Long Term Fund

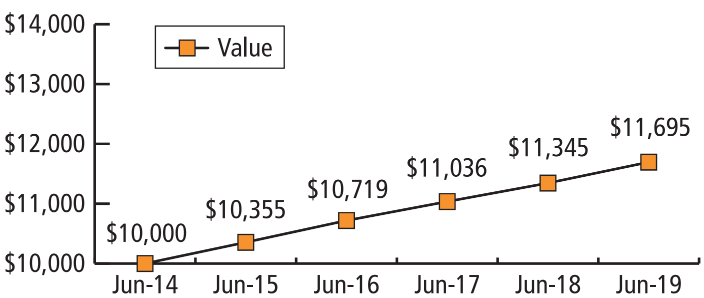
Fund Performance

The Long Term Fund provided investors with an average interest rate of 2.88% per annum for the quarter ended 30 June 2019.

Rate of return for the period	Assuming Re-investment of Income	Without Re-investment of Income
3 Months	2.88% pa	2.88% pa
6 Months	3.00% pa	2.98% pa
1 Year	3.08% pa	3.03% pa
3 Years	2.95% pa	2.91% pa
5 Years	3.19% pa	3.14% pa

Note: Returns are annualised and assume funds are held for the full quarter. Performance is after standard fees and charges as outlined in the Fund's Product Disclosure Statement. Past performance is not a reliable indicator of future performance.

The value of $10,000, assuming reinvestment of income, if invested from 30 June 2014 to 30 June 2019 would have been;

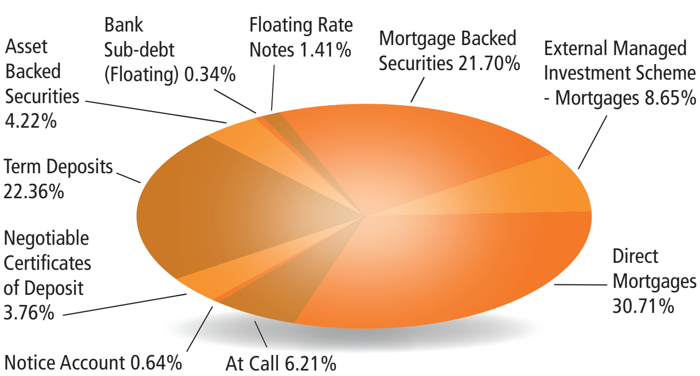


Fund Size

Total unaudited funds under management as at 30 June 2019 were $290.78 million.

Fund Investment Strategy

The Long Term Fund implements a diversified investment strategy aimed at providing investors with a competitive income return combined with capital stability. At the end of the quarter the Fund had the following investments:



Fund Commentary

The Reserve Bank of Australia (RBA) cut official interest rates to a record low of 1.25% at its June 4th meeting. It also hinted that it will do it again, stating in official documents that it was "more likely than not" to cut interest rates "in the period ahead". Notwithstanding low official cash rates, the Long Term Fund has continued to deliver competitive returns and capital stability for investors. The Fund remains well positioned, holding healthy levels of cash and cash equivalents and is primarily exposed to a diversified portfolio of mortgages, mortgage-backed securities and other asset-backed securities.

Market and Economic Commentary

Policy makers, political events and reports of weakening economic growth ruled money and credit markets in the period. Anxiety over global growth saw Central Banks move to a more accommodative stance and ready to take action if necessary. There was a further escalation of trade tensions between the US and China with President Trump repeatedly doubling-down. Released economic data indicated that the global economy had slowed to its lowest pace in three years and trade to its lowest level since the global financial crisis (GFC). In the UK, PM Theresa May was left with little choice but to resign, after the withdrawal agreement she negotiated with the EU was rejected three times by parliament. Prospects of a 'no deal' Brexit in October have increased. Reignited tension between Iran and the US became a further wildcard factor. Locally, the major news items were the surprise Coalition government victory in the May Federal election, APRA's plan to ease certain home lending restrictions and the RBA cutting the cash rate for the first time in 3 years. These details were welcomed by the property sector, as the rate of house price falls eased and auction clearance rates improved.

Global economic data released over the quarter was mixed (at best). While in some economies, Q12019 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 are having on their manufacturing sectors. A major miss from US Non-Farm Payrolls in May also echoed leading indicators that suggest the US economic expansion is looking increasingly exhausted.

The US–China trade dispute escalated in May, intensifying the downside risk posed to the global economic outlook. President Trump proceeded to increase tariffs from 10 per cent to 25 per cent on US$200 billion of imports from China, and China responded by announcing that tariffs would increase by 5–25 per cent on US$60 billion of US imports from 1 June 2019. Huwaei was also added to the BIS Entity List, effectively barring US companies from doing business with the smartphone and telecom equipment maker. Simmering in the background, President Trump has threatened another tranche of tariffs on $300 billion of Chinese goods and the potential imposition of tariffs on European autos and Japanese and Indian imports.

Given the above developments (and inflation remaining subdued globally), 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, the Bank of Japan kept policy steady but noted downside risks and the possibility of lowering short term rates and increasing asset purchases. The outlier was the Bank of England which held official rates steady at 0.75% and reiterated their mild tightening bias. At home the justification for the RBA to cut in June was the belief that there remains substantial spare capacity in the Australian labour market, which can be materially reduced without any risk to inflation.

Market movements were in one direction over the quarter. Anxiety over global growth and safe-haven flows saw yields pushed lower (globally). The US 10-year bonds fell to 2.01% (-40 bps), the 3-year bond declined to 1.71% (-49bps). In Australia government bond yields touched new all-time lows, with the 3-year bond closing at 0.96% (-43bps) and the 10-year at 1.32% (-46 bps). Money market yields were also lower as cash rate expectations were lowered and bank funding costs continued to fall. The Australian 3-month BBSW rate ended the period at 1.20% (-57 bps). Domestic credit spreads tightened as investors chased yield. The Australian dollar closed the quarter at $0.7020.

According to market participants, there is currently a 70% probability that there will be a follow-up (25bps) RBA cut in July, with another anticipated in November 2019. In the US the market is pricing a Federal Funds rate of 1.50% (75bps of cuts) by January 2020.

For further product information and ongoing disclosures visit www.tasmanianperpetual.com.au or call us on 1300 138 044

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Tasmanian Perpetual Trustees

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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.

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