TPT Long Term Fund

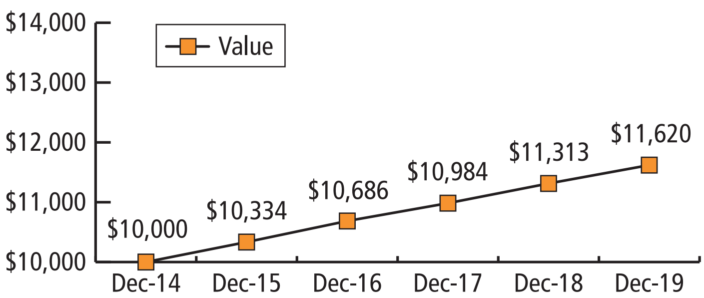
Fund Performance

The TPT Long Term Fund provided investors with an average interest rate of 2.24% per annum for the quarter ended 31 December 2019.

Rate of return for the period	Assuming Re-investment of Income	Without Re-investment of Income
3 Months	2.24% pa	2.24% pa
6 Months	2.40% pa	2.38% pa
1 Year	2.71% pa	2.68% pa
3 Years	2.84% pa	2.80% pa
5 Years	3.06% pa	3.01% 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 31 December 2014 to 31 December 2019 would have been;

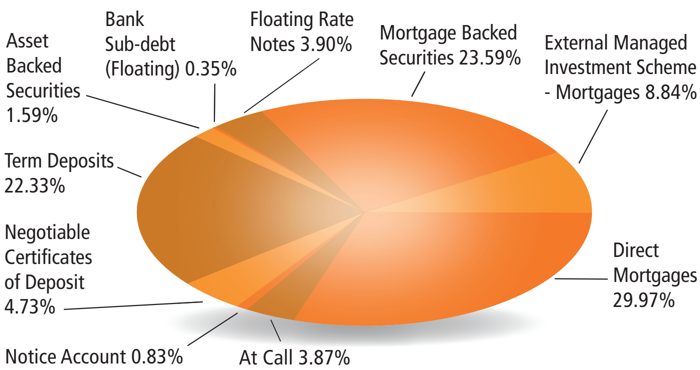


Fund Size

Total unaudited funds under management as at 31 December 2019 were $287.46 million.

Fund Investment Strategy

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



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

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Fund Commentary

The Reserve Bank of Australia (RBA) lowered official interest rates by 25 basis points (bps) to a record low of 0.75% in early October, backing up interest rate cuts in June and July. It has remained on hold since, as it monitors the long and variable lags in the transmission of monetary policy. Governor Lowe's communications indicate a preparedness to ease conventional monetary policy further if needed to support sustainable economic growth, full employment and the achievement of its inflation target. It appears reasonable to expect that low interest rates will hold sway in Australia for an extended period of time.

Notwithstanding low official cash rates, the TPT 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

There were a number of key developments in the December quarter which supported a 'risk on' tone and caused money and bond markets to (largely) fall, rates rise and yield curve steepen.

Firstly there was the de-escalation of two global macro uncertainties. 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 need to be completed within 11 months. Both outcomes were rightly perceived as positive and likely to take some pressure off the international economy.

Secondly, global business conditions (purchasing manager indices) increased over the last few months, evidence that global monetary easing is getting some traction. Recent 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%. US manufacturing and services activity over December/November expanded stronger than expected and the housing sector showed signs of recovery, with solid rises in starts and existing home sales (boosted by falling mortgage rates). 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. The December quarter Tankan was mixed. 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. In contrast, despite Brexit and UK election uncertainties, the Bank of England maintained the bank rate at 0.75%. Similarly, the Bank of Japan (-0.1% short-term rate target) and the ECB sat on the sidelines.

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. This is despite the mid-year rate cuts and the Government's tax cuts. 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.

Given the Federal Government's lack of desire for further fiscal stimulus and its intent to deliver surpluses, it would appear that if required, monetary policy will be left to do the heavy-lifting in terms of economic support. While, Governor Lowe's communications suggest February is a 'live' meeting, the outcome remains highly data dependent. With only 50 bps room to the downside (with the 'effective lower bound' for the cash rate in Australia anticipated to be 0.25%), the RBA is likely to take a more patient approach to further rate reductions in 2020.

At the close of the December quarter, money market yields were up slightly, indicating market participants think we may have already seen most of the likely interest rate cuts worldwide and that additional moves could be further away. The Australian 3-month BBSW rate finished the quarter at 0.920% (-2.5 bps), while the US 90-day Treasury Bill closed at 0.922% (-2.3 bps). Bond yields rose more sharply over the period, causing yield curves to steepen, as concerns over global growth dissipated. The Australian government 10-year bond closed at 1.37% (+35 bps), well above its mid-August nadir of 0.876%, when fears of an imminent US recession were at an extreme, (punctuated by the very shallow and very brief inversion of the US 2-10 Year yield curve). Domestic credit spreads tightened in the quarter. The Australian dollar closed the quarter at $0.7021.

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