Australian Share Fund

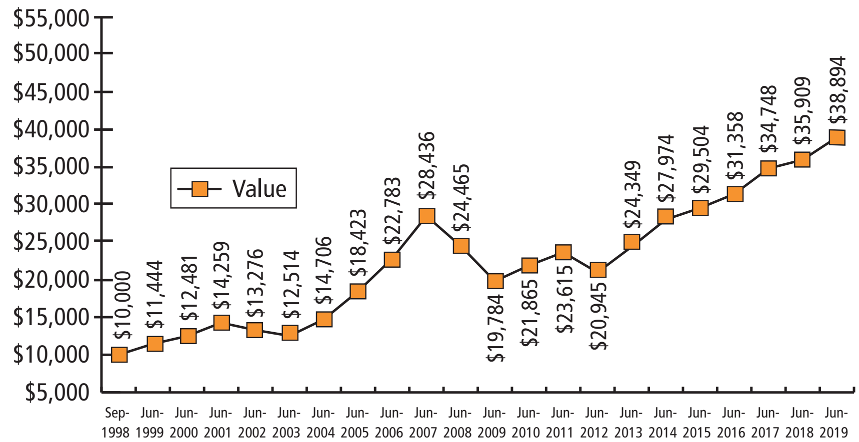
Performance

The Australian Share Fund provided investors with a total return of 6.09% for the quarter ended 30 June 2019.

Rate of return for the period	Performance (Net of Fees)	Benchmark (Composite Index)
3 Months	6.09%	8.57%
6 Months	15.78%	20.03%
1 Year	8.32% p.a.	13.78% p.a.
3 Years	7.44% p.a.	9.58% p.a.
5 Years	6.81% p.a.	6.99% 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.

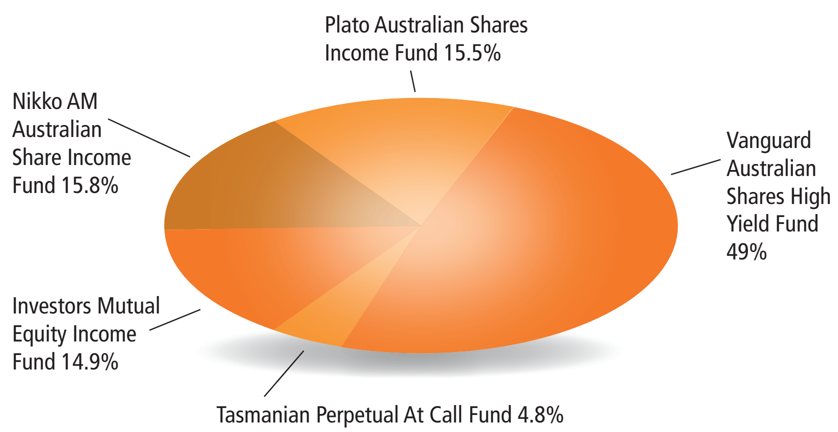
The value of $10,000 invested from inception to 30 June 2019 would have been:



Fund Investment Strategy

The Fund invests in 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 2019 the strategic asset allocation of the Australian Share Fund was:



Market Commentary

The Australian share market posted a total return of 8.0% in the June quarter, 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. An abrupt change in course by global Central Banks added fuel to the rally by causing a slide in bond yields, which in turn, improved equity valuations. Despite anxiety over global growth, a further escalation in trade tensions between the US and China, reignited Middle East strains and the rejection of Theresa May's EU deal (and her subsequent resignation), Australian shares notched up another good year of returns for investors (+11.4%).

Ten out of eleven industry sectors posted positive returns in the quarter, with Telecom (+12.2%), Healthcare (11.5%), Financials (+10.8%) and Industrials (+9.2%) the front-runners. The ACCC's ruling against the tie-up between TPG Telecom and Vodafone gave industry leader Telstra a solid boost. Similarly, the retention of negative gearing, the capital gains discount (and franking credits), lower cash rates and news of an easier (APRA) mortgage serviceability hurdle, were interpreted as positives for the housing market and underwrote a relief rally in the Banks. Utilities (1.9%) and Energy (-0.2%) were the laggards. Over the full year, Telecom (+39%), Materials (18.3%), A-REITs (+19.4%) and IT (19.3%) stocks set the pace. The Materials sector was boosted by supply disruptions in the global iron ore market, which lifted ore prices to near 5-year highs. On a factor basis, High Yield, Quality and Low Volatility stocks outperformed. Small caps and Value stocks underperformed.

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. A major miss from US Non-Farm Payrolls in May also echoed leading indicators that suggest the US economic expansion is looking increasingly exhausted. At home, the RBA justified its first cut (of 25bps) in the cash rate in three years (to 1.25%), to there remaining substantial spare capacity in the Australian labour market, which can be materially reduced (from 5.2% in May to 4.5%), without any risk to inflation. With Q1 2019 Australian GDP data having disappointed since the cut (1.8% annual growth rate, the slowest pace in 9 ½ years), a further reduction in July was priced-in by market participants.

In other developments, the US–China trade dispute escalated in May, with President Trump proceeding to increase tariffs from 10% to 25% on US$200 billion of imports from China and China responding by announcing that tariffs would increase by 5–25% on US$60 billion of US imports from 1 June 2019. Faced with the prospect of greater downside risk to the global economic outlook, the June round of Central Bank meetings saw them turn dovish, broadly in unison. The US Federal Reserve signalled their readiness for interest rate cuts, the European Central Bank stated they are prepared to reintroduce monetary easing and the Bank of Japan kept policy steady but noted downside risks and the possibility of lowering short term rates and increasing asset purchases.

On the corporate front, three of Australia's four major banks reported their interim results in the June quarter (CBA reported in February). Combined interim cash profits after tax from continuing operations were down 4.0% to $14.5B (compared to the 1H 2018), driven by lower net interest and non-interest income in a challenging operating environment, margins pressure and rising regulatory and customer remediation costs.

At the close of the quarter the Australian bourse was trading on a prospective PE of 17.5 times (compared with its long-term average of 14.9 times) and a prospective gross dividend yield of 4.28%. Aggregate S&P/ASX300 earnings estimates currently suggest 4.4% growth in calendar year (CY) 2019 and 2.2% growth in CY2020. In the context of a low interest rate environment, Australian shares equity and dividend yields relative to local bonds (yielding 1.32%) remain attractive.

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

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Australian Share Fund

Fund Commentary

The Australian Share Fund (ASF) reported a 6.55% gross return (6.09% after fees) in the June quarter, while posting a 10.26% gross return (8.32% net return) over 12-months. These outcomes compare with those of the Fund's composite benchmark (BM) of 8.58% for the quarter and 13.78% for the year.

Manager selection was mixed in the June quarter. While our 'core' Australian equity manager performed strongly in total return terms, our satellite 'active' managers found the going more challenging. With respect to the Fund's asset allocation it was Cash 'neutral' at period close.

On an income objective basis (a key part of the Fund's investment strategy) our managers delivered in spades. The Australian Share Fund delivered a very impressive grossed-up dividend yield of 10.91% over the past 12 months, easily outperforming the grossed-up dividend yield generated by the S&P/ASX300 Index (6.03% in FY2019). For the June quarter the Australian Share Fund paid a distribution of 1.00 cents per unit (CPU). This takes the annual distribution for FY2019 to 5.60 CPU (cf. 5.27 CPU paid in FY2018).

The portfolio's main contributor to performance in the quarter, was the **Vanguard Australian Shares High Yield Fund**, which posted a net return of 8.9% in the quarter and 14.1% for the year. Investors search for yield since late 2018 has been particularly acute and benefited the manager's 'smart beta' strategy. The Fund's portfolio currently provides both cyclical and defensive attributes.

Plato Australian Share Income Fund (our style-neutral, quant manager) reported healthy absolute returns (8.2% quarter-on-quarter and 14.9% year-on-year, including franking credits), thanks to overweight positions in CBA, Westpac, Fortescue Metals, Magellan, CSR and Aristocrat Leisure.

Nikko AM and Investors Mutual (IML) both underperformed the broader market. The **Nikko AM Share Income Fund** returned 4.8% for the quarter and 4.8% for the year. **IML Equity Income Fund** provided similar net returns (2.8% and 4.7% respectively). Being 'value' managers, their more defensively positioned portfolios (nil weight IT, underweight REITs, Diversified Metals & Mining; overweight Energy), did not fully participate in the market rally in the period. Furthermore a few disappointing performers (due to fallout from the Banking Royal Commission and Brexit uncertainty) stilted their performance. Over the quarter key portfolio contributors for Nikko AM included Iluka Resources, Aristocrat Leisure, Aurizon Holdings, Coles Group, Westpac and for Investor Mutual, CBA, Telstra, Aurizon Holdings, Coles Group and Transurban. Note the IML Equity Income Fund maintains a high effective cash position.

Looking ahead, after the strong performance of the past six months, Australian shares maybe more subdued or even vulnerable to a short term pull back caused by weak economic data, trade uncertainties, Central Banks inaction, Brexit, a disappointing reporting season and/or by an escalation in Middle East tensions. As highlighted earlier, the valuations of Australian shares remain generally OK, especially relative to low bond yields. Furthermore, monetary and fiscal policy are likely to remain supportive on at least a 6-12-month timeframe. Overall, 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.

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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