Balanced Fund

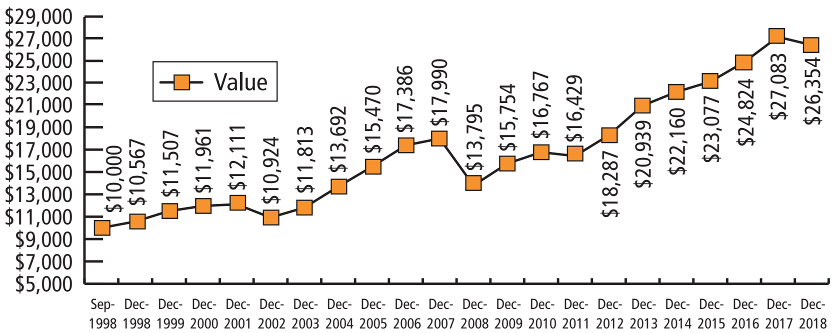
Performance

The Balanced Fund provided investors with a total return of -5.30% for the quarter ended 31 December 2018.

Rate of return for the period	Performance (Net of Fees)	Benchmark (Composite Index)
3 Months	-5.30%	-4.45%
6 Months	-4.09%	-2.38%
1 Year	-2.69% p.a.	0.98% p.a.
3 Years	4.53% p.a.	7.62% p.a.
5 Years	4.71% p.a.	7.77% 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.

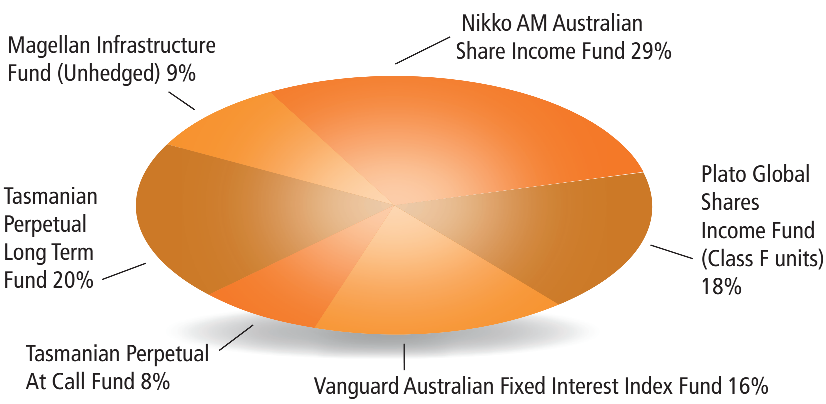
The value of $10,000 invested from inception to 31 December 2018 would have been:



Fund Investment Strategy

The Fund invests in the Nikko AM Australian Share Income Fund; Plato Global Shares Income Fund (Class F units); the Vanguard Australian Fixed Interest Index Fund; the Magellan Infrastructure Fund (Unhedged); the Tasmanian Perpetual Long Term Fund and the Tasmanian Perpetual At Call Fund.

As at 31 December 2018 the strategic asset allocation of the Balanced Fund was:



Market Commentary

Major asset class performance was mixed in the December quarter. Risk assets (specifically equities) felt the brunt of the shift in investor sentiment, while fixed income and cash assets benefited from the apparent 'flight to safety' and tighter liquidity. Listed global infrastructure, with its defensive attributes, experienced lower volatility and to be more resilient despite the challenging conditions.

The Australian share market (as measured by the S&P/ASX 200 Accumulation Index) dropped by 8.2% in the quarter and 2.8% for the calendar year. Prior to mid-October, the local bourse had been modestly ahead for the year, with growth remaining good, US inflation under control and bond yields not rising too far. Everything though changed from mid-October, as a strong risk-off tone seized financial markets. Against a backdrop of geopolitical concerns, US-China trade war risks, signs of slowing global economic growth, a hike in the Fed funds rate to 2.25%-2.50%, the step-up in US quantitative tightening, another US Government partial shutdown, the end of European quantitative easing, drama surrounding Brexit, oil prices plunging over fears of oversupply, continued weakness in house prices on the Australian east coast, the Wentworth by-election forcing Scott Morrison into minority government and ongoing fallout from the Hayne Royal Commission, share prices slumped.

In global markets, shares losses were larger, with the MSCI World ex Australia (in $A terms) down 11.1%, the S&P500 -13.5% and the Nasdaq off 16.7%. Cyclical sectors (more leveraged to economic growth) were hit hard. Information technology stocks declined 17.9%, Consumer Discretionary stocks -14.7%, Financials -14.2% and Materials -14.1%. Traditional defensive sectors fared far better (Utilities -0.1%, Real Estate -5.3%, Consumer Staples -7.3% and Telecoms -7.5%). The Energy sector was overwhelmed by the dramatic fall in global oil prices (-22.2%). Large cap stocks outpaced, mid-cap and small caps. While High Yield and Value style stocks accounted for Growth and Momentum counterparts.

Global Listed Infrastructure (in $A terms) returned -2.5%, with sector performance largely split along regulated utilities and infrastructure lines. Gas Utilities (+15.1%) and Water Utilities (+14.2%) generated particularly robust returns. Airports (-15.9%) and Ports (-6.8%), more economically-sensitive sub-sectors faced profit-taking. Oil and Gas Storage & Transport (-6.8%) assets were impacted by the sharp fall in global oil prices.

With respect to the Australian fixed interest asset class, the local 3-month bank bill swap rate rose 15 basis points (bps) to 2.09%, as global liquidity and funding pressures at the short-end re-emerged. Diminished investor confidence saw Australian (iTraxx) credit spreads widen by 21 bps. In contrast, due to the lack of inflationary pressures and investor's pursuing a risk-off investment strategy, the Australian 3-year bond yield fell 20 bps to 1.85%, while the 10-year bond yield dropped 35 bps to 2.32%. The AUS-US 10-year bond spread remained inverted, near a 10-years low, which in turn saw the AUD close the quarter softer at $0.705.

On the economic front, investors became more mindful of downside risks to the global economy. US domestic growth while still solid, indicated it was beginning to normalise post its tax stimulus 'sugar rush'. Non-farm payrolls in November missed expectations. Fed Chair, Jerome Powell though after announcing the latest hike, suggested a more dovish tone on interest rates, stating that the Fed "is going to be letting incoming (economic) data inform our thinking" moving forward. In Europe business surveys weakened further. At home Q3 GDP growth slowed sharply to 0.3% and annual growth edged down to 2.8% (from a revised 3.1% in Q2). On a brighter note, employment data indicated that the labour market continues to tighten, which is positive for wages and consumption growth. The latest headline inflation read remained below the RBA's 2%-3% policy target band. Consequently private market economists are not predicting an Australian official rate rise before Q2 2020.

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

Tasmanian Perpetual Trustees

247800_02583B

Balanced Fund

Fund Commentary

The Balanced Fund returned -4.88% in gross terms in the December quarter (-5.30% after fees) and -1.00% over the past 12-months (-2.69% after fees). These results compare with the Fund's composite benchmark (BM), which returned -4.45% and 0.98% respectively.

Asset allocation was positive in the period, with the portfolio underweight risk assets (domestic/international equities) and overweight Fixed Income and Cash (which outperformed). Overall manager selection was negative and was the primary detractor to returns. The Fund's Australian Equities manager's underperformance countered the solid returns attained by the Fixed Interest, Credit and Alternatives asset class managers.

The Vanguard Australian Fixed Interest Fund delivered a gross return of 2.26% (after fees) in the period, benefiting from the rally in bond markets and the flattening in the yield curve. The TPT Long Term Fund also contributed positive returns (+0.78%), as higher bank-bill swap rates and mortgage drawdowns aided performance.

The Magellan Infrastructure Fund (unhedged) recorded a -0.76% return (after fees) over the quarter, outperforming both the composite BM and its own underlying BM. For the 12-monhts it posted a robust return of 4.76%. Contributors to performance this quarter included Transurban, American Tower Corporation, Eversource Energy and Xcel Energy (US electric service utilities, recently added to the portfolio) and Getlink (operator of the Channel tunnel). Note Magellan retains a relatively high Cash allocation (~10%).

Plato Global Shares Income Fund (F Class), generated a total return of -10.17% (after fees). Intel, Verizon Communications and Pfizer were positive contributors in the period. Over 12 months the Fund has generated over 4% in excess income relative to the MSCI World Index.

Nikko AM (the largest portfolio weight in the Fund) was the detractor in the quarter (-11.69%, net return). Their overweighting to Banks hurt performance (Hayne Royal Commission), as did their oil/gas (Origin Energy, Woodside) and construction exposures (Lend Lease, Boral and James Hardie) due to concerns over the Australian construction cycle and US housing sector. Despite Nikko AM's disappointing result, the manager continues to generate a grossed-up income yield over 2% per annum above that of the S&P/ASX 200 Accumulation Index, thereby providing a very competitive and tax-effective income stream for our Balanced Fund investors.

In accordance with its investment objectives, the Balanced Fund with its current line-up of investment managers continues to generate excess income relative to its composite BM, whilst investing in quality companies and securities. In the December quarter, the Fund paid a distribution of 1.58 cents per unit (CPU), (compared to 1.10 CPU for Q4 2018). With its diversified asset mix and income-focused investment approach, the Fund is deemed to be well positioned over a 3 to 5 year timeframe, to take advantage of the opportunities and meet the challenges that lay ahead.

Continuous Disclosure Obligations

As part of our continuous disclosure obligations, in accordance with ASIC Regulatory Guide 97, we have calculated the costs and fees associated with our funds as at 30 June 2018. The details for which can be found on our website at:

www.tasmanianperpetual.com.au/managed-investments/continuous-disclosures

Are you a Resident of Another Country for Tax Purposes?

If so, new Common Reporting Standard legislation means we need to know about this. Please call us on 1300 138 044 or visit your nearest branch to provide your foreign tax resident details, including the country and your tax identification number. For more information, please visit

www.tasmanianperpetual.com.au/about-us/foreign-resident-tax-reporting

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.

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

247800_02583B