect of the proposed investment for tax liability of the trust;*
12. *the likelihood of inflation affecting the value of the proposed investment or other trust property;*
13. *the cost (including commissions, fees, charges and duties payable) of making the proposed investments; and*
14. *the results of a review of existing trust investments".*

[8] *Trusts Act 1973,* Section 24(2)(b)
[9] *Trusts Act 1973,* Section 24(1)

3.1 Legal Framework

The matters which must be considered when making decisions are specified at Section 24 of the *Trusts Act 1973*. These apply to beneficiaries of trusts and deceased estates, as well as customers who have been appointed under the power of attorney or by the Court or Queensland Civil Administrative Tribunal (QCAT).

Both Section 51 *Guardianship and Administration Act 2000* (GAA) and Section 84 *Power of Attorney Act 1998* state that "administrators or attorneys may invest only in authorised investments". However, if when the power became exercisable the customer had investments that were not authorised investments, the administrators or attorneys may continue the investments, including by taking up rights to issue new shares, or options for new shares to which the customer becomes entitled by the customer's existing shareholding.

An "authorised investment" means:

a) *an investment which, if the investment were of trust funds by a trustee, would be an investment by the trustee exercising power of investment under the Trusts Act 1973 Part 3; or*

b) *an investment approved by the tribunal.*[10]

3.2 Queensland Civil and Administrative Tribunal (QCAT) View

QCAT strictly applies the *Prudent Person Rule* test when reviewing customer's financial plans. By way of example, in 2005 the Queensland Guardianship and Administration Tribunal, the tribunal prior to QCAT applied the law stating that:

"The investment powers of administrators appointed under the Guardianship and Administration Act 2000 are subject to the same rules as those applying to trustees under Part 3 of the Trusts Act 1973; that is the Prudent Person rule".[11]

The need to consider all factors at Section 24 was highlighted by a case in 2009 [12] where the Tribunal found that an administrator had failed to consider the customer's tax liability despite adequately addressing the other relevant factors. As a result, the administrator failed the Prudent Person test incurring an ongoing contingent liability for the life of the customer, because they failed to investigate properly an appropriate investment strategy for a permanently incapacitated customer.

[10] *Power of Attorney Act 1998,* Section 84(2) and (4)*;* GAA*,* Section 51(2) and Schedule 4 Dictionary
[11] NM, Re [2005] QGAAT 55 (23 September 2005)
[12] CE, Re [2009] QGAAT 3458 (22 June 2009)

3.3 *Guardianship and Administration Act 2000 (GAA), Powers of Attorney Act 1998 (POA), Inter-Relationship Human Rights Act 2019 (HRA), and Guardianship and Administration and Other Legislation Amendment Act 2019 (GAA 2019)*

The *Human Rights Act 2019* protects the human rights of every person in Queensland when they interact with the government, police, public hospitals, public schools and other organisations doing work for the Queensland Government. It places people first by making sure that the public sector considers human rights when they make decisions and deliver services.

Human rights protect the dignity and worth of all human beings regardless of background, what you look like, what you think, what you believe or any other status or characteristic. The *Human Rights Act 2019* requires The Public Trustee as a government department, and its employees, to consider human rights in all decision making and interactions with the community.

The GAA and POA require administrators and attorneys to comply with the General Principles that appear in the GAA, POA and GAA 2019.

The general principles (and the health care principles) set out the principles underpinning Queensland's guardianship framework and provide guidance to any person or entity performing a function or exercising a power under Queensland's guardianship legislation (the Guardianship and Administration Act 2000 and the Powers of Attorney Act 1998). When making decisions on behalf of an adult with impaired decision-making capacity, attorneys, guardians, administrators and statutory health attorneys must apply the general principles, and the health care principles (in relation to health matters). A person making a decision for an adult on an informal basis must also apply the general principles.

The Supreme Court and the Queensland Civil and Administrative Tribunal are also required to apply the general principles and health care principles, for example, when determining whether an adult has capacity for a matter or considering whether to appoint a guardian or administrator for a matter.

The General Principles[13] are summarized as follows:

1. Presume the adult has capacity
2. Same human rights and fundamental freedoms
3. Empowering and supporting an adult to exercise their human rights

[13] Guardianship and Administration and Other Legislation Amendment Act 2019, Section 8

4. Maintaining supportive relationships
5. Maintaining culture, language, values and beliefs
6. Respect for privacy
7. Right to liberty and security
8. Participation in decision-making
9. Performance of functions and exercise of powers
10. Structured decision-making

The inter-relationship between the Prudent Person Rule and the GAA was considered in *CRG* [2019] QCAT 168. In this case, QCAT spoke to the operation of the *Guardianship and Administration Act 2000* and the *Trusts Act 1973*. Member Gordon Stated that:

> "One point to make is that all the General Principles, except for 10, require the *taking into account* of the principle. This means that the General Principles, leaving aside 10 for the moment, have the effect of modifying the reasonable diligence and prudent person investment rules by adding things which must be taken into account when exercising the power, **but they cannot prevail over those rules**."
>
> (Please note that reference by Member Gordon is made to the previous General Principles which have been superseded as provided above).

Other statements made by Member Gordon in *CRG* [2019] QCAT 168 are particularly relevant to the question of the way in which an administrator applies the Prudent Person Rule. Member Gordon states at paragraph 39:

> "In practical terms this means that pursuant to Section 22(1), when exercising a power of investment, the Public Trustee must exercise the care, diligence and skill that a prudent person engaged in a profession of acting as a trustee or investing money for other persons would exercise in managing the affairs of other persons. This must be read in the light of Section 24 which requires the trustee to have regard to the purposes of the trust and the **needs and circumstances of the beneficiaries in so far as appropriate to the circumstances of that trust**. It is notable that this latter provision is closely similar to General Principle 10 with which The Public Trustee must comply. And in addition to the above, The Public Trustee must take into account the other General Principles. So, it is right that an administrator appointed under the GAA should consider the benefit to the adult of a particular investment and could make an investment which would confer a particular benefit on the adult **provided of course it satisfied the prudent person investment rule**."

The need to exercise a power in a way that is appropriate to the adult's characteristic and needs in the GAA and POA is not dissimilar to the requirement in Section 24(1) of the *Trusts Act 1973* for a trustee to have regard to the "purposes of the trust and the needs and circumstances of the beneficiaries".

Whilst it is accepted that The Public Trustee's customers may have differing views as regards the level of risk which they are prepared to take, and the type of investments for which they have a preference, it must be explained to the customer that the statement by Davis and Shaw in Trustee Investments, the Prudent Person Approach, Second Edition at paragraph 5.2 will always apply:

> "Notwithstanding that there may be compelling reasons for trustees to expose a trust to some risk in order that the real value of capital is preserved, it is however reasonable to say that **safety must be paramount for without the capital there is no possibility of future income**".

The reference to "best interests" in the *Trusts Act 1973* in regard to the customer it is not the same thing as the customer's human rights. The concept of the "customer's interests" comes from a welfare paradigm whereas human rights focus on individual autonomy. A person may exercise their human rights to act contrary to their own interests. Section 35 of the GAA and Section 66 of the POA help identify proper purposes or Acts or Decisions that The Public Trustee might take that may limit the human rights of the customer. Therefore, seeking to protect the interests of the customer will be a "proper purpose" for the purposes of Section 13(2)(b) of the *Human Rights Act 2019*. Further, under Section 68(2) of the *Human Rights Act 2019* The Public Trustee is not required to act compatibly with human rights if it would mean The Public Trustee would need to act contrary to the customer's interests. However, in every case, every customer's view, wishes and preferences are to be ascertained and considered with decisions and outcomes being recorded in writing.

3.4 Working Definition Prudent Person Rule (in plain English)

This document puts Section 24 of the *Trusts Act 1973* (the Act) into plain English to help you explain it to your customers when they ask you how The Public Trustee makes investment decisions.

<u>When we make investment decisions for our customers, we</u>:

1. Act in the interests of and are impartial towards all current and future beneficiaries of the trust. This is particularly important when dealing with matters where there are two sets of beneficiaries with separate entitlements to income and capital, such as life interest estates;

2. Do not make speculative or hazardous investments. The use of investment

products approved and supplied by our Investment Services Program, or recommended by our approved Financial Planner are intended to minimise investment risk;

3. Obtain advice on investment strategies and products; and

4. Conduct at least an annual review of our customers' investment strategies, or more often if required.

<u>Considerations when making investment decisions</u>:

There are a number of issues that should be considered when making investment decisions on behalf of our customers. These are listed below in groupings for ease of explanation:

a) **Customer needs**: Identify the purposes of the trust and the needs and circumstances of the beneficiaries. Customer needs, views and wishes are a factor of setting their risk profile, which in turn helps to determine their investment asset allocation. Matching the appropriate asset allocation to a customer's needs is the key to successful investment decision-making.

b) **Diversification / risk associated with existing trust investments**: This means that we aim to spread our customer's funds across more than one asset class; this is why we use a diversified unit trust, whose investment manager may utilise more than one investment product provider. This lowers the risk of a single asset class or manager underperforming in a given period. If we must invest in a single asset class, because of the customer's risk profile, we try not to invest in just one product.

   This also means that when we assess a customer's investment portfolio, we should know what existing investment assets they hold and understand how those assets affect the customer's total risk profile for their portfolio.

c) **Maintaining the real value of capital and / or income / risk of capital or income loss / potential for capital appreciation / potential impact of inflation of the proposed investment's value**: These matters concern medium to long-term investments where there is a need to generate sufficient capital growth and income to meet the customer's needs. This suggests that for these customers, we invest in a diversified portfolio which aims to generate sufficient returns to outperform the eroding effects of inflation. This helps preserve customer capital, which in turn preserves the ability to generate income streams.

d) **Likely income return and timing / term of proposed investments and probable duration of the trust**: Some customers need income rather than capital growth. However, the customer's Investment Time Horizon (ITH) could be medium to long-term. This means that the customer will need some investments in growth assets to maintain real capital value to generate the income streams needed through the life of the investment. The ITH is a significant factor in developing asset allocation strategies for customers ranging from defensive to assertive risk profiles. As mentioned above, it is important the customer's short, medium and long-term needs are matched to an appropriate asset allocation.

e) **Liquidity and marketability of proposed investments**: Customers usually need ready access to cash for planned or unexpected needs. This means that some part of the portfolio will be invested in the cash sector. The amount needed is calculated by the creation of a budget and is reviewed annually. If customers exceed their cash reserves, then we risk crystallising unplanned capital gains tax events.

f) **Total value of the trust estate and the cost of making the investment**: The value of the investable assets is relevant when determining an appropriate amount of risk and diversification. The cost of diversification for small amounts may be greater than the benefits that may be achieved.

In any case, the cost of getting and implementing investment advice should be less than the value created by that advice. That is why we segment our advice and only send matters to the Financial Planners above a certain dollar value, or when the customer's needs are complex.

g) **Effect of tax liability**: Tax should be considered to the extent that it will impact upon the ability to meet investment objectives. When customers are likely to be subject to significant tax consequences as a means of achieving investment outcomes, then strategies should be considered in order to mitigate unnecessary adverse effects.

h) **Results of review of existing investments**: The Act requires us to perform annual reviews of investments and strategy. However, where there has been a material change in the customer's circumstances that may impact on their financial position, a review should be conducted before the anniversary of the initial financial plan.

4 Application to The Public Trustee

The following table details how the elements of the *Prudent Person Rule* relate to various programs in The Public Trustee.

Table 1 – Actions taken by The Public Trustee to satisfy elements of the *Prudent Person Rule:*

	Requirement	Actions	Delivered By
a)	Follow direction of Trust Deeds	Customer Experience & Delivery and the Trust Service Centre implement investment directions contained in deeds. Where required, Customer Experience & Delivery and the Trust Service Centre request assistance from Investment Services for Financial Planning advice that can include investment recommendations prepared taking into consideration the factors detailed at Section 24. Investment recommendations are actioned following the business rules embedded in Customer Experience and Delivery and the Trust Service Centre processes, or by the financial planners. All officers should apply the standards and procedures detailed in the relevant manuals and office policies.	Customer Experience & Delivery and the Trust Service Centre Investment Services Customer Experience & Delivery and Trust Service Centre All Programs
b)	Standard of care that of a professional trustee	The Public Trustee of Queensland is in the business of trustee services, which means that there is a higher standard of professional conduct expected from The Public Trustee of Queensland than from someone who is not in the trustee business.	All Programs
c)	To act in the best interests of all current and future beneficiaries. Investments that are not speculative or hazardous	This applies to beneficiaries of trusts, deceased estates and customers for whom we act as their Financial Attorney or Financial Administrator or Trustee through a power of attorney or Court or QCAT order. The Public Trustee of Queensland practices, procedures, Office directives and manuals must be followed, to ensure these obligations are met. Financial Planning providers must meet their obligations under the *Corporations Act 2001*. Investment Services use strategies and products that balance the risk / return trade off, are diversified across asset classes, managers and economies to reduce risk of underperformance in any one asset,	Customer Experience & Delivery and Trust Service Centre Investment Services Financial Planners

		class, segment; or management style. These strategies and products are delivered by qualified and competent technical specialists. Consideration must be given to the views and, wishes and preferences of the customer and their history of investment.	
	Requirement	**Actions**	**Delivered By**
d)	Impartiality towards all beneficiaries	Demonstrated by consistently following processes and procedures including those developed to support investment decision-making:	
		• External Statements of Advice (SOAs) are prepared by Financial Planning providers based on information provided by the Trust Officers. Sufficient information about all beneficiaries should be supplied to enable the Financial Planner to address needs of all beneficiaries. Trust Officers demonstrate that we meet the "Reasonable Basis for Advice" [14]requirements for provision of Financial Planning advice for these customers.	Customer Experience & Delivery and Trust Service Centre Investment Services
		• Complex Request for Statement of Advice (RSOA) / SOA are reviewed by Investment Services for compliance with these obligations.	Investment Services
		• SOAs reviewed by Trust Officers and Supervisors. Our Financial Planners produce the SOAs.	Customer Experience & Delivery
		Investment advice and strategies for Life Interest Estate matters balance the conflicting needs for life tenants to obtain income, whilst preserving the capital for remainder men beneficiaries. Consideration must be given to the views, wishes and preferences of the customer and their history of investment.	Investment Services

[14] *CORPORATIONS ACT 2001 - SECT 949A*

	Requirement	Actions	Delivered By
e)	Duty to obtain advice. Ability to pay for advice.	The Public Trustee obtains advice from specialists to assist with the development of investment strategies, products and services, including QIC Limited, Morgans Financial Limited, Lambda Investing Consulting, Mercer Investment Consulting and Pricewaterhouse Coopers Securities Limited. The cost of obtaining advice for the benefit of an individual is paid from the funds held in trust for the individual. The Public Trustee may pay out of the customer's funds the reasonable costs of obtaining independent and impartial advice if it is reasonably required for the investment of the funds held for the customer, for the management of the investment for the customer, and The Public Trustee reasonably believes that the person providing the advice is competent to give the advice.	Investment Services Customer Experience and Delivery and Trust Service Centre.
f)	Adhere to the investment principles outlined in Section 24	Financial planning providers adhere to Australian Securities and Investment Commission (ASIC) guidelines when preparing External and Complex SOA for our customers. Public Trustee investment products are developed in conjunction with QIC Limited following sound investment management practice and under direction of the Director Investment Advisory and Taxation Services. SOAs produced in accordance with guidelines developed by Investments in conjunction with appropriate technical specialists. Complex SOAs are reviewed by Investment Services for appropriateness and compliance with the Prudent Person Rule. • Internal Audit conducts random checks of customer files for compliance with Office procedures.	Financial Planners Investment Services Investment Services Internal Audit

5 Investment Services Activities

Investment Services takes the following measures to comply with the *Prudent Person Rule*.

5.1 Customer Activities – Financial Management (PM), Minor Trusts (MINR), Power of Attorney Matters (AGPF), Contingent Beneficiaries (CBEN) and Other Matters (TRST).

The Office treats all customers with the same level of respect and service. However, to ensure appropriate advice and investment products are delivered to customers at a reasonable cost, we segment investment strategies according to the quantum and type of investable assets held by our customers, as detailed in Table 2.1 below.

a) Between $0 and $450,000 – Customer Investment Strategy:

An update to the $0 to $150,000 strategy for new and existing PM, MINR and AGPF activities with $150,000 to $400,000 was approved on 12 April 2013. The adoption of the same strategy for new and existing CBEN customers was approved by The Public Trustee on 29 November 2013. The strategy was furthermore extended to include other trust matters with selected sub-types, it was approved by The Public Trustee on 17 October 2014. This strategy was further extended on 15 March 2017 to include customers with funds under management up to $450,000, with the inclusion of a minimum of 12.5% kept in cash for these matters. The Customer Investment Strategy continues to focus on a wealth preservation outcome for customers with the combination of cash and term investment accounts and the Public Trustee of Queensland Growth Trust (Growth Trust) to maintain the capital value of the customer's investment.

The original strategy was approved on the 12 April 2013. An excerpt of the approved recommendation is below:

"The Public Trustee of Queensland adopts a primary investment strategy for customers (minors, financial management and enduring powers of attorney) with non-complex investable assets of up to $450,000, as follows:"

For matters less than $450,000, taking into account that the customer may have needs, views and wishes which are considered and or external advice is sought and recommends otherwise, funds will be invested as follows:

- Greater of $50,000 or 12.5% of investable assets or 5-year budget deficit to be held in cash (plus any future capital expenses). Cash is to be rebalanced to $5,000;
- Balance to be invested in The Public Trustee of Queensland Growth

Trust (dependent on the investment time horizon (ITH) and minimum buy / sell rules (see below exception); and

- If total balances are <$50,000 or a customer or matter has an investment time horizon (ITH) of less than 6 years, funds will remain in cash / Term Investment Account (TIA).

Table 2.0 – Customers invested in the strategy will be exited from the investment strategy into a pure cash strategy, as the trust reaches maturity using the following exit or "glide" path strategy*:

Years to Maturity	Cash	The Public Trustee of Queensland Growth Trust
1	100%	0%
2	100%	0%
3	Maximum $50,000 3 years cash requirements (i.e. minimum 67% of investable assets)	Balance of investable assets (i.e. maximum allocation 33%)
4	Maximum $50,000 4 years cash requirements (i.e. minimum 67% of investable assets)	Balance of investable assets (i.e. maximum allocation 33%)
5	Maximum $50,000 5 years cash requirements (i.e. minimum 33% of investable assets)	Balance of investable assets (i.e. maximum allocation 67%)
6	Maximum $50,000 5 years cash requirements (i.e. minimum 33% of investable assets)	Balance of investable assets (i.e. maximum allocation 67%)
7+	Maximum $50,000 5 years cash requirements (i.e. minimum 33% of investable assets)	Balance of investable assets (i.e. maximum allocation 87.5%)

*****_The glide path is intended to gradually reduce the customer's exposure to equities in order to mitigate against single year equity shocks._

Welcome letters are sent to all new customers. An RSOA or SOA is only required for initial customers or customers transitioning to the Customer Investment Strategy. The Financial Planner will take into account all assets when considering the strategy and will provide recommendations (if appropriate) to transition existing customers to the Customer Investment Strategy.

If a customer is within the glide path parameters, no Growth Trust buys will be permitted due to the short investment timeframe.

Investment Services are responsible for the implementation of all customer SOAs in this category.

b) Over $450,000 to $999,999 or with a financial product requiring personal advice:

An RSOA is sent to the Financial Planner for advice. External SOAs are prepared by external Financial Planners who must adhere to the compliance standards based on the *Corporations Act 2001*, ASIC regulatory guidelines and the Financial Planning Associations Code of Professional Practice. Members of the Financial Planning panel are subject to regular compliance checks by their own compliance teams and audits by ASIC. Investment options include the Growth Trust, Term Investment Account (TIA), The Public Trustee of Queensland Cash Account and products selected from the Financial Planners Recommended Product List (RPL).

These matters are referred to our Financial Planners for preparation of a complex SOA. Given the quantum of investable assets and potential risk to the Office, Investment Services review both the RSOA and the draft SOA to ensure customers receive appropriate advice, meeting our obligations under the Prudent Person Rule. The Director Financial Services Customer endorses the final draft for production for customers with over $1,000,000 in funds under management.

c) Over $1,000,000 in PT investable assets / $100,000 non-PT assets or with complex issues:

An external SOA is prepared by the Financial Planner who must adhere to the compliance standards based on the *Corporations Act 2001*, ASIC Regulatory Guidelines, and the Financial Planning Association's code of Professionals Practice. Members of the financial planning panel are subject to regular compliance checks by their own compliance teams and audits by ASIC. Investment options include Growth Trust, TIA, PT Cash Account and products selected from the Financial Planner's Recommended Product List (RPL).

These matters are referred to our Financial Planners for preparation of a Complex SOA. Given the quantum of investable assets and potential risk to the Office, Investment Services review both the RSOA and the draft SOA to ensure customers received appropriate advice, meeting our obligations under the Prudent Person Rule. The Director Financial Services Customer endorses the final draft for production for customers with over $1,000,000 in funds under management.

The Customer Investment Strategy (CIS) conforms with our obligations at Section 22(1)(a) to exercise a duty of care towards our customers, and at Section 24 to take into consideration a range of factors, including the cost of making investments.

Table 2.1 – Customers Activities – Thresholds and Investment Strategies – Financial Management (PM), Minor Trusts (MINR), Power of Attorney Matters (AGPF), Contingent Beneficiaries (CBEN) and Other Matters (TRST):

<table>
<tr><th>Investment Assets</th><th>Investment Strategy

PM, MINR, AGPF, CBEN and Other Matters (TRST)</th><th>Products Used</th></tr>
<tr><td>$0 to $450,000</td><td>Customers whose assets are not complex (i.e. Cash, Term Investment Account (TIA) and The Public Trustee of Queensland Growth Trust):

• Greater of $50,000 or 12.5% of investable assets or 5-year budget deficit to be held in cash, plus any future capital expenses:
o $5,000 in The Public Trustee of Queensland Cash Account;
o $45,000 minimum or calculated amount to be invested in Term Investment Account (TIA); and
o Balance to be invested in The Public Trustee of Queensland Growth Trust (unless a customer has less than 6 years Investment Time Horizon (ITH), then the whole amount will be placed in cash).
• Preserve capital in event of unexpected expenses.
• Initial and annual reviews are processed, authorised in the regions and implemented by the Customer Investment Operations team.</td><td>The Public Trustee of Queensland Cash Account

Term Investment Account (TIA)

The Public Trustee of Queensland Growth Trust</td></tr>
</table>

Investment Assets	Investment Strategy PM, MINR, AGPF, CBEN and Other Matters (TRST)	Products Used
$450,000 to $999,999 (including complex assets) Deals with customers holding assets identified at Financial Management Manual, Section 28	**External Statements of Advice** Also includes customers who hold complex assets under $450,000. • Trust Officer refers RSOA to Manager to review. Investments also review RSOA for completeness. When complete, RSOA sent to Financial Planners. • Financial Planners develop strategy and investment recommendations taking into consideration customers' Investment Time Horizon (ITH), needs, views and resources. • SOAs are individually prepared for each customer. • Financial Planner selects investment products they consider appropriate. They may select The Public Trustee investment products and products from their own RPL. • Financial Planners must document that they have considered superannuation in all cases, but especially when assets are over $450,000 or income is in excess of $35,000. • Draft SOA reviewed by Financial Planners and Customer Investment Operations team. Where recommendations are not substantiated or staff or the customer has other queries, SOAs are returned to the Planner for rework. • The Trust Officer to send SOA to customer for review, comments, and implementation approval. • SOA implemented by Customer Investment Operations team.	The Public Trustee of Queensland Common Fund Cash Account Term Investment Account (TIA) The Public Trustee of Queensland Growth Trust Planners Recommended Product List (RPL)

Investment Assets	Investment Strategy PM, MINR, AGPF, CBEN and Other Matters (TRST)	Products Used
$1,000,000 and over **Or** **$100,000 and over in non-Growth Trust**	**Complex Statement of Advice** • Trust Officer refers RSOA to Manager to review. Investments also review RSOA for completeness. When complete, RSOA sent to Financial Planners. • SOAs are individually prepared for each customer. • Financial Planner selects investment products they consider appropriate. They may select The Public Trustee investment products and products from their own RPL. • Draft SOA reviewed by Financial Planners and Customer Investment Operations team. Where recommendations are not accepted or staff or the customer has other queries, SOAs are returned to the Financial Planner for rework. • Once satisfied, Director Financial Services Customer will endorse the SOA authorising production of final SOA by the Financial Planner for customers with funds over $1,000,000. • The Trust Officer to send SOA to customer for review, comments, and implementation endorsement. • SOA Implementation by Customer Investments Operations team.	The Public Trustee of Queensland Common Fund Cash Account Term Investment Account (TIA) The Public Trustee of Queensland Growth Trust Planners Recommended Product List (RPL)

The following matrix provides assistance to identify whether the Primary Investment Strategy (Internal Investment Strategy) will apply to different customer scenarios, and furthermore indicates whether the review will follow the internal or external path. The collection of customer data and their needs, views, wishes and preferences gathered by Trust Officers further informs the workflow on which path (internal or external) will be undertaken in the annual financial review.

Applicable to FM, MINR, AGPF, CBEN customers and other matters (TRES / TRST) only			Primary Investment Strategy (Internal Investment Strategy) Applies: $50,000 or 12.5% of investable assets held in Cash / TIA combination with Balance in Growth Trust (subject to capital requirements)	Internal: Workflow rebalances automatically	External: RSoA to be prepared and sent to Financial Planner
Value of Assets	New Customer or Matter	Less than $150,000 and no complex assets exist	✓	✓	
		Between $150,000 and $450,000 and no complex assets exist	✓		✓
		Greater than $450,000			✓
		Complex assets exist			✓
	Existing Customer or Matter	Less than $450,000 and no complex assets exist *	✓	✓	
		Greater than $450,000			✓
		Complex assets exist			✓

5.2 Customer Activities – Testamentary Trusts – Life Interest Matters (TRES / LIFE):

The Office treats all customers with the same level of respect and service. However, to ensure appropriate advice and investment products are delivered to customers at a reasonable cost we segment investment strategies according to the quantum and type of investable assets held by our customers, as detailed in Table 2.2:

a) **Between $0 and $12,500**: Funds retained in The Public Trustee of Queensland Common Fund Cash Account.

b) **Between $12,500 and $50,000**: Life Interest Estates which hold no property assets and have an Investment Time Horizon (ITH) greater than 5 years and investable assets between $12,500 and $50,000 have an investment strategy of 80% Growth Trust and 20% cash, where appropriate. An Internal Investment Plan (Life Interest Plan) is sent to Investment Services for review and implementation.

c) **Over $50,000 or with a financial product requiring specialist advice**: External SOAs are prepared by our Financial Planners who must adhere to compliance standards based on the *Corporations Act 2001*, ASIC Regulatory Guidelines and the Financial Planning Associations Code of Professional Practice. Members of the Financial Planning panel are subject to regular compliance checks by their own compliance teams and audits by ASIC.

d) **Life Interest Estates**: Life Interest Estates that hold property assets have an investment strategy comprising of an asset allocation of at least 52% growth assets and 48% defensive assets; if property is less than 52% a sufficient allocation will be made to The Public Trustee of Queensland Growth Trust to increase allocation to growth assets to 52%.

e) **Over $1,000,000 in Public Trustee investable assets / $100,000 non-Public Trustee assets or with complex issues:** These matters are referred to our Financial Planners for preparation of a complex SOA. Given the quantum of investable assets and potential risk to the Office, Investment Services review both the RSOA prepared by Trust Officers and the draft SOA to ensure customers get appropriate advice, meeting out obligations under the Prudent Person Rule. Director Financial Services Customer endorses the final draft for production, and presentation to customers with more than $1,000,000 in assets.

The Customer Investment Strategy conforms with our obligations at Section 22 (1)(a) to exercise a duty of care towards our customers and at Section 24 to take into consideration a range of factors, including the costs of making investments.

Table 2.2 – Customers Activities – Thresholds and Investment Strategies – Testamentary Trusts – Life Interest Matters:

Investment Assets	Investment Strategy Testamentary Trusts – Life Interest Matters	Products Used
$0 to $12,499	• Provide security of capital. • Review Annually	The Public Trustee of Queensland Common Fund Cash Account and Term Investment Account

$12,500 to $49,999	• Customer whose assets are not complex.
	• Preserve capital in event of unexpected expenses.
	• Request for Investment Plan (Life Interest Plan) reviewed by Investment Services.
	• Product recommendation determined by customers Investment Time Horizon (ITH):
	  ○ Investment Time Horizon (ITH) based upon life expectancy of beneficiary less than 5 years -> invested in cash;
	  ○ Investment Time Horizon (ITH) based upon life expectancy of beneficiary greater than 5 years - >80% invested in The Public Trustee of Queensland Growth Trust and 20% invested in cash.
	• Life Interest Estates that hold property assets have an investment strategy comprising of an asset allocation of at least 52% growth assets and 48% defensive assets; if property is less than 52%, a sufficient allocation will be made to The Public Trustee of Queensland Growth Trust to increase the allocation to the growth assets to 52%.
		Term Investment Account (TIA)
		
		The Public Trustee of Queensland Growth Trust

Investment Assets	Investment Strategy Testamentary Trusts – Life Interest Matters	Products Used

$50,000 and above (plus complex assets)	• Preserved capital in event of unexpected expenses.
	• Request for Life Investment Plan (Life Interest Plan) sent to Financial Planners for preparation of SOA.
	• Product recommendation determined by beneficiaries life expectancy – Investment Time Horizon (ITH):
	  ○ Investment Time Horizon (ITH) less than 5 year > invested in cash.
	  ○ Investment Time Horizon (ITH) greater than 5 years >80% invested in The Public Trustee of Queensland Growth Trust and 20% invested in cash.
	• Life Interest Estates that hold property assets have an investment strategy comprising of an asset allocation of at least 52% growth assets and 48% defensive assets; if property is less than 52%, a sufficient allocation will be made to The Public Trustee of Queensland Growth Trust to increase the allocation to growth asset to 52%.
		Term Investment Account (TIA)
		
		The Public Trustee of Queensland Growth Trust

5.3 Life Interest Estates

Life Interest Estates SOA are processed outside the Customer Investment Strategy workflow. Life Interest Estates with investable assets up to $450,000 are implemented by Investment Services by applying the approved strategy for Life Interest matters. Refer 5.1 of this policy framework.

Matters over $450,000 threshold are forwarded to our Financial Planner provider.

5.4 Investment Recommendations – Customer Investment Strategy

Customers with investable assets less than $50,000 are placed in The Public Trustee of Queensland Cash Account or Term Investment Account (TIA), as showing in Table 2.1. The intention is to reduce the likelihood of investment volatility reducing their financial assets in the short term when these funds are likely to be needed. Both these Public Trustee investments are covered by a Queensland Government guarantee on both capital invested, and interest earned, as they form part of The Public Trustee of Queensland Common Fund.[15]

Customers with more than $450,000 in investable assets are referred to the Financial Planner, who considers the customer's Investment Time Horizon (ITH), as well as other factors (including the customer's views, wishes and preferences), when developing strategies and investment recommendations.

Customers with $50,000 to $450,000 of investable funds will be reviewed under the Customer Investment Strategy (CIS). The Financial Planner will take into account the customer's views, wishes and preferences and the Customer Investment Strategy (CIS) in preparing the SOA recommendations.

The following risk profile matrices are used as a guide to asset allocation recommendations made by Financial Planning providers when preparing external and complex SOAs.

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[15] *Public Trustee Act 1978, Section 23*

Table 3 – Risk Profile for Minors (Customer Investment Strategy (CIS) matters only):

If a new minor has less than 6 years until age of majority (i.e. *"glide path"), no funds are invested into the Public Trustee of Queensland Growth Trust and are retained in a combination of cash and Term Investment Accounts (TIA).

Existing minors have assets rebalanced in a combination of cash and growth assets, as per the table below:

Years to Maturity	Cash	The Public Trustee of Queensland Growth Trust
1	100%	0%
2	100%	0%
3	Maximum $50,000 3 years cash requirements (i.e. minimum 67% of investable assets)	Balance of investable assets (i.e. maximum allocation 33%)
4	Maximum $50,000 4 years cash requirements (i.e. minimum 67% of investable assets)	Balance of investable assets (i.e. maximum allocation 33%)
5	Maximum $50,000 5 years cash requirements (i.e. minimum 33% of investable assets)	Balance of investable assets (i.e. maximum allocation 67%)
6	Maximum $50,000 5 years cash requirements (i.e. minimum 33% of investable assets)	Balance of investable assets (i.e. maximum allocation 67%)
7+	Maximum $50,000 5 years cash requirements (i.e. minimum 12.5% of investable assets)	Balance of investable assets (i.e. maximum allocation 87.5%)

The glide path is intended to gradually reduce the customer's exposure to equities in order to mitigate against single year equity shocks.

Table 4 – Investment Recommendations for Financial Management (PM) and Active EPA Customers (Customer Investment Strategy [CIS]):

Age	Investment Recommendation
18 – 72	Cash / The Public Trustee of Queensland Term Investment Account (TIA) / The Public Trustee of Queensland Growth Trust
73 – 80	Cash / The Public Trustee of Queensland Term Investment Account (TIA) / The Public Trustee of Queensland Growth Trust (Glide Path, see Table 2.0)
80+	Cash / The Public Trustee of Queensland Term Investment Account (TIA)

The customer's investment recommendation is largely determined by the customer's life expectancy (Investment Time Horizon [ITH]) and customer's budgetary requirements. Information about the customer's personal and financial situation and their views, wishes and preferences is documented in workflow processes. This demonstrates that the Office and the Financial Planner (for external financial plans), have a reasonable basis for advice. This is also consistent with our obligation to exercise the care, diligence and skills that a prudent person engaged in our business should exercise.

The workflow processes determine the appropriate investment recommendations and ensure that customers are placed in asset allocations appropriate for their age, life expectancy or Investment Time Horizon (ITH) and budgetary requirements.

The risk profiles shown in Table 3 and Table 4 are built into the Customer Investment Strategy (CIS) workflow and are applied when Trust Officers initiate the workflow.

For external and complex SOA, we expect our Financial Planners to apply the risk profile definitions showing in Attachment 2, when they develop strategies and recommendations which apply are suitable for our customers based on the information provided.

5.5 Investment Return Projections Developed by External Asset Consultants

The projections used to prepare financial advice are based on QIC Limited's Return Forecasts of income / growth, which are based on long-term forecasts for The Public Trustee of Queensland Growth Trust performance. These are reviewed and updated regularly, meaning that the investment products used by The Public Trustee and our panel of approved Financial Planners have consistent return forecasts, based on research by a reputable investment consultant.

5.6 Customer Investment Strategies (CIS)

On a yearly basis, the Customer Investment Strategy (CIS) is reviewed to ensure it continues to meet objectives.

It should be noted that the Customer Investment Strategy (CIS), is the primary investment option for non-complex customers and that customers with more complex administrations, or require a specific strategy to meet there needs (outside of the CIS) will continue to be referred annually to the external Financial Planner.

5.7 Financial Advice Process

Trust Officers performs the first step in The Public Trustee Financial Planning process when they gather information about the customer's personal and financial position, including their views, wishes and preferences using the Financial Management Plan (FMP). The information collected in this document completes the RSOA, which initiates the SOA production process.

Once the SOA is produced by the Financial Planners, the final copy is sent to the customer, their guardian and/or their carer by the Trust Officer. The customer then has the opportunity to review and provide feedback and if appropriate, advise that they have no objections to the SOA. The recommendations in the SOA are then implemented on behalf of the customer by the Customer Investment Operations team in the Investment Services Program.

The Customer Investment Operations team in Investment Services provides technical support on Financial Planning issues to staff of the Office. The team monitors production of complex SOAs to ensure timely completion and reviews complex RSOA and SOAs to ensure the advice and product recommendations provided meet our obligations under the Prudent Person Rule.

5.8 Task Management System

The Office meets the obligations to conduct annual reviews by scheduling an annual review on the anniversary of the initial SOA in the Task Management System.

The task "Implement Client Investment Strategy" generates a workflow stage 30 days prior to the annual review date. This workflow task is started in advance in order to meet the due date for simple matters (internal matters) and have the RSOA sent to the Financial Planner, prior to the due date for complex matters (external SOAs).

5.9 Technical References

The Public Trustee of Queensland maintains a series of manuals relating to Investment Management and Financial Planning. The Office's technical manuals are currently maintained by the Knowledge Management Unit within Customer Experience and Delivery Services, based on technical advice from Investment Services.

5.10 The Public Trustee of Queensland Investment Products

In addition to The Public Trustee of Queensland Growth Trust, which is covered in the next section, customer's money is held in The Public Trustee of Queensland Common Fund, as detailed below:

a) **The Public Trustee of Queensland Common Fund**: A capital guaranteed fund that provides competitive rates of return for customer's funds. Interest rates are reviewed monthly to ensure customers receive fair and reasonable interest rates when compared to similar products in the market.

   i. **The Public Trustee of Queensland Cash Account**: Cash is held in The Public Trustee of Queensland Cash Account for as long as necessary to meet short-term liabilities. This is monitored by both Trust Officers and Investment Services, so that amounts not needed for estate administration or short-term needs can be invested in higher yielding Term Investment Accounts (TIA) or external term deposits, where appropriate.

   ii. **The Public Trustee of Queensland Term Investment Account:** Is a rolling one month account whose interest rate is set against the mode of 30-day term deposit rate of the four major banks. Unlike retail term deposits, it is not set for a fixed term and can be redeemed without penalty when required to fund short-term needs. The Term Investment Account (TIA) offers customers the opportunity to hold cash in a term deposit-like product with similar liquidity than that of The Public Trustee of Queensland Cash Account.

b) **Customer Cash Held in Portfolio Services**: Customers with investments held in Morgans Financial Limited Wealth+ investment administration service holds a cash account to cover expenses and investments planned for the coming quarter. The Customer Investment Operations team in Investment Services ensure that any surplus cash not required for these purposes is swept back into the TIA, which usually offers better interest rates, reduced fees within Wealth+ and quicker access to customer funds at short notice.

5.11 Process Improvement

Investment Services develops an operational plan on an annual basis, which identifies and implements changes to investment infrastructure and service delivery. More information on the implementation of this plan can be obtained from the Director Investment Advisory & Taxation Services.

5.12 Systems

The Office uses several systems to ensure consistent delivery of Financial Planning and investment advice to staff and customers of the Office. The key attributes of these systems and their relationship to the Prudent Person Rule are summarised in Table 5 below:

Table 5 – Systems which support the Prudent Person Rule at The Public Trustee of Queensland:

System	Description	Purpose
Customer Information Management System (CIMS)	A database of information about customers of The Public Trustee of Queensland Office	• Manage customers affairs • Asset and liability register • Holds all documentation relating to the customer, including RSOA, SOA and customer correspondence • Accept data feed from BDO to update The Public Trustee of Queensland Growth Trust information for each customer
Customer Investment Strategy (CIS) Workflow	Workflow extracting data from CIMS to generate SOA This process was developed in-house with advice from external specialists and applies the factors outlined in the *Trusts Act 1973,* Section 24 for production of SOAs up to $450,000 (originally referred to as SOA workflow)	• Produce RSOA • Implement recommendations to buy / sell The Public Trustee of Queensland investment products • Enhance efficiency and effectiveness • Automatically implements internal customer investment reviews

System	Description	Purpose
Task Management System (TMS)	A management system allowing Trust Officers to manage their work and set routine and one-off tasks	Task Management System (TMS) enables Trust Officers to consistently deal with customer files and remind them of coming activities, such as the annual financial review, which is the requirement of the Prudent Person Rule
Mercer Investment Consulting	Online product which allows The Public Trustee of Queensland to compare and analyse the performance of a wide universe of investment managers	• Investment performance research providing independent benchmarking of The Public Trustee of Queensland Growth Trust performance against the peer group of funds
Morgans Financial Limited Wealth+	A custodial service which holds customer's investments in managed funds and direct shares under one administrative platform for ease of administration, reporting and management	• Manage large customer portfolios holding non-Growth Trust investments, such as managed funds and direct shares recommended by Morgans Financial Limited for higher value external and complex matters
Morgans Financial Limited	Stockbroker and registry services	Hold and manage listed securities as broker sponsor and assist with the administration of deceased estates
Public Trustee of Queensland	Structured Decision Making Framework and the Financial Management Manual	A number of policies and manuals are available to staff, including the Human Rights Act Manual

5.13 Further Reading

A Reference List cites the references used in compiling this policy framework. Copies of which are available from Investment Advisory Services.

6 The Public Trustee of Queensland Investment Fund – Growth Trust

6.1 Background

There may be a perception that The Public Trustee of Queensland prefers its customers to be invested in its own products. This conflict is experienced by any financial service providers offering Financial Planning advice, and their own investment products.

We acknowledge there is a conflict and note that this has been approved by the Queensland Supreme Court, Decision No. 5391 of 1996 dated 15 July 1996.

6.2 Financial Planning Advice

We use the services of an external Financial Planning firm, independent of the Office to make investment recommendations for external and complex customers (i.e. those with investable assets over $450,000 or have complex assets). In order for our Financial Planning panel to recommend The Public Trustee of Queensland Growth Trust, it must be held on their Recommended Product List (RPL). The Public Trustee of Queensland provides the Financial Planners with sufficient information to satisfy their investment committee's requirements. To do this, including:

- Quarterly Funds Management Reports from QIC Limited;
- Attendance at Fund Manager Presentations, every 12 months.

The Financial Planner may recommend non-Growth Trust products where they believe these products offer similar or better performance outcomes at a reasonable cost, whilst achieving a prudent level of diversification of asset classes and managers.

We do not direct the Financial Planner to use The Public Trustee of Queensland Growth Trust and understand that there are investment thresholds beyond which is prudent to use other investment products to achieve diversification in managers, asset classes and sectors not offered by The Public Trustee of Queensland Growth Trust.

6.3 Asset Allocation Underlies Performance – Not Product Selection

Third party research and investment theory tells us that approximately 90% of returns come from asset allocation, and the remainder from stock selection. This means that investment portfolios with similar asset allocations should have similar performance outcome over the long-term.

6.4 Investment Management Style

The funds are managed by QIC Limited, and they engage specialists for the various asset classes.

6.5 Fees Subject to Regular Review

The Public Trustee of Queensland management fees and rebates are reviewed every 3 years to maintain parity with similar wholesale products, based on information provided by our independent research.

6.6 Distribution Policy

The Distribution Policy was reviewed in June 2010 by a specialist consultant to ensure conformance with prevailing industry practice and standards. As a result, the Distribution Policy was changed so that taxable income is now matched to distribution income. Previously capital losses had to be offset before a distribution could be paid.

During the Global Financial Crisis, this meant that on several occasions no distributions were paid to customers. The new policy means that capital gains are offset by capital losses, which can be carried forward and that income will be paid, as distribution when it is earned.

6.7 Corporate Governance

The Public Trustee of Queensland implemented a thorough corporate governance regime consisting of separation of duties between research and implementation, use of independent research and consultancies to supplement in-house technical skills and advice received from our Financial Planning provider.

In terms of the *Public Trustee Act 1978*, Section 21, the Public Trust Office Investment Board (PTOIB) is responsible for the control and management of the investments of The Public Trustee of Queensland Common Fund.

The Public Trust Office Investment Board (PTOIB) has also agreed to provide advice to The Public Trustee of Queensland on the investment management of the Public Trustee of Queensland Growth Trust. Performance is reviewed by the PTOIB quarterly. In terms of the *Public Trustee Act 1978*, the PTOIB consist of at least three members, one of whom is The Public Trustee of Queensland, and one of whom is an officer of the department administered by the Treasurer.

6.8 Regular Peer Review and Monitoring

The Public Trustee of Queensland Growth Trust is reviewed regularly using Mercer software, which compares performance benchmarks and provides an analysis of peers. We also receive the Mercer Independent Review on a quarterly basis, which enables regular tracking of performance against the market and our peers.

7 Glossary

Term	Meaning
AGPF	Enduring Power of Attorney customers and Power of Attorney matters
CBEN	Contingent Beneficiary
Complex SOA	SOA prepared for customers with investable assets above $1,000,000, non-Growth Trust assets in excess of $100,000 or complex matters requiring a high level of Financial Planner expertise
Customer Investment Strategy (CIS) Workflow	A workflow enabling Trust Officers to prepare SOAs in-house or prepare them for production by our Financial Planning panel
DIST	Director Investment Advisory and Taxation Services and Director Financial Services Customer
External SOA	SOA prepared for customers with investable assets above $50,000 or non-Growth Trust financial products that require Financial Planner expertise
Financial Planner(s)	An external Financial Planner appointed to the Financial Planning panel. Morgans Financial Limited is currently the only provider appointed to this panel. However, an alternate Financial Planner may be engaged.
FM (PM)	Financial Management customer **Note** PM is the utilised code in CIMS for Financial Management customers
FSO	Financial Services Officer in the Customer Investments Operations team in the Investment Services group
GAAT	*Guardianship and Administration Act 2000*
Growth Trust	The Public Trustee of Queensland Investment Fund (PTIF) / The Public Trustee of Queensland Growth Trust
ITH	Investment Tim Horizon is the period that funds can be invested before they are needed. In the current investment environment, this can be equated to these timeframes: • Short-Term 1-2 years • Medium-Term 3-5 years • Long-Term 5-7 years and beyond The Public Trustee environment, ITH tends to be driven by life expectancy or a contingent event such as attaining majority
MFR	Managed Fund Rebate
MINR	Minor matters
PSMC	Public Sector Management Committee
PTOIB	Public Trust Office Investment Board
PTQ	The Public Trustee of Queensland
QCAT	Queensland Civil Administrative Tribunal

Term	Meaning
RPL	Recommended Product List Those investment products that Financial Planners are authorised by their dealerships to recommend in SOA
RSOA	Request for Statement of Advice This document that captures sufficient information about the customer needs to initiate the SOA planning process
SOA	Statement of Advice
The Office	The Public Trustee of Queensland and staff
TRES	Testamentary Trusts
TRST	Trust Matters

8 Attachments

1. The Prudent Person Rule, Excerpt from Part 3 of *The Trusts Act 1973*
2. Risk Profiles used by our Financial Planning provider

Attachment 1 The Prudent Person Rule, Part 3 *Trusts Act 1973*

Duties of trustee in relation to power of investment

22(1) A trustee must, in exercising a power of investment -

a) If the trustee's profession, business or employment is, or includes, acting as a trustee or investing money for other persons - exercise the care, diligence and skill a prudent person engaged in that profession, business or employment would exercise in managing the affairs of other persons; or

b) If the trustee's profession, business or employment is not, or does not include, acting as a trustee or investing money for other persons - exercise the care, diligence and skill a prudent person of business would exercise in managing the affairs of other persons.

(2) A trustee must, in exercising a power of investment, comply with a provision of the instrument creating the trust that is binding on the trustee and requires the obtaining of a consent or approval or compliance with a direction for trust investments.

(3) A trustee must, at least once in each year, review the performance, individually and as a whole, of trust investments.

Law and equity preserved

23(1) A rule or principle of law or equity imposing a duty on a trustee exercising a power of investment continues to apply except so far as it is inconsistent with this or another Act or the instrument creating the trust.

(2) Without limiting the rules or principles mentioned in subsection (1), they include a rule or principle imposing -

a) a duty to exercise the powers of a trustee in the best interests of all present and future beneficiaries of the trust; and

b) a duty to invest trust funds in investments that are not speculative or hazardous; and

c) a duty to act impartially towards beneficiaries and between different classes of beneficiaries; and

d) a duty to obtain advice.

(3) A rule or principle of law or equity relating to a provision in an instrument creating a trust that purports to exempt, limit the liability of, or indemnify a trustee in relation to a breach of trust, continues to apply.

(4) If a trustee is under a duty to obtain advice, the reasonable cost of obtaining the advice is payable out of trust funds.

Matters to which trustee must have regard in exercising power of investment

24.1(1) Without limiting the matters a trustee may take into account when exercising a power of investment, a trustee must, so far as they are appropriate to the circumstances of the trust, have regard to the following matters:

(a) the purposes of the trust and the needs and circumstances of the beneficiaries;

(b) the desirability of diversifying trust instruments;

(c) the nature of and risk associated with existing trust investments and other trust property;

(d) the need to maintain the real value of the capital or income of the trust;

(e) the risk of capital or income loss or depreciation;

(f) the potential for capital appreciation;

(g) the likely income return and the timing of income return;

(h) the length of the term of the proposed investment;

(i) the probable duration of the trust;

(j) the liquidity and marketability of the proposed investment during, and at the end of, the term of the proposed investment;

(k) the total value of the trust estate;

(l) the effect of the proposed investment for the tax liability of the trust;

(m) the likelihood of inflation affecting the value of the proposed investment or other trust property;

(n) the cost (including commissions, fees, charges and duties payable) of making the proposed investment;

(o) the results of a review of existing trust investments.

(2) A trustee:

(a) may obtain, and if obtained must consider, independent and impartial advice reasonably required for the investment of trust funds or the management of the investment from a person whom the trustee reasonably believes to be competent to give the advice; and

(b) may pay out of trust funds the reasonable costs of obtaining the advice.

Attachment 2 Risk Profiles used by Financial Planning Provider

Risk Profiles

Very Low Risk investor as follows:

Safeguarding investment capital is of most importance to this type of investor over and above the requirement of increasing potential returns.

Investors typically have a short investment time horizon (typically less than 3 years), and a low appetite for any investment return volatility. Investments are designed to protect capital despite some erosion from potential tax and inflation.

Investment strategy should provide:

- Secure income steam
- Minimal growth from capital invested
- Preservation of capital invested

Conservative investor as follows:

Good returns are sought for this investor type, along with some growth potential. The growth potential includes an element of risk which is required to combat the concerns around taxation and inflation eroding the portfolio. Conservative investors typically have an investment time horizon of less than 5 years.

Investment strategy should provide:

- Stable income stream
- Modest growth from capital invested
- Medium to long-term capital security.

Balanced investor as follows:

Balanced investors are prepared to consider investment strategies that can provide superior investment returns while offsetting the effects of inflation and taxation. These strategies take on more investment risk to achieve higher returns over a longer term investment time horizon (typically 5 to 7 years). At the same time, investors need to maintain a healthy income ahead of capital growth.

The investment strategy should provide:

- Moderate levels of growth from capital invested
- Tax effective income
- Medium level of capital volatility.

Growth investor as follows:

Growth investors have a longer term investment time horizon (typically more than 7 years), and are prepared to take on more risk and investment volatility in order to achieve superior returns and longer term capital growth. In addition to the potential for higher capital growth, income is sought to offset inflation and taxation.

The investment strategy should provide:

- Moderate to high levels of growth from capital invested
- Tax effective income
- Medium level of capital volatility.

9 References

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CIS Workflow