

Equity Fund

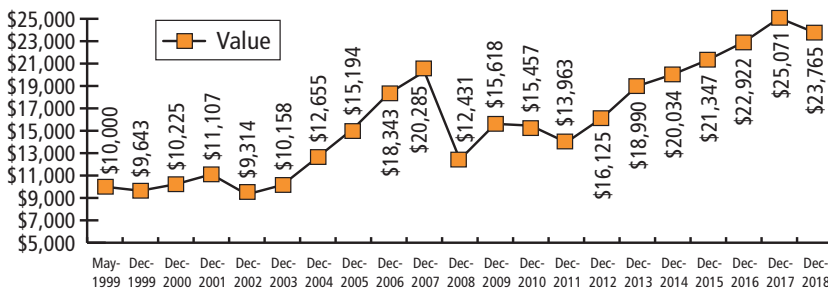
Performance

The Equity Fund provided investors with a total return of -5.54% for the six months ended 31 December 2018.

Rate of return for the period	Performance (Net of Fees)	Benchmark (Composite Index)
3 Months	-7.89%	-8.61%
6 Months	-5.54%	-6.02%
1 Year	-5.21% p.a.	-1.67% p.a.
3 Years	3.64% p.a.	6.70% p.a.
5 Years	4.59% p.a.	6.54% 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.

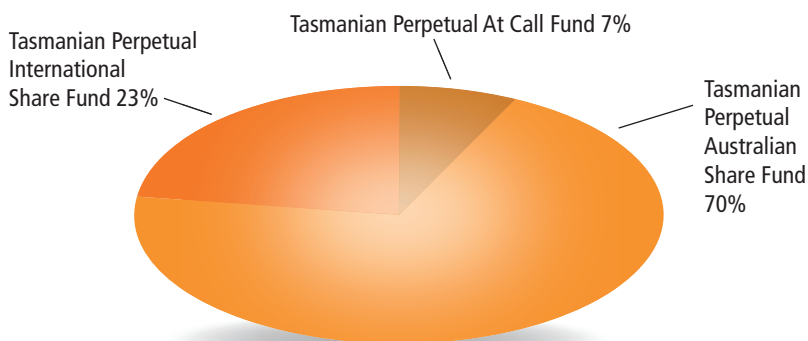
The value of \$10,000 invested from inception to 31 December 2018 would have been:



Fund Investment Strategy

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

As at 31 December 2018 the asset allocation of the Equity Fund was;



Market Commentary

Australian shares (as measured by the S&P/ASX200) fell 6.83% over the 2H 2018, after experiencing a particularly challenging December quarter. Global shares (as measured by the MSCI World Index excluding Australia, unhedged) fared a little better, but still retraced 4.56%.

The half experienced two quite distinct trading environments. US Q2 earnings season got things off to a good start, with the strongest results since 2010. Further confirmation that the US economic expansion remained robust and suggestions that the Bank of Japan would not be tightening its policy settings anytime soon, saw global shares advance 7.4% and Australian shares add 1.50%. 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, 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 (global shares -11.1%, Australian shares -8.2%).

Cyclical sectors (more leveraged to economic growth) felt the full brunt of the change in investor sentiment. In the 2H 2018, Information Technology stocks declined 11.4%, Financials -12.4%, Materials -15.2% and Consumer Discretionary stocks -11.3%. Traditional defensive sectors outperformed (Healthcare +0.4%, Utilities +0.1%, Telecoms -3.2%, Consumer Staples -5.3% and REITs -6.8%). In addition, the Energy sector was overwhelmed by the dramatic fall in global oil prices (-22.2%). In the period, emerging markets modestly outperformed developed markets (-3.96%), thanks to a new free trade agreement being signed by the US, Mexico and Canada. Large cap stocks outpaced, mid-cap and small caps. While High Yield and Value style stocks accounted for Growth and Momentum counterparts.

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.

At the close of the half the Australian bourse was trading on a prospective PE of 14.7 times (compared with its long-term average of 14.8 times) and a prospective gross dividend yield of 5.08% (80% franked), which is attractive, particularly given the very low interest rate environment. Strong aggregate earnings growth is still forecast in CY2019 (+12.5%). In comparison global shares, were trading on a prospective PE of 14.3 times (LT-average 14.9 times) and a dividend yield of 2.85%. Global valuations also continue to incorporate healthy earnings expectations (+14.9% CY19, +9.9% CY20).

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 -4.58% (-5.54% after fees) in the 2H2018 and -3.29% (-5.21% after fees) over the past 12-months. A distribution of 2.13 cents per unit (CPU) was declared for the half (which compares with 2.08 CPU for the 2H2017).

Over the half, the Australian Share Fund component returned -5.59% while the International Share Fund component delivered -3.21%. The main contributors to the returns of the two underlying funds over the half were the **Investor Mutual Equity Income Fund** and the **Magellan Global Fund**.

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.

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