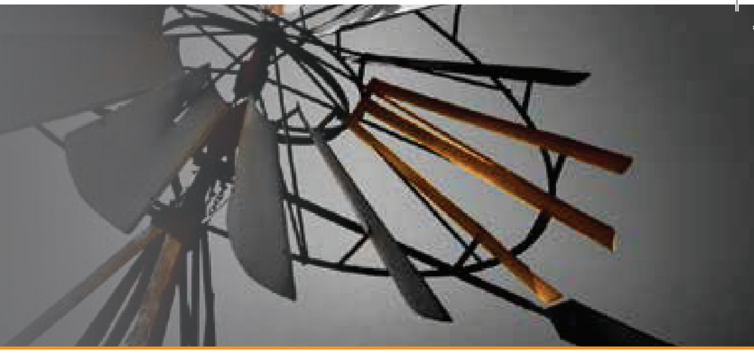


Equity Fund

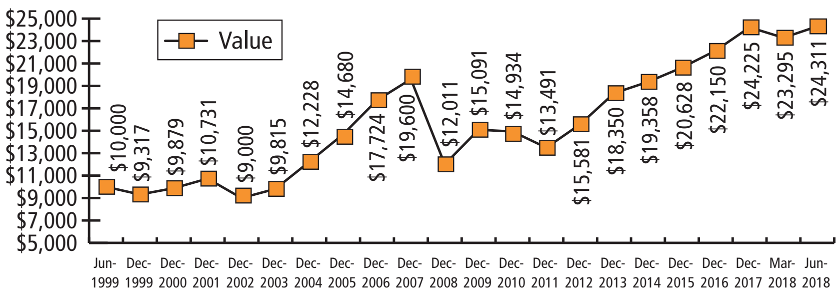
Performance

The Equity Fund provided investors with a total return of 0.35% for the six months ended 30 June 2018.

Rate of return for the period	Performance (Net of Fees)	Benchmark (Composite Index)
3 Months	4.36%	7.16%
6 Months	0.35%	3.90%
1 Year	4.92% p.a.	7.50% p.a.
3 Years	6.69% p.a.	7.31% p.a.
5 Years	8.30% p.a.	9.85% p.a.

Note: Returns of less than 12 months are not annualised. Returns assume reinvestment of income and realised capital gains. Performance is after fees and charges. Past performance is not a reliable indicator of future performance.

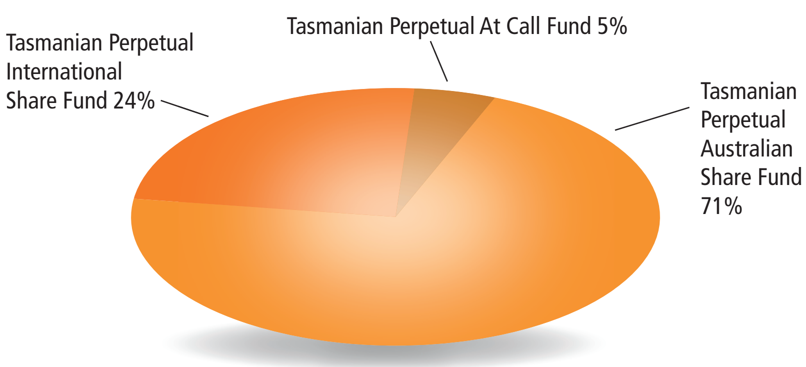
The value of $10,000 invested from inception to 30 June 2018 would have been:



Fund Investment Strategy

The Fund invests in Australian and International Share Funds managed by Tasmanian Perpetual Trustees.

As at 30 June 2018 the asset allocation of the Equity Fund was;



Market Commentary

There was an awful lot of market noise for investors to contend with in the 1H2018. On the economic and geopolitical front this included, heightened market volatility (in February), an escalation in US statutory debt (caused by President Trump's tax cuts), North Korea, the imposition of new tariffs by the US (on especially China) and reprisals from trade partners, the US 10-year bond breaching the psychological 3.0% level, the Fed lifting the official funds rate twice (by 25 basis points) to 1.75%-2.00% and indicating at its June meeting, 2 further increases are likely this year (not 1), political (Euro breakup) uncertainty emerging in Italy, the ECB signalling their quantitative program will come to an end by December 2018 (but that it is in no hurry to lift EU official interest rates), oil prices rising on supply concerns and a strengthening US dollar (including against the Chinese yuan), which in turn, highlighted (USD debt exposures) fragility in emerging markets.

Despite this Australian Shares and International Shares both posted reasonable returns in the 1H2018, with the S&P/ASX300 Accumulation Index rising +4.3% and the MSCI World ex Australia Index (AUD Unhedged) +6.4% (Hedged +1.3%). Rising energy prices, near record iron ore and LNG exports, an improvement in Australia's reported GDP, reasonable relative earnings growth and valuations, outflows from Asian emerging markets and a lower AUD (enhancing competitiveness and capital inflows), all contributed to boost Aussie shares in the period. Sector-wise, Healthcare (+23.5%), Energy (+12.1%), Metals and Mining (+10.6%), Consumer Staples (+13.1%) and IT (+13.2%) outperformed. Telecoms and the Banks were the laggards.

Globally, US indices (S&P500 +6.8%, Nasdaq +11.1% in AUD terms) and the FTSE100 Index (+5.7%) underwrote the positive returns in the half. Q12018 corporate earnings results continued to exceed expectations and profit upgrades followed. US quarterly earnings rose 26.5% year-on-year, with 78% of companies beating expectations. In Europe STOXX600 companies achieved 4.3% earnings growth and 49% of results were above expectations. The FAANG (Facebook, Amazon, Netflix and Google's parent, Alphabet) continued to defy naysayers and drive strong gains in the IT sector (+9.7% 1H2018 in AUD terms, +33.9% year-on-year), while higher oil prices underwrote the Energy sector (+17.4%, +29.8% YoY). As in Australia, Telecoms (+1.0%) and Financials (-0.3%) lagged general market returns. In the period, emerging markets significantly underperformed developed world indices (MSCI EM ex Asia retraced 10.1%), due to concerns over a rising USD, external debt balances and global trade hostilities. The disparity between the performance of Growth/Momentum and Value/High Yield stocks widened over the half.

At the close of the quarter the Australian bourse was trading on a prospective PE of 16.6 times (compared with its long-term average of 14.9 times) and a prospective gross dividend yield of 4.35%. In the context of a low interest rate environment, Australian equity yields relative to local bonds (yielding 2.63%) remain attractive. Aggregate S&P/ASX300 earnings estimates currently suggest 10.6% growth in CY2018 and 6.8% growth in CY2019.

International shares (using the MSCI World ex Australia Index) were trading on a prospective PE of 15.9 times and a dividend yield of 2.4%. Whilst PE valuations sit marginally above their LT-averages, following the pull-back in February and the latest round of earnings upgrades, they (including the S&P500 Index) sit comfortably within their assessed 'fair-valuation' ranges. Valuations also continue to incorporate healthy earnings expectations (+23.6% CY18E, +9.5% CY19). According to current equity risk premium and bond earnings yield measures, equities are not expensive relative to bonds.

Contact us today on 1300 138 044 or visit our website www.tasmanianperpetual.com.au

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Tasmanian Perpetual Trustees

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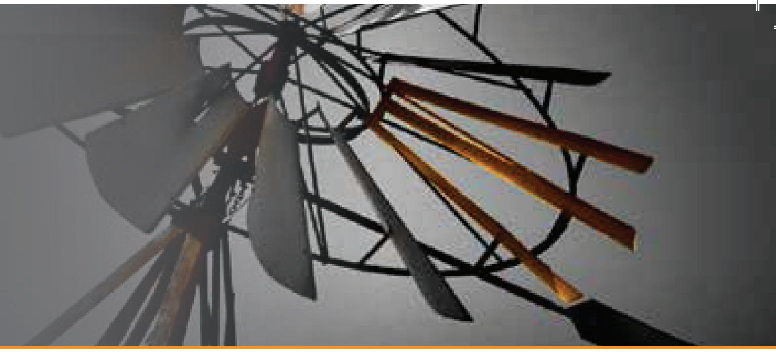
Equity Fund



Fund Commentary

The Equity Fund delivered a net return of 0.35% in the first half of 2018 and 4.92% over the past 12-months. A distribution of 1.77 cents per unit (CPU) was declared in the half, taking the total distribution for FY2018 to 3.85 CPU.

Over the half, the Australian Share Fund component returned -0.67% while the International Share Fund component delivered 3.77%. The main contributors to the returns of the two funds over the period were:

Plato Australian Share Income Fund – generated a total return of 6.4% in the 1H2018.The manager benefited from overweight positions in CSL (which upgraded profit guidance), Macquarie Group, Qantas, BHP, Woodside Petroleum, Wesfarmers (announced de-merger of Coles and sale of Bunnings UK) and IAG.

Magellan Global Fund – delivered a very competitive 8.1% return (1.8% above its underlying BM). Payment systems investments (Visa, Mastercard) and membership-based wholesaler, Costco, benefited from higher consumer spending, while Internet/eCommerce (Facebook, Alphabet), and IT holdings (Microsoft, Apple) continued to be favoured by investors, after demonstrating solid earnings growth and beat analyst profit expectations. The manager maintains a high Cash position (~17%) and has been building more defensive exposures (Starbucks, Kraft Heinz, McDonalds, HCA Healthcare).

If our service to you as an investor does not meet your expectations, we want to know. We have established a complaints handling mechanism which is fully described in our brochure titled "Resolving Your Complaint". A copy of this brochure is available by contacting one of our Customer Service Officers at any of our branch locations.

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