Diversified Property Fund - Amended

Performance

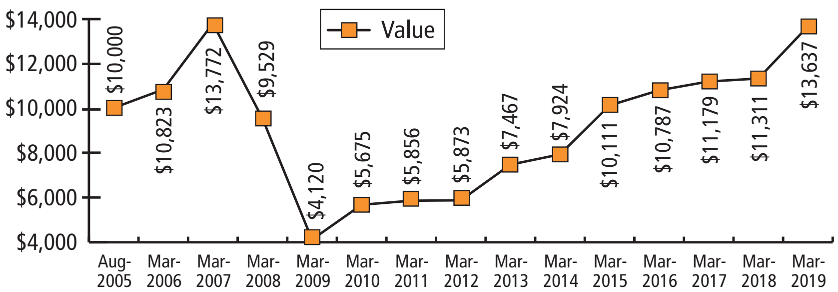
The Diversified Property Fund provided investors with a total return of 12.95% for the quarter ended 31 March 2019.

Rate of return for the period	Performance (Net of Fees)	Benchmark (Composite Index)[1]
3 Months	12.95%	13.32%
6 Months	10.12%	10.57%
1 Year	20.56% p.a.	21.72% p.a.
3 Years	8.13% p.a.	8.38% p.a.
5 Years	11.47% p.a.	11.62% 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.

[1]The UBS Developed Infrastructure and Utilities Net Total Return Index (hedged to AUD) ceased to be published, therefore from 31 March 2015 it was replaced with the S&P Global Infrastructure Index A$ Hedged Net Total Return.

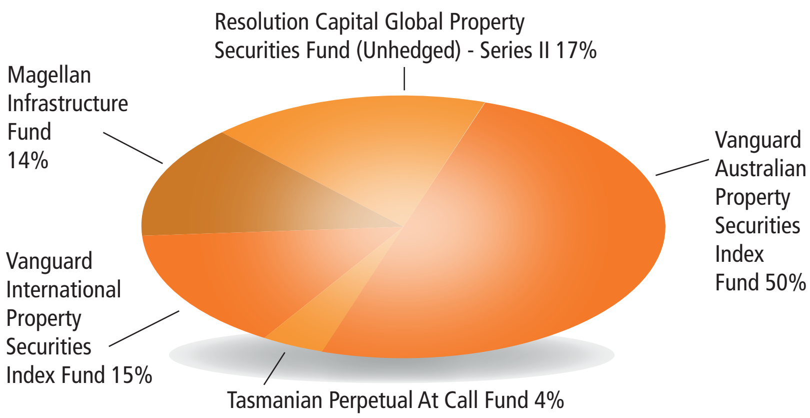
The value of $10,000 invested from inception to 31 March 2019 would have been:



Fund Investment Strategy

The Fund invests in the Vanguard Australian Property Securities Index Fund; the Vanguard International Property Securities Index Fund (Unhedged); the Resolution Capital Global Property Securities Fund (Unhedged) - Series II; the Magellan Infrastructure Fund and the Tasmanian Perpetual At Call Fund.

As at 31 March 2019 the asset allocation of the Diversified Property Fund was:



Market Commentary

Real assets, outperformed the broader equity markets again in the March quarter, as global bond yields fell in response to the US Federal Reserve's capitulation (U-turn) on interest rates (now on hold) and their plans to end quantitative tightening. Both developments were interpreted as supportive of real asset valuations and balance sheets. At the same time investors shrugged off concerns over the Sino-US trade war, the Brexit debacle, further evidence of slowing economic growth, moderating earnings and a brief inversion in the US yield curves.

In the quarter, Australian listed REITs (A-REITs) delivered a very healthy return of 14.4%, Global REITs (G-REITs) advanced 13.6% (unhedged $A) and Global Listed Infrastructure (GLI) was up 13.9% (hedged $A). In comparison global equity prices (MSCI World Index A$) rose 11.0% (or 12.5% in hedged $A terms).

Industrial (+13.1%), Diversified (+14.6%) and Healthcare (+13.9%) REITs were the best Australian sub-sectors. Earnings season reflected generally good property fundamentals. Goodman Group lifted FY2019 EPS growth guidance from 7% to 9.5%, supported by 27% FUM growth and strong demand for ecommerce related industrial tenants. Mirvac also increased its FY19 growth guidance to 4% despite the weak residential backdrop, reporting good growth in its office portfolio earnings. Charter Hall Group upgraded its half-year EPS growth guidance from 14% to 17% (from 8%-10%).

Globally, Real Estate Development, Specialty and Industrial REIT sectors outperformed. Retail and Residential REITs were laggards. Geographically, the Asia Pacific and the US were the stronger regions. Eastern Europe lagged. US Q4 reporting season was for the most part in line with market expectations. Office REIT fundamentals look generally sound. Supply concerns continue to weigh on the self-storage sector. Hotel REITs EPS results generally surprised on the upside due to signs of room-rate growth. In Europe, bellwether mall REIT, Unibail-Rodamco delivered a mixed set of results.

With respect to Global Listed Infrastructure sector performance, Toll Roads & Rail (+19.2%), Water Utilities (+17.6%) and Oil & Gas Storage & Transport (+17.3%) delivered solid returns. Gas Utilities (+7.7%) and Ports (+6.5%) were more subdued.

Incorporating recent company announcements and revisions following reporting seasons both here and abroad, aggregate A-REIT estimates suggest funds from operations (compounded) growth between CY2018-2020 of 2.7% per annum and for Global-REITS +8.0% p.a. Similarly for the Global Listed Infrastructure universe, aggregate EBITDA growth forecasts remain supportive of valuations (+11.9% compounded growth per annum over 2018-2020).

After the strong price performance over the last few months, 'real' asset valuations generally remain within their fair valuation ranges. The REIT price to fund from operations (P/FFO) prospective multiple was back marginally above the long-term average (16.5 times). A-REITs were trading on a prospective dividend yield of 4.81% and Global REITs on 3.90%. Global Listed Infrastructure was priced at 11.4 times EV/EBITDA (long term average 9.9 times) and offering a 4.35% dividend yield.

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Fund Commentary

The Diversified Property Fund advanced 13.42% in gross terms (12.95% after fees) in the March quarter, while gaining a very healthy 22.63% (20.56% after fees) over the past 12-months. This compares with the Fund's composite benchmark (BM) which rose 13.32% over the quarter and 21.72% over the year. Asset allocation for the quarter was neutral. Manager selection added to 'active' returns. The Fund paid a 0.26 cent per unit (CPU) quarterly distribution to investors.

Core 'passive' portfolio holdings, the Vanguard Australian Property Securities Index Fund and the Vanguard International Property Securities Index Fund, both delivered solid returns of 14.3% and 13.3% in the quarter.

The Resolution Capital Global Property Securities Unhedged $A Series II Fund recorded an impressive 14.6% return (after fees) over the quarter, outperforming both the composite BM (+1.31%) and its own underlying BM (by 1.07%). Over 12-months the fund is up 21.5%. Pro-growth positioning, principally via overweight exposures to office real estate (Boston Properties, Dexus and Kilroy Realty), industrials (Prologis) and data centres and towers (American Tower, Interxion) underwrote returns. Sun Hung Kai Properties and Mitsubishi Estate also made solid contributions as risks of a trade war moderated.

The Magellan Infrastructure Fund posted a 12.9% return (after fees) in the quarter and 15.8% over the 12-months (2.8% higher than its underlying BM). Communications infrastructure plays, Crown Castle and American Tower were notable contributors, as were rail exposures, Union Pacific and Canadian Pacific Railway, toll road developer/operator Atlas Arteria and airport operator Aena. Traffic statistics on all these assets are leveraged to economic growth. The Fund's cash position (~7% of the Fund) detracted from returns in the quarter.

Despite it being a long market cycle, operating fundamentals for 'real assets' remain OK. They continue to provide a dividend yield premium to bonds (150-241 basis points), their balance sheets look historically conservative (total debt/enterprise value 32%-44%), their discount to private market values continues to drive merger and acquisition activity and their fair valuations are being assessed using a higher risk free rate (~4.0%), than the current 10-year bond yield (2.41%). We believe these factors ought to partially cushion the sector's sensitivity to future interest rate increases should inflation re-emerge in the next few years.

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We understand that as an investor, having control of your money is important, which is why at Tasmanian Perpetual Trustees we're enhancing our services.

To help us stay in touch and keep you up to date on the new services when they become available, we need to ensure your contact details are correct. If you are unsure whether we have your most up to date mobile number and email address please contact us.

How can I update my contact details?

- Call us on **1300 138 044**; or
- Complete the form www.tasmanianperpetual.com.au/change and mail it to:
  Tasmanian Perpetual Trustees, GPO Box 227, Hobart TAS 7001; or email info@tptl.com.au
- Visit your nearest Tasmanian Perpetual Trustees office and we can help. To find your nearest office visit www.tasmanianperpetual.com.au

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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