TPT International Share Fund

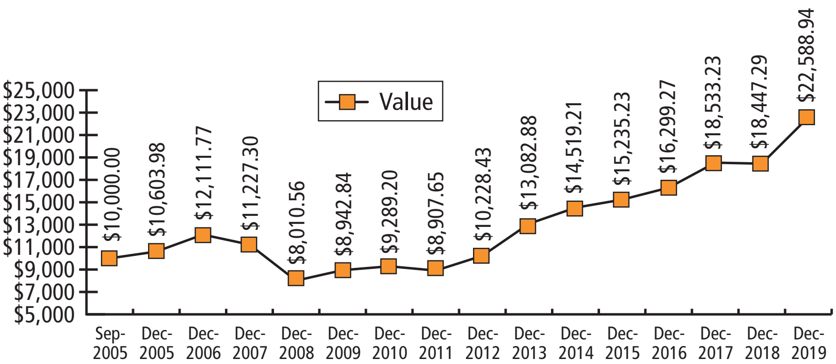
Performance

The TPT International Share Fund provided investors with a total return of 7.53% for the six months ended 31 December 2019.

Rate of return for the period	Performance (Net of Fees)	Benchmark (Composite Index)
3 Months	4.27%	4.86%
6 Months	7.53%	8.64%
1 Year	22.45%	26.36%
3 Years	11.49% p.a.	13.76% p.a.
5 Years	9.24% p.a.	11.64% 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.

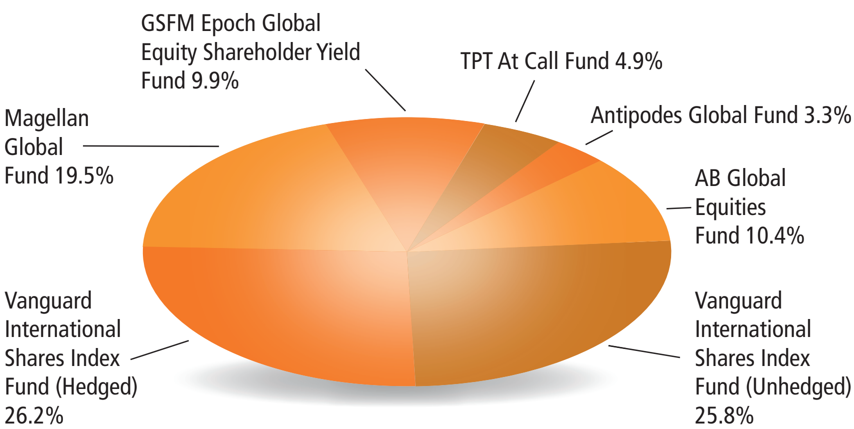
The value of $10,000 invested from inception to 31 December 2019 would have been:



Fund Investment Strategy

The Fund invests in the Magellan Global Fund; the Antipodes Global Fund; the AB Global Equities Fund; the Vanguard International Shares Fund (Unhedged); the Vanguard International Shares Index Fund (Hedged); the GSFM Epoch Global Equity Shareholder Yield Fund; and the TPT At Call Fund.

As at 31 December 2019 the asset allocation of the TPT International Share Fund was:



Market Commentary

Global shares (as measured by the MSCI World Index excluding Australia, unhedged) posted a total return of 9.1% over the 6-months to 31 December 2019 and an impressive 26.8% for the calendar year. In AUD currency terms, the Nasdaq (+13.7%) led returns over the half, with the Nikkei 225 Index (+10.3%) and S&P500 Index (+9.7%) in hot pursuit. In contrast, the Hang Seng Index (+0.5%) was restrained by widespread protests in Hong Kong and the UK Footsie (+5.8%) by the ongoing Brexit saga. Ten out of eleven industry sectors recorded positive returns in the half with Information Technology (+16.0%), and Healthcare (+11.6%) outperforming the broader market. The Energy sector (-2.8%) lagged due to global oil demand concerns. The dispersion between pro-cyclical factors (Growth, Size, and Value) and defensive factors (Low Volatility, Quality, High Yield) narrowed considerably in the period.

The de-escalation of two global macro uncertainties and evidence global monetary easing is getting some traction, with purchasing managers indices (PMIs) increasing over the past few months, supported equity returns in the half. Central Bank actions and guidance that low interest rates will hold sway for an extended period of time underwrote annual returns. All in all share investors were less concerned about the potential impact to earnings from slowing economic growth.

Late in the period, the US and China agreed in principle to an initial 'Phase 1' trade deal, which removed the risk of additional tariffs slated for December 15 and reduced the third tariff round from 15% to 7.5%. China also agreed to buy 'substantial' additional US products. A hard 'Brexit' was also avoided with the emphatic Tory win in the UK election (mid-December), providing PM Johnson the mandate to leave the EU by January 31 and then enter into negotiations for a free trade deal, which needs to be completed within 11 months. Both outcomes were rightly perceived as positive and likely to take some pressure off the global economy.

Recent economic data releases indicate the US economy is holding up better than predicted. Private sector payrolls in November were running at their fastest pace since January. Annualised Q3 GDP growth came in at 2.1% and US manufacturing and services activity over November/December expanded stronger than expected. The housing sector also showed signs of recovery. In the Eurozone business conditions PMIs were flat in December but above their lows. The German IFO Business Climate Index rose adding to confidence that growth maybe improving. In Asia, Japan's composite business conditions PMI were flat in December but up on from their sales tax hike related low in October. Chinese economic data for November was generally higher than anticipated, with an acceleration in industrial production and retail sales growth.

Central banks were fairly active in the December half. In order to sustain the record long US expansion and take-out some insurance against the negative impacts from the US-China trade war, the FOMC lowered its benchmark funds three times (total 75 basis points) to a range of 1.50%-1.75%. At its October meeting, it however indicated moves to ease policy were nearing a pause. The ECB announced a broad stimulus package that incorporated further rate cuts and a new open-ended €20B a month quantitative easing program. In Asia, there was more Chinese policy stimulus and the Hong Kong government withdrew its extradition bill, which had ignited mass protests and adversely impacted this financial and business hub. The Bank of England and Bank of Japan held rates steady in the period.

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

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On the corporate front, US September quarter earnings results were better than feared, coming in at -0.3% year-on-year versus expectations of a 3% decline. A similar outcome is forecast for Q419. STOXX 600 earnings saw a pick-up in revenues but margins contracted to result in a 4.3% decline in earnings. Q419 are forecast to rise 2.5% YoY.

At period close, global shares (using the MSCI World ex Australia index) were trading on a prospective PE of 17.2 (compared with their LT-average of 15.0 times) and a dividend yield of 2.35%. Utilising equity risk premium and bond earnings yield measures, global equities remain within their assessed 'fair value' range relative to bonds.

Fund Commentary

The TPT International Share Fund rose **8.46%** in gross terms (7.53% after fees) in the December half and recorded a gain of 24.59% (22.45% after fees) over the year. This compares with its benchmark (BM) return of 8.64% for the half and 26.36% for the past 12-months.

The Fund's asset allocation contributed positively to fund returns in the half. The Fund carried a modest underweighting to Cash over most of the period. Manager selection was mixed.

The TPT International Share Fund did not pay a distribution in the half, due to the change in external managers (AB Global pays distributions on an annual basis at 30-June each year) and the fact Vanguard International shares Index Fund (Hedged) did not distribute in the period. For CY2019 the TPT International Share Fund paid 4.78 cents per unit.

The primary contributors to relative performance over the half was new manager, **AB Global Equities Fund** and **Magellan Global Fund**. Over the 12-months, **Magellan Global Fund** continued to deliver positive alpha (excess returns relative to BM).

New manager **AB Global** was added to the TPT International Share Fund in early July 2019 (replacing former underlying manager, Plato Global Share Income Fund) and has immediately aided overall returns. The highly experienced and stable investment team, employ a 'core' investment style approach, with factor exposures cleverly balanced, so the portfolio can be suitable for all seasons. For the 6 months to 31st December AB Global has delivered a return of 8.7%. Largest contributors to its return since initiation have been Alphabet, Taiwan Semiconductors, KDDI Corporation (Japanese telco), Intel Corp and Julius Baer Group (Swiss Bank).

The **Magellan Global Fund** also achieved a decent return over the 2H2019 (+8.2%) and a very solid 28.1% for the full year (excess return +1.8%). The fund continued to reduce its Cash allocation (now 6%) and made some notable new investments, in particular into Alibaba Group Holdings, Louis Vuitton SE and AB InBev. The primary contributors to 6-month returns were Apple Alphabet, Alibaba Group Holdings, Microsoft and Mastercard.

Despite a largely 'risk-on' market environment, the **Epoch Global Equity Shareholder Yield Fund** reported healthy absolute returns in the period (+7.5% for the half; +20.5% for CY2019). The managers overweighting to Utilities and Energy stocks and underweighting to Information Technology, were the main detractors to relative performance. Epoch remains an important portfolio diversifier and is the chief contributor to the Fund's income return. Note we further reduced our exposure to the **Antipodes Global Fund** in the period.

Looking ahead, global shares are likely to continue to be supported by low interest rates and accommodative monetary policy in CY2020. Returns though maybe more constrained than the double-digit gains of 2019, given higher share valuations and the possibility of sub-par economic growth. Overall, the TPT International 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.

If our service to you as an investor does not meet your expectations, we want to know. You can call our Client Relations team on 1300 138 044 (9.00am to 5.00pm Monday to Friday) or email us at investments@tptwealth.com.au. If you are dissatisfied with the response, you may raise the matter directly with the Australian Financial Complaints Authority (AFCA), GPO Box 3, Melbourne VIC 3001 (Tel 1800 931 678). ASIC also has a free call info line on 1300 300 630.

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