

### Investment Objective

The aim of the **VIP Property Securities Portfolio** is to provide investors with tax advantaged income and long term capital growth from investment in an actively managed, concentrated portfolio of property and property related companies and trusts listed on the ASX.

The portfolio invests in 4 to 10 Australian Real Estate Investment trusts (A-REITs) listed on the S&P/ASX 200 A-REIT Accumulation 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

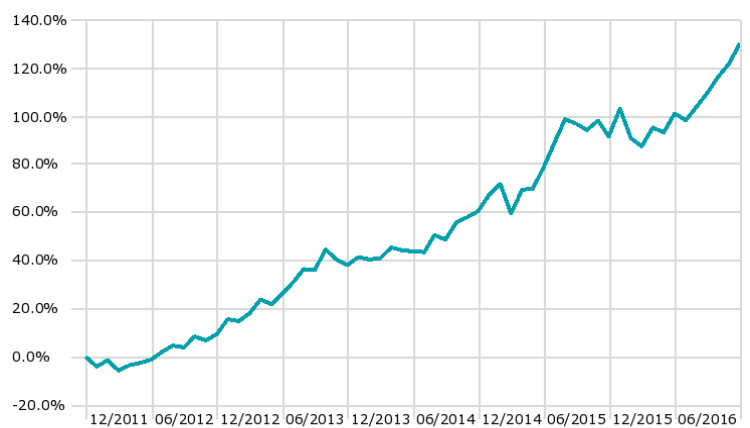
The VIP Property Securities portfolio generated a 3.79% return for the month and 9.87% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.25%, and over the quarter by 0.62%.

Over the last year the portfolio has generated a 20.24% return and underperformed the index by 4.33%.

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

### Investment Growth

Time Period: 1/07/2011 to 30/06/2016



—VIP Property Securities

### Trailing Returns

As of Date: 30/06/2016

|                                       | 1 Month | 3 Month | 6 Month | 1 Year | 2 Years | 3 Years | 4 Years | Since Inception |
|---------------------------------------|---------|---------|---------|--------|---------|---------|---------|-----------------|
| VIP Property Securities               | 3.79    | 9.87    | 14.53   | 20.24  | 19.80   | 18.60   | 20.49   | 18.16           |
| VIP Property Securities Investment    | 3.67    | 9.50    | 13.76   | 18.63  | 18.19   | 17.01   | 18.87   | 16.56           |
| VIP Property Securities Super-Pension | 3.72    | 9.65    | 14.07   | 19.28  | 18.84   | 17.66   | 19.53   | 17.20           |
| S&P/ASX 200 A-REIT TR                 | 3.54    | 9.25    | 16.28   | 24.57  | 22.38   | 18.49   | 19.90   | 11.05           |

### Portfolio Holdings

#### VIP Property Securities - Holdings

Portfolio Date: 30/06/2016

|                                       | Portfolio Weighting % | Total Ret 1 Mo (Mo-End) | Total Ret 3 Mo (Mo-End) | Total Ret 6 Mo (Mo-End) | Total Ret 1 Yr (Mo-End) | Dividend Yield % TTM |
|---------------------------------------|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|----------------------|
| SPDR® S&P/ASX 200 Listed Property ETF | 44.70                 | 3.48                    | 9.12                    | 15.99                   | 24.08                   |                      |
| BWP Trust                             | 15.71                 | 2.87                    | 8.89                    | 17.85                   | 24.41                   | 4.49                 |
| Stockland Corp Ltd                    | 15.09                 | 6.69                    | 13.19                   | 17.88                   | 20.85                   | 5.00                 |
| Goodman Group                         | 14.80                 | 1.70                    | 8.41                    | 15.33                   | 17.22                   | 3.32                 |
| Scentre Group                         | 9.69                  | 5.58                    | 10.81                   | 19.92                   | 36.77                   | 3.98                 |

### Theresa May

The past month for Britain has been a whirlwind of events. Since the shock victory for the Brexiters and the chaos that ensued, including a dark day on global markets and the resignation of David Cameron, the storm has settled somewhat with Theresa May landing firmly on her feet at the threshold of 10 Downing Street as the next Prime Minister of the United Kingdom. May was revealed as Cameron's successor with her main rivals stepping aside and conceding, putting an end to a short-lived election campaign originally planned to last 9 weeks. Britain's new Prime Minister as of Wednesday the 13<sup>th</sup> now steps into the conundrum that is the orchestration of Britain's divorce from the European Union with the objective of fully realising the potential Brexit presents.

Theresa May, 59, was previously the Home Secretary in the Conservative government from 2010 until her ascension to Prime Minister following the stepping down of David Cameron, who served as Prime Minister from 2010. Despite having been an advocate for a 'Stay' vote, May has since embraced the reality of the situation and laid to rest concerns from 'Leave' supporters that she may try and reverse the decision, stating that 'Brexit means Brexit.'

Given that Britain was expected to essentially exist without a Prime Minister for the duration of the election campaign, the decision by competitors such as Boris Johnson and Andrea Leadsom to pull out of the race has come as a pleasant surprise for a British community that has been wallowing in uncertainty since the leave vote emerged victorious by a 52-48 margin. May, who has been labelled as a 'bloody difficult woman' by senior conservative Kenneth Clarke, holds this description in good stead for the difficult job ahead, and as a result has brought relative calm to the stock markets, who are now able to grasp a sense of where Britain is heading.

Although it is acknowledged that her views on the economy are 'scarcely known' (a fair appraisal given that the short race to office didn't allow her to make her detailed views apparent), Britain's 81<sup>st</sup> Prime Minister has made it clear she understands that "Leave supporters were not just voting against Europe but were delivering a cry of frustration about a range of problems afflicting British society." Logically, her vision for Britain will therefore attempt to eradicate these problems. During her short campaign, she has confronted the issues of a widening wage gap, and asked for more transparency in the bosses pay compared to their workers as well as a higher level of job security for these workers. Furthermore, May wants to "bridge the gap between the elderly and the young, the north and the south, those excluded from the benefits of globalisation and the beneficiaries." Clearly, Theresa's theme is one of equality, transparency, and a 'power to the people' mentality.

In terms of coordinating the separation from the EU, it is not yet known the specific strategy May will take, and to be fair while writing this she has only officially been in office for a number of hours. It is commonly known that disentangling from the rest of Europe will predominantly involve the discussion of trade deals and immigration agreements, among numerous other points. The challenge in doing so will be to ensure Britain simultaneously makes changes to improve their competitiveness to capitalise on the opportunities Brexit presents. However, the general consensus is that if executed properly, Brexit could mean long term growth for Britain, and ultimately, a return to the jewel of a country so many Brexiters voted for.

Theresa May's reluctance to rush into activating article 50 (the article used to withdraw from the EU), as well as a less contentious relationship with the EU are positive indicators that signal she is the right person for the job. The market certainly thinks so, with the FTSE 100 now higher than it was pre-Brexit. The FTSE 250 has not been so quick to jump as it holds more domestic UK businesses, but regardless was also up 2% when May was announced as next Prime Minister. It is a good start, and it is no doubt Britain and to an extent global markets hope to see this continue.

Source: Financial Times, Bloomberg, The Telegraph

## Portfolio Holdings & Adjustments

### Performance Contributors & Detractors:

The **Top Contributors** were Stockland Corp Ltd +6.69%, Scentre Group +5.58%, and SPDR S&P/ASX 200 Listed Property ETF +3.48%. The **Top Detractors** were Goodman Group +1.70% and BWP Trust +2.87%.

### Property Securities Portfolio Adjustments:

In June the VIP Investment Committee made no adjustments to the portfolio.

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