

### 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 0.91% return for the month **pre-fees** and 0.17% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.84%, and over the quarter by 6.57%.

Over the last year, the portfolio has generated a 13.28% return and outperformed the index by 14.05%.

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

### Investment Growth

Time Period: 1/07/2011 to 31/03/2018



### Trailing Returns

As of Date: 31/03/2018

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception
VIP Property Securities PRE-FEES	0.91	0.17	7.63	13.28	9.68	8.60	14.12	13.15	14.69
Net VIP Property Securities Investment	0.80	-0.16	6.91	11.76	8.21	7.14	12.59	11.64	13.14
Net VIP Property Securities Super-Pension	0.84	-0.03	7.20	12.38	8.81	7.73	13.22	12.25	13.76
S&P/ASX 200 A-REIT TR	0.07	-6.40	0.99	-0.77	2.57	5.39	12.06	10.61	5.61

### Portfolio Holdings

#### VIP Property Securities - Holdings

Portfolio Date: 31/03/2018

	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
Cromwell Property Group	38.56	8.59	7.51	15.88	20.26	7.84
Charter Hall Group	31.25	-2.05	-4.82	10.11	9.94	5.97
Arena REIT	30.19	-4.70	-3.01	-3.30	8.89	5.76

### The National Energy Guarantee Put Simply

With Jay Weatherill no longer the South Australian premier, the Turnbull government is now another step closer to bringing the National Energy Guarantee to fruition. After the signing of the Paris Agreement in 2016, in which world leaders pledged to respond to global climate change through reducing carbon emission, the timing is ripe for Australia to have a national energy strategy to adhere to after a decade of political infighting on energy and climate policy. This comes after last year's Finkel Review, an 'Independent Review into the Future Security of the National Electricity Market' by Dr Alan Finkel, in which he proposed a transition to low emission energy guided by the three pillars of a Clean Energy Target, system planning, and stronger governance.

Essentially, the National Energy Guarantee (NEG) is an obligation for energy retailers to meet a certain level of output from low-emissions sources, falling somewhat short of the Clean Energy Target proposed by Dr Finkel. Nonetheless, the NEG will aim to provide a structure for the country to build our future energy network. It is noted that the NEG will cover all states except Western Australia and the Northern Territory, and is launched by the Turnbull government in response to record high prices in recent times, not to mention rolling blackouts.

In regard to energy, the triad of factors to fulfil are security, reliability, and affordability – as in there is enough energy that is able to get to the people at a reasonable price. The way the NEG will work is by setting national levels for the combination of renewable energy and emission-producing sources. Although the policy at this stage is based on broad concepts with specific details pending discussion, the concept is that retailers will be required to establish a portfolio of contracts across both renewable and non-renewable energy sources. Furthermore, the NEG will require energy consumption to meet a set emissions intensity target for the electricity sector. As it stands, the government has indicated that it will set target of 26% reduction on 2005 levels of consumption by the year 2030.

Like anything in Australian politics, the opinions on the NEG are widely mixed. Given the fact that the proposed policy falls short of the Finkel Review's Clean Energy Target, naturally the NEG is opposed by environmental groups as well as the states of Victoria and South Australia. This is also because the NEG maintains the fact that the foundation of the energy network on the east coast remains dependent on coal-generated power, and does not include carbon trading.

On the other hand, the energy sector has voiced its support for the NEG as it enables the industry to plan for the future based on the guidelines provided in the policy. With guidelines set for emissions reductions, this gives the sector and its shareholders investment certainty as it aids businesses in determining the level of investment needed in low-emission technologies.

As the average citizen, what will matter most is usually the price of electricity. The Energy Security Board has projected that wholesale prices are expected to fall by 20-25% per year between 2020 and 2030. With investment into new technologies now absolutely necessary for retailers, whether this price drop will translate to cheaper electricity for the everyday Australian is not yet known. More will be known as the details of the NEG emerge over the next year – the Energy Security Board plans to release a draft NEG paper over the next month, and if supported by the state governments, could reach final approvals by July or August. Ambitious, but the Turnbull government aims for the NEG to be legislated by the end of the year.

Source: SMH, The Guardian, The Conversation, Australian Financial Review

## Portfolio Holdings & Adjustments

### Performance Contributors & Detractors:

The **Top Contributor** was Cromwell Property Group +8.59%. the **Top Detractors** Arena REIT -4.70%, and Charter Hall Group -2.05%.

### Property Securities Portfolio Adjustments:

In March, the VIP Investment Committee made no changes to the portfolio.

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