Australian Share Fund

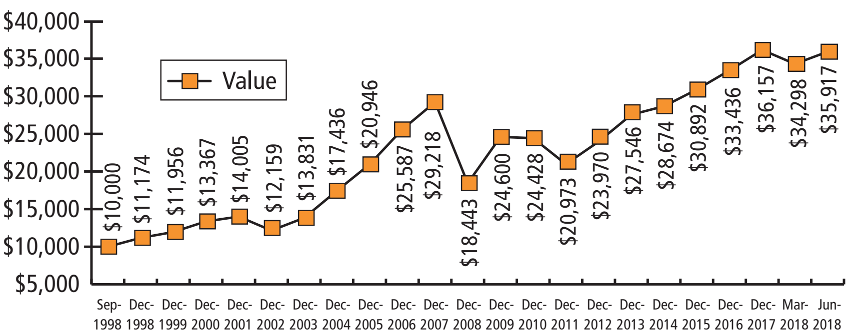
Performance

The Australian Share Fund provided investors with a total return of 4.72% for the quarter ended 30 June 2018.

Rate of return for the period	Performance (Net of Fees)	Benchmark (ASX 300 Acc Index)
3 Months	4.72%	4.40%
6 Months	-0.67%	-1.85%
1 Year	3.34% p.a.	1.61% p.a.
3 Years	6.77% p.a.	5.27% p.a.
5 Years	8.08% p.a.	7.64% 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.

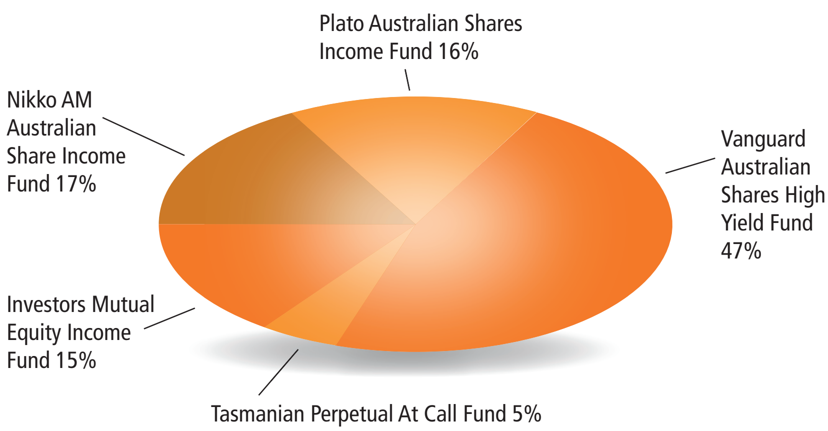
The value of $10,000 invested from inception to 30 June 2018 would have been:



Fund Investment Strategy

The Fund invests in the Vanguard Australian Shares High Yield Fund; Investors Mutual Equity Income Fund; Nikko AM Australian Share Income Fund; the Plato Australian Shares Income Fund and the Tasmanian Perpetual At Call Fund.

As at 30 June 2018 the strategic asset allocation of the Australian Share Fund was:



Market Commentary

The Australian share market (as measured by the S&P/ASX 300 Accumulation Index) rebounded strongly in the June quarter, +8.4% (outperforming global share markets, including the US, China and Japan), to be up 13.2% year-on-year. A comparatively calm US equity market (compared with last quarter), rising commodity prices (oil, coal, copper, nickel), 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 Australian dollar (AUD) enhancing competitiveness and capital inflows, all contributed to boost Aussie shares in the period.

The Top 20 stocks outperformed their Small-Mid cap colleagues, providing evidence offshore investors were seeking more defensive exposures in the period. Sectors returns were predominantly positive and strong. Outperformers included Energy (+19.8%), Healthcare (+15.9%), Metals and Mining (+14.6%), Consumer Staples (+12.0%), IT (+11.0%), Consumer Discretionary (+10.6%), REITs (+9.8%) and Utilities (+9.3%). The miners benefited from firmer commodity prices/volumes and announcements of new iron ore projects/mine expansions, while REITS were underwritten by the re-allocation of cash returned to investors following the sale of Westfield to Unibail Rodamco. The laggards in the quarter were, Telecoms (-13.3%), Banks (3.4%) and Retail (+2.0%). Growth and Momentum stocks continued to receive favour over Value stocks and High Yielders.

There was an awful lot of market noise to contend with in the quarter. On the global front this included, North Korea, US-China trade tensions, new tariffs imposed by the US and reprisals from trade partners, the US 10-year bond breaching the psychological 3.0% level, the Fed lifting the official funds rate a further 25 basis points to 1.75%-2.00% at its June meeting and indicating 2 further increases (not 1) are likely this year, 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 (USD), (including against the Chinese yuan), which in turn, highlighted USD debt exposures fragility in emerging markets.

In the period, domestic economic data was mixed. Australia's real GDP grew by 1.0% in Q12018, lifting the annual growth rate to 3.1% (above trend). Household consumption though was softer and annual growth in wages remained stuck at +1.6%. Employment growth slowed from the recent hiring burst, as did building approvals. The RBA's preferred measure of inflation remained below the 2-3% targeted range. Not surprisingly, the RBA left the official cash rate unchanged at 1.50% at its June 6 meeting and market pricing is indicating only a 50% chance of a rate hike within the next 12 months. The Federal Budget released in May, delivered improved deficit projections for 2018/19 and a forecast return to surplus in 2019/20, a year earlier than expected.

To date the confession reporting period has been fairly muted, with most companies able to hold their earnings forecasts ahead of their financial year end result announcements. Aggregate S&P/ASX300 earnings estimates currently suggest 10.6% growth in calendar year (CY) 2018 and 6.8% growth in CY2019. 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.

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

Tasmanian Perpetual Trustees Limited ABN 97 009 475 629 AFS Licence 234630 Australian Credit Licence Number 234630 is a wholly owned subsidiary of MyState Limited ABN 26 133 623 962. Registered Office: Level 2, 137 Harrington Street, Hobart 7000 Tasmania Australia.

Tasmanian Perpetual Trustees

240527_023LBA

Australian Share Fund

Fund Commentary

The Australian Share Fund (ASF) reported a 4.72% net return in the June quarter, while posting a 3.34% net return over 12-months. These outcomes compare favourably with those of the Fund's composite benchmark of 4.40% for the quarter and 1.61% for the year. Asset allocation was broadly neutral and stock selection was positive.

Out-performance of the benchmark was primarily underwritten by the Plato Australian Share Income Fund (Class A) (+9.4% quarterly return) and the Nikko AM Australian Share Income Fund (+6.8%). The former 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), IAG and Scentre Group.

Nikko AM's return was supported by its resource/energy exposures (RIO Tinto, Woodside, Origin), portfolio holdings, APA Group and Healthscope, which both attracted corporate bids and retailing conglomerates, Woolworths and Wesfarmers, which are both experiencing good business momentum.

Investors Mutual underperformed the benchmark (returning 3.0%), largely due to its underweighting to the Resources sector, which surged 16% in the quarter. Its holdings in the major banks and the Bank of Queensland continued to be impacted by concerns surrounding the likely fallout from the Banking Royal Commission and rising funding costs. Telstra was another key detractor (downgraded profit guidance due to intense competition in the mobile sector). Portfolio stalwarts, CSL, Woodside Petroleum, Woolworths, IAG, Suncorp and Fletcher Building were the strong contributors to returns in the quarter.

The Fund paid a June quarter distribution of 1.14 cents per unit (CPU), taking the total distribution for FY2018 to 5.27 CPU. The estimated income return for the Fund for the year was a very competitive 5.33% (or 7.10% including franking credits). The total distribution for the Fund for FY2017 was 2.14 CPU.

Increasing income was a key objective behind the changes made to the Australian Share Fund back in September/October 2017 and we are delighted to deliver higher income to investors in this low interest rate and more volatile environment.

Looking ahead, while there remains a positive backdrop for equities (continuing economic and corporate earnings growth, reasonable valuations), there are a number of near term risks which could provide increased volatility. These include the prospect of less accommodative monetary policy, additional quantitative tightening, slower Chinese growth and a number of geopolitical risks (US-China trade tensions, the outcomes of future European elections, Brexit negotiations, US mid-term elections and the Mueller investigation). Notwithstanding, the Australian Share Fund with its diverse mix of quality investment managers, is considered to be well positioned to meet the opportunities and challenges that lay ahead.

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.

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