TPT Australian Share Fund

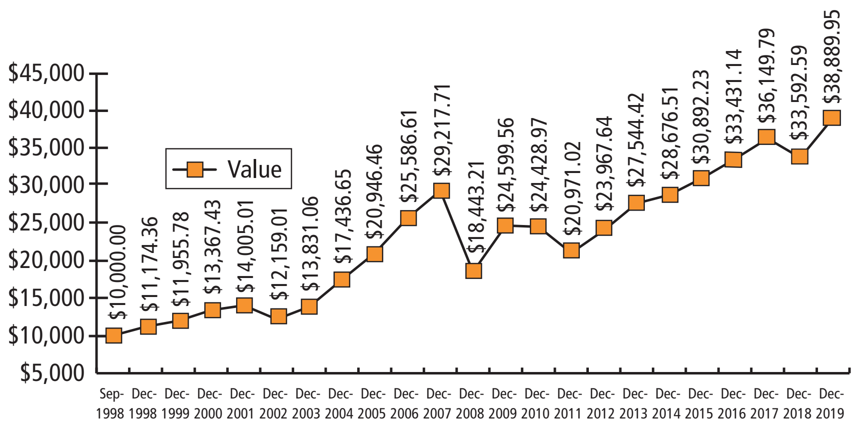
Performance

The TPT Australian Share Fund provided investors with a total return of -1.00% for the quarter ended 31 December 2019.

Rate of return for the period	Performance (Net of Fees)	Benchmark (Composite Index)
3 Months	-1.00%	-1.17%
6 Months	-0.01%	-0.15%
1 Year	15.77%	19.91%
3 Years	5.17% p.a.	5.97% p.a.
5 Years	6.28% p.a.	6.46% 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.

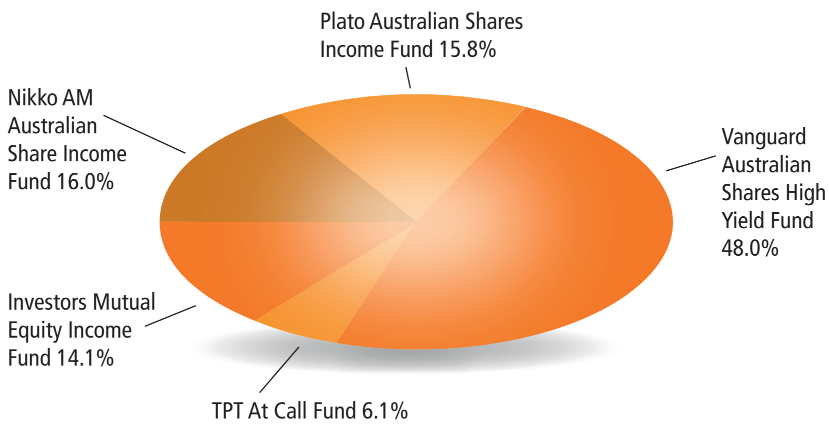
The value of $10,000 invested from inception to 31 December 2019 would have been:



Fund Investment Strategy

The Fund invests in the 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 TPT At Call Fund.

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



Market Commentary

Australian shares posted a total return of 0.7% in the December quarter and an impressive 23.4% for calendar year 2019 (their best performance since 2009). Six of eleven industry sectors rose over Q4, with Healthcare (+13.6%), Energy (+6.1%) and Materials (+4.5%) the best performers. Market heavyweight CSL helped propel the Healthcare sector, re-affirming its FY20 profit guidance at 10-14%. Disappointing full-year results and new AUSTRAC money laundering allegations hit the Financials (-6.3%), while earnings downgrades also hampered the Consumer Staples (-2.5%). Over the full year, Healthcare (+45%), IT (+37%) and Consumer Discretionary (+33%) led the charge. On a factors basis, Quality and Growth stocks outperformed.

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 quarter. Surging global markets, three rate cuts from the Reserve Bank of Australia 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 in Australia.

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 December/November 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 quieter in the December quarter. The FOMC lowered its benchmark funds rate by 25 bps to a range of 1.50%-1.75% in October, but indicated moves to ease policy were nearing a pause. The PBOC also undertook additional monetary easing.

At home, economic conditions deteriorated in the quarter and the RBA cut official interest rates (by 25 bps) for the third time in 2019 to an historic low of 0.75%. Australian Q3 GDP surprised to the downside, rising just 0.4%, 1.7% year-on-year, principally because of weak household consumption. Employment rebounded in November after October's surprise slump, though monthly trend and leading indicators point to slower jobs growth ahead. Business and consumer confidence readings remain weak. Private sector credit growth also slowed further in November (+2.5% YoY, lowest rate since 2010). Bright spots for the domestic economy remain spending on infrastructure, the upswing in house prices (Melbourne, Sydney +5.3% YoY) and a brighter outlook for the resources sector.

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

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TPT Australian Share Fund

On the corporate front, ANZ, NAB and Westpac posted their FY2019 results in the quarter. Aggregate cash profits were squeezed (-7.8%) due to net interest margin contraction, subdued housing credit growth, changes to regulatory capital requirements and higher remediation-related costs. Pleasingly, funding costs remained accommodative, underlying operating costs were well managed and asset quality remained generally sound. Dividend payout ratios ranged between 73%-92% of earnings.

At the close of the quarter the Australian bourse was trading on a prospective PE of 18.1 times (compared with its long-term average of 14.9 times) and a prospective gross dividend yield of 4.0%. Aggregate S&P/ASX200 earnings estimates currently suggest 5.3% growth in calendar year (CY) 2020 and 3.4% growth in CY2021. In the context of a low interest rate environment, Australian shares equity and dividend yields relative to local bonds (yielding 1.37%) remain attractive.

Fund Commentary

The TPT Australian Share Fund reported a **-0.56%** gross return (-1.00% after fees) in the December quarter, while posting a **17.83%** gross return (15.77% net return) over 12-months. These outcomes compare with those of the Fund's composite benchmark of -1.17% for the quarter and 19.91% for the year. Note 'high-yielding' strategies underperformed the broader market over the quarter and past 12-months, held back by weakness in the Financials sector and their generally more limited exposure to Resources and Healthcare.

Manager selection was favourable in the period, as was our asset allocation.

Over the December quarter, our underlying 'active' managers all outperformed the benchmark. **Plato Australian Share Income** was aided by its large holdings in BHP, Fortescue Metals and CSL, generating an excess return of +1.3% (before franking credits). **IML Equity Income** (+1.0% excess return) benefitted from strong rallies in Virgin Money UK (Brexit resolution), Amcor, Brambles and Caltex (takeover bid received). While for the **Nikko AM Australian Share Income Fund** (excess return +0.8%) the biggest contributors were Virgin Money UK, Bluescope Steel (improving US steel prices) and IOOF (APRA approved ANZ Wealth transaction). The manager's holdings in Westpac, NAB and ANZ were the main performance detractors.

The laggard in the period was the **Vanguard Australian Share High Yield Fund**. While matching the funds benchmark return, its high exposure to the Banking sector saw it underperform our 'active' manager exposures. Note we currently carry an underweight exposure to the Vanguard Australian Share High Yield Fund, due to our concerns over the outlook for bank profits.

The Fund paid a quarterly distribution of **0.88** cents per unit (CPU), which takes the rolling 12-month distribution to 31st December 2019 to **4.45** CPU.

Looking ahead, Australian 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 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.

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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