Balanced Fund

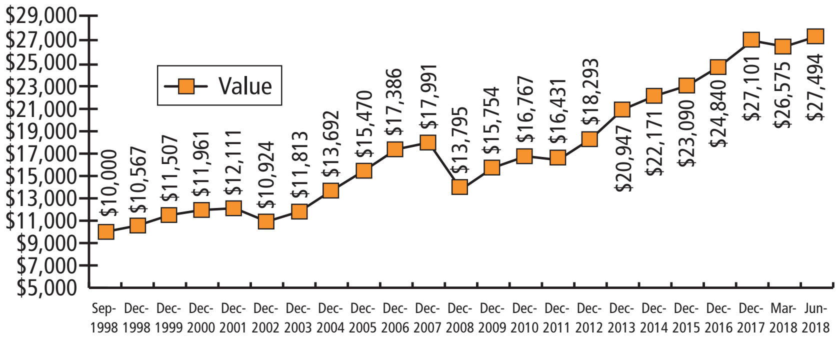
Performance

The Balanced Fund provided investors with a total return of 3.46% for the quarter ended 30 June 2018.

Rate of return for the period	Performance (Net of Fees)	Benchmark (Composite Index)
3 Months	3.46%	4.56%
6 Months	1.45%	3.44%
1 Year	7.12% p.a.	9.34% p.a.
3 Years	5.96% p.a.	8.30% p.a.
5 Years	7.33% p.a.	10.11% 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.

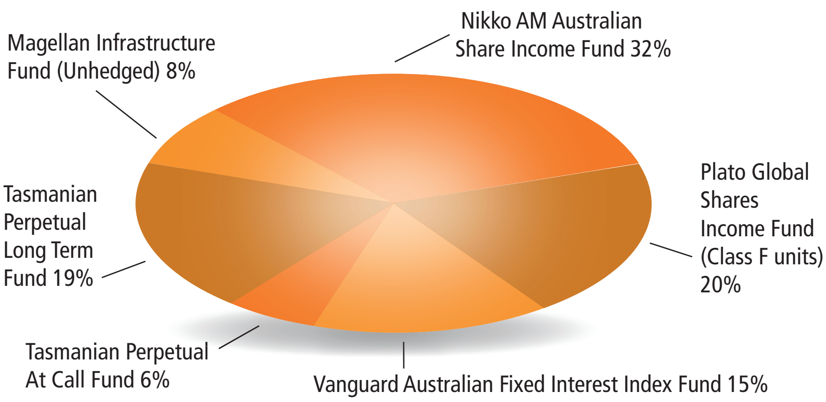
The value of $10,000 invested from inception to 30 June 2018 would have been:



Fund Investment Strategy

The Fund invests in the 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 30 June 2018 the strategic asset allocation of the Balanced Fund was:



Market Commentary

There was an awful lot of market noise for investors to contend with in the June 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 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 (USD), (including against the Chinese yuan), which in turn, highlighted USD debt exposures fragility in emerging markets.

Despite this all major asset classes posted positive returns in the period. The Australian share market (as measured by the S&P/ASX 200 Accumulation Index) was the standout, rebounding strongly in the quarter (+8.5%), outperforming global share markets, including the US, China and Japan. A comparatively calm US equity market, rising commodity prices, an improvement in Australia's reported GDP, reasonable relative earnings growth and valuations and a lower AUD (enhancing competitiveness and capital inflows), all contributed to boost Aussie shares in the period. The Energy (+19.8%), Healthcare (+15.9%), Metals & Mining (+14.6%), Consumer Staples (+12.0%), IT (+11.0%) and Consumer Discretionary (+10.6%) sectors posted solid double-digit returns. Bond-sensitive sectors, REITs and Utilities also fared very well, benefiting from an escalation in merger and acquisition activity, including the re-allocation of cash returned to investors following the sale of Westfield to Unibail Rodamco. Over 12-months Australian shares made some headway relative to global shares, achieving a very respectable return of 13.0%.

Global shares (as measured by the MSCI World Index excluding Australia, unhedged) also did well, gaining 5.5% in the quarter and 15.4% over the year. Six of the eleven sectors in the MSCI World Index rose in $A terms in the quarter. Higher oil prices underwrote the Energy sector (+16.4% in AUD) and the FAANG (Facebook, Amazon, Netflix and Google's parent, Alphabet) continued to drive strong gains in the IT sector (+9.7%). As in Australia, Telecoms and Financials lagged general market returns in the period. Emerging Markets significantly underperformed other major world indices (retracting -5.0% in the quarter, due to a rebound in the USD and trade war uncertainty). In the global listed infrastructure universe, Gas Utilities and Oil & Gas Storage & Transport segments were strongest.

With respect to the fixed interest asset class, Australian bonds yields rose modestly (10-year bonds +3 basis points to 2.63%) in response to higher US money market rates and the sell-off in US treasuries in the period. US 10-year bonds hit a multi-year high of 3.125% before closing up 12 bps to 2.86%, due in part, to the US labour market approaching full employment levels. Some signs of funding pressures were evident with respect to the Australian Bank Bill Swap rate late in the period (BBSW +8 bps to 2.11%). This generally benefited term deposit and negotiable certificates of deposits rates in the period. Australian (iTraxx) credit spreads widened as the risks to global growth increased. The AU-US 10-year bond spread continued to invert (-23 bps), as expectations of an RBA cash rate hike were pushed out to mid-late 2019. The Australian dollar (AUD) closed the quarter near an 18-month low ($0.74).

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_023LCA

Balanced Fund

Fund Commentary

The Balanced Fund returned 3.46% in the June quarter and 7.12% over the 12-months. These results compare with the Fund's (new) composite benchmark (BM) which returned 4.56% and 9.34% respectively. Asset allocation was favourable, with the largest weights attributed to risk assets (domestic/global equities), while stock selection was marginally negative (managers underperformed their underlying total return BMs; but outperformed their income objectives). The Fund's 100% unhedged position was beneficial to investor returns, as the AUD fell over the quarter.

Fixed income exposures provided positive contributions to returns, as the TPT Long Term Fund (+0.97% net return) was aided by the rise in the bank bill swap rate, new investments and asset mix changes. The Vanguard Australian Fixed Interest Fund (+0.73% net return) benefited from some further flattening in the Australian Commonwealth Government yield curve.

Magellan Infrastructure Fund posted a reasonable total return over the quarter (+5.2%). Many of its key infrastructure (more economically-sensitive) holdings generated solid returns, including Atlas Arteria (formerly Macquarie Atlas), Sydney Airport, Aeroporte de Paris, Auckland Airport and Canadian Pacific Railway. Other notables included energy transport/distributors, Enbridge (record volumes in Q1 2018) and Atmos Energy. Portfolio holding, APA Group benefited from a $13B cash takeover, being made by Hong Kong-based, CK Infrastructure. Magellan retains a relatively high Cash allocation (9%).

Nikko AM's 6.8% quarterly total 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 (closed near record high), which experienced good business momentum. Nikko continues to generate a grossed-up income yield more than 2% per annum (currently 2.35%) above that of the S&P/ASX 200 Accumulation Index. For the financial year ended 30th June, the portfolio franking levels represented 81% of income entitlements (excluding income from realised gains).

Plato Global Shares Income Fund (F Class), generated a total return of +4.5% in the quarter and 1.0% of excess income relative to its underlying BM. Stock picks, Valero Energy, financial advisory firm, Moelis & Co, railcar equipment finance firm, GATX Corporation, Encompass Health and IT/ecommerce exposures, Apple, and Microsoft were the key contributors in the period.

In accordance with its investment objectives, the Balanced Fund with its current line-up of investment managers is generating excess income relative to its composite BM, whilst investing in quality companies and securities. In the June quarter, the Fund paid a distribution of 2.87 cents per unit (CPU), taking the total distribution for FY2018 to 4.86 CPU (compared to 3.26 CPU for FY2017). The income component of the full year distribution was equivalent to an estimated income return of 2.46%. With its diversified asset mix and income-focused investment approach, the Fund is deemed to be well positioned to take advantage of the opportunities and meet the 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

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_023LCA