

Equity Fund

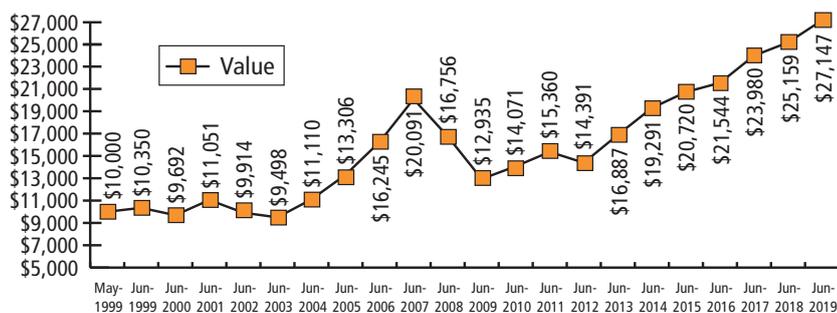
Performance

The Equity Fund provided investors with a total return of 14.23% for the six months ended 30 June 2019.

Rate of return for the period	Performance (Net of Fees)	Benchmark (Composite Index)
3 Months	5.25%	7.02%
6 Months	14.23%	18.28%
1 Year	7.90% p.a.	11.16% p.a.
3 Years	8.01% p.a.	12.62% p.a.
5 Years	7.07% p.a.	9.69% 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.

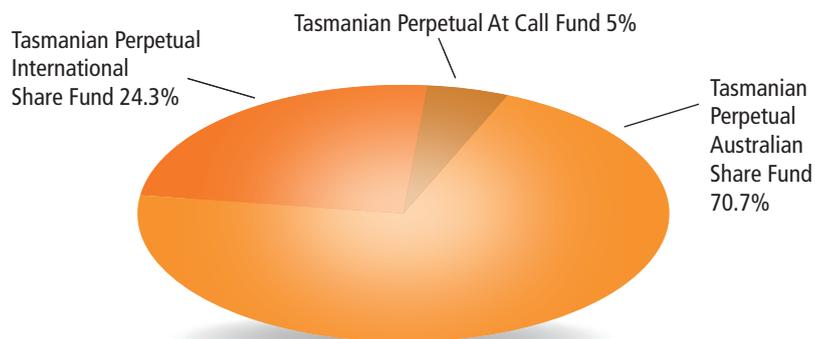
The value of \$10,000 invested from inception to 30 June 2019 would have been:



Fund Investment Strategy

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

As at 30 June 2019 the asset allocation of the Equity Fund was;



Market Commentary

Australian shares (as measured by the S&P/ASX200) rallied strongly in the second half of FY2019 (advancing 19.7%), as investors piled into local equities following the surprise Coalition government election victory and the Reserve Bank of Australia (RBA) cut the cash rate to record lows. Global shares (as measured by the MSCI World Index excluding Australia, unhedged) also posted healthy returns (+17.3%), as anxiety over slowing global growth and a further escalation of trade tensions between the US and China, caused Central Banks around the world to abruptly change course (that is, abandon policy normalisation) and move to a more accommodative stance. The resultant slide in global bond yields provided a major boost to equity valuations.

In AUD currency terms, the S&P500 +19.1%, Nasdaq +22.4%, German DAX +17.2% and the Shanghai Composite +21.7% were the standout regional indices. A number of major indices also broke record highs. Emerging markets (+10.9%) were somewhat constrained by concerns over developed economies growth and tariff worries, while Japanese shares (+10.5%) were hampered by a strengthened yen (seen as a safe haven at times of geopolitical risk). All eleven industry sectors experienced solid returns in the half, with IT (25.9%), Industrials (+18.6%), Consumer Discretionary (+17.1%) and Telecom (+15.6%), the front runners. Growth, Quality and Momentum factors easily accounted for their Low Volatility, High Yield and Value style counterparts.

Geopolitical developments in the period included President Trump proceeding to increase tariffs from 10 per cent to 25 per cent on US\$200 billion of imports from China and China responding by announcing that tariffs would increase by 5–25 per cent on US\$60 billion of US imports from 1 June 2019. In the UK, Theresa May's EU (Brexit) deal was rejected by parliament and she subsequently resigned as PM. Late in the period, strains between the US and Iran were reignited. At home, the surprise election victory by the Coalition government was quickly followed by the RBA making its first cut in the cash rate in three years (by 25 basis points to 1.25%) and APRA announcing their intention to lower the mortgage serviceability hurdle. All positive outcomes for the Australian housing market.

Economic data released over the quarter was mixed (at best). While in some economies, Q1 2019 GDP growth outcomes were slightly stronger than the second half of 2018, conditions in the global manufacturing sector and trade sectors weakened. The latest PMI data for China, Europe and the US highlighted the negative impact tariffs were having on their manufacturing sectors. A major miss from US Non-Farm Payrolls in May echoed leading indicators that suggest the US economic expansion is looking increasingly exhausted. A rise in German unemployment in May would have also concerned the ECB. In the UK, June retail sales were the weakest since the GFC. At home, Australia's Q1 2019 GDP figure disappointed (1.8% annual growth rate, the slowest in 9 ½ years) and a further reduction in the RBA cash rate in July was quickly priced-in by market participants.

At the close of the half the Australian bourse was trading on a prospective PE of 17.5 times (compared with its long-term average of 14.8 times) and a prospective gross dividend yield of 4.28%. Aggregate S&P/ASX200 earnings estimates currently suggest 4.4% growth in calendar year (CY) 2019 and 2.2% growth in CY2020. By comparison global shares, were trading on a prospective PE of 16.3 times (LT-average 14.9 times) and a dividend yield of 2.43%. Global valuations incorporate earnings expectations of 7.2% in CY2019 and 9.5% in CY2020. According to current equity risk premium and bond earnings yield measures, Australian and global shares continue to remain within their assessed 'fair value' ranges 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**

Equity Fund

Fund Commentary

The Equity Fund delivered a gross return of 15.37% (14.23% after fees) in the second half of FY2019 and 10.09% (7.90% after fees) over the 12-months. A distribution of 1.55 cents per unit (CPU) was declared for the half. This takes the annual distribution to 3.68 CPU (cf. 3.85 CPU FY2018).

Over the half, the Australian Share Fund component returned 16.80% (15.78% after fees) while the International Share Fund component delivered 14.88% (13.88%). The main contributors to performance of the two underlying funds over the half were the **Vanguard Australian Shares High Yield Fund** and the **Magellan Global Fund**.

Cash transactions no longer available in our offices.

In order to provide a safe environment for our clients, staff members and your money, cash transactions will no longer be available at Tasmanian Perpetual Trustees offices from 1 July 2019.

There are a range of easy payment methods available to make additional contributions to your accounts.

Electronic Funds Transfer (EFT)

Transferring funds electronically from your bank or financial institution to your Tasmanian Perpetual Trustees accounts is a convenient way to transact.

BSB: 037 812

Account Number: Your Tasmanian Perpetual Trustees Account Reference Number (you will find this on your statement)

Cheque

Return your cheque to:
Tasmanian Perpetual Trustees
GPO Box 227
Hobart TAS 7001

BPAY®

Your **Biller Code** and **Reference Number** (Tasmanian Perpetual Trustees Account Reference Number) can be found on your statement.

We appreciate your understanding. If you have any questions about your account please contact us on **1300 138 044** or visit your nearest Tasmanian Perpetual Trustees office.

Are your contact details up to date?

We're currently working on enhancing our client services. To keep you updated on these upgrades, we need to ensure your contact details are up to date.

How can I update my contact details?

- Call us on **1300 138 044**; or
- Complete the Update Contact Details form found on our website, sign and return to info@tptl.com.au or by post: **Tasmanian Perpetual Trustees, GPO Box 227, Hobart TAS 7001**; or
- Visit your nearest Tasmanian Perpetual Trustees office.

Information about the new services will be made available on our website www.tasmanianperpetual.com.au

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

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