

Investment Objective

The aim of the **VIP Australian Shares Leaders Portfolio** is to provide investors with investment income and capital growth in excess of the S&P/ASX 100 Index over the long term from investment in a portfolio of large capitalisation (cap) Australian shares.

The portfolio invests in 15 to 30 Australian shares within the S&P/ASX 100 index that have been selected via a Quantitative and Qualitative screening process. This process aims to short list companies that are transparent and easy to understand, run by good management, priced below their valuation, &, display attractive growth prospects.

Performance Review

The VIP Australian Share Leaders portfolio generated a 2.53% return pre-fees in April, and a 5.53% return pre-fees for the 3 months to 30/04/2013.

Over these periods the S&P/ASX 100 index generated 5.08% and 8.62% respectively.

Over the last year the portfolio has generated a 18.24% gain.

The post-fees returns for the *Investment* and *Superannuation & Pension* portfolios are shown in the table below.

Investment Growth

Time Period: 30/06/2011 to 30/04/2013



—VIP Australian Share Leaders

Trailing Returns

As of Date: 04/30/2013

	1 Month	3 Month	6 Month	1 Year	Since Inception
VIP Australian Share Leaders	2.53	5.53	16.20	18.24	10.49
VIP Aust Share Leaders Investment	2.42	5.19	15.43	16.65	9.01
VIP Aust Share Leaders Super-Pension	2.47	5.33	15.74	17.29	9.61
S&P/ASX 100 TR	5.08	8.62	18.67	25.96	10.25

Performance Contributors & Detractors

During April the **Top 3 Contributors** were ANZ Bank +11.60%, Westpac Bank +9.88%, and Wesfarmers +7.89%.

Whereas the **Top 3 Detractors** were Sonic Healthcare Limited -4.81%, Iluka Resources -4.28%, and Leighton Holdings -2.68%.

**Month in Review - Economic & Market Commentary**

The attention of investment markets in April and into May has been placed firmly on the world's 3rd largest economy, Japan, and program of Quantitative Easing (also known as printing money) targeted towards stimulating the Japanese economy and taking them off the deflationary carousel they have been on for some time.

Japan has been in a deflationary environment where prices go down due to lower priced imports from trading partners such as China, and a high household savings ratios over the years where Japanese consumers spend less of their incomes than European or US consumers – low spending and demand leads to lower prices. To stop this deflationary environment Prime Minister Shinzo Abe and the Bank of Japan (BoJ) have embarked on a Quantitative Easing exercise aimed at boosting the Japanese economy and bringing about inflation of 2% over the next 2 years.

In doing so the BoJ is expanding its balance sheet to 270 trillion yen... that's \$2.66 trillion AUD. In comparison the Australian debt ceiling is currently \$0.3 trillion AUD, which we are forecast to reach by December 2014 based on the Gillard Governments projected deficits.

Many commentators have warned that this move will cause Japan to default due to its debt, which will have much larger ramifications for global investment markets than the fears of a Greek default; and early signs of trouble were evident this month as the BoJ announced that the monthly bond purchases would be increased to 7.6 trillion yen (or \$76 billion USD) causing a significant sell off of Japanese Government bonds.

However, with this negative prospect of a potential Japanese default some time during this 2 year Quantitative Easing program comes the positive prospect of the effect of this additional money supply on commodity prices.

Additional stimulus money is planned to eventually be spent or invested thereby stimulating the economy. Investments made in infrastructure will increase the demand for the raw commodities that feed into these projects, which subsequently increase these commodities prices. Remember high demand = high price. And this should have a positive effect on Australian mining companies whose values are linked to commodity prices.

Similarly if this program, known as *Abenomics* after Prime Minister Abe, works and starts to kick start the Japanese economy then the positive effect of a growing Japan will be felt in other economies.

So as it stands the two possible outcomes are completely at odds with each other... financial default on the one hand, or financial prosperity on the other. Our job is to closely monitor these developments and structure the portfolios accordingly.

Portfolio Holdings & Adjustments**VIP Australian Share Leaders - Holdings**

Portfolio Date: 30/04/2013

	Ticker	S&P Sector	Portfolio Weighting %	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 1 Yr (Mo-End)	Dividend Yield % TTM
Australia and New Zealand Banking Group Limited	ANZ	Financials	7.40	-11.21	-1.57	39.04	5.55
Bendigo And Adelaide Bank Ltd.	BEN	Financials	7.38	-10.67	-0.50	43.76	6.13
Westpac Banking Corp	WBC	Financials	7.36	-13.02	-4.45	49.04	6.13
RBA Bank accepted Bills 90 Days			7.06	0.24	0.74	3.21	
Wesfarmers Ltd	WES	Consumer Staples	7.06	-9.52	-4.36	40.27	4.50
AGL Energy Limited	AGK	Utilities	7.00	-9.26	-7.78	-1.12	4.41
Woodside Petroleum Limited	WPL	Energy	6.81	-4.18	-2.39	17.70	3.55
Sonic Healthcare Limited	SHL	Health Care	6.62	7.32	5.96	17.01	0.31
Lend Lease Corporation Limited	LLC	Financials	6.60	-7.05	-5.53	39.17	2.32
Santos Ltd	STO	Energy	6.57	5.91	-1.34	11.59	2.37
UGL Ltd	UGL	Industrials	6.04	-29.32	-28.58	-36.66	8.03
BHP Billiton Ltd	BHP	Materials	5.86	6.67	-4.37	12.61	3.45
Leighton Holdings Limited	LEI	Industrials	5.69	-12.01	-24.73	1.37	2.13
Rio Tinto Ltd	RIO	Materials	5.58	-1.11	-16.34	-0.14	3.04
Fairfax Media Ltd.	FXJ	Consumer Discretionary	4.05	-4.62	7.83	-3.76	4.00
Iluka Resources Limited	ILU	Materials	2.94	25.59	7.79	-13.51	3.59
Origin Energy Limited	ORG	Energy	0.00	9.33	10.68	8.46	3.93
Seek Limited	SEK	Industrials	0.00	-8.59	2.18	51.97	2.14



Portfolio Adjustments

The *VIP Investment Committee* did not make any changes to the portfolio in April.

Sector Exposure

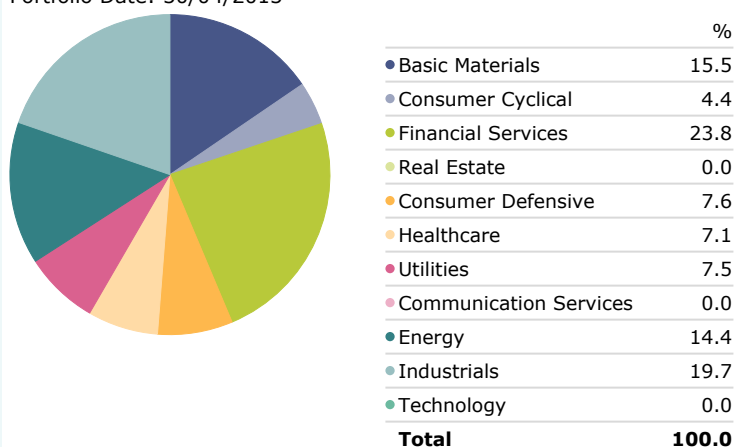
The portfolio's largest sector exposure is to Financial Services followed by Industrials, Materials, and Energy.

The *VIP Investment Committee* has positioned the portfolio to generate strong income yields in this current allocation via defensive blue-chip companies.

A complete Equity Sector chart is included on the right.

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 30/04/2013



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