VIP Property Securities Portfolio

Monthly Review
May 2018

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.

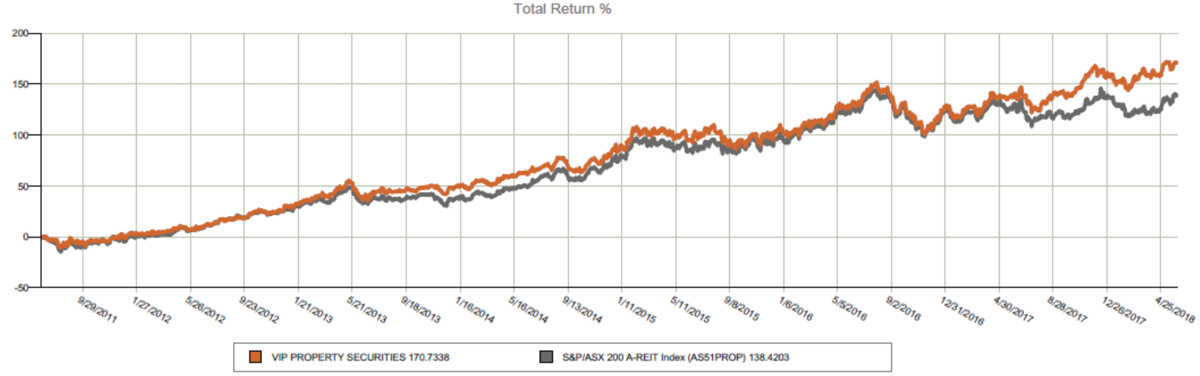
The portfolio invests in 4 to 10 Australian Real Estate Investment trusts (A-REITs) listed on the S&P/ASX 200 A-REIT Accumulation index that have been selected via a Quantitative and Qualitative screening process. This process aims to short list companies that are transparent and easy to understand, run by good management, priced below their valuation, &, display attractive growth prospects.

Performance Review

The VIP Property Securities portfolio generated a 1.94% return for the month **pre-fees** and 5.58% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 0.74%, and over the quarter by 1.76%.

Over the last year, the portfolio has generated a 14.40% return and outperformed the index by 9.51%.

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



Trailing Returns				**31/05/2018**
	1 Month	3 Month	6 Month	1 Year
VIP Property Securities PRE-FEES	1.94	5.58	0.89	14.40
Net VIP Property Securities Investment	1.83	5.24	0.22	13.05
Net VIP Property Securities Super-Pension	1.87	5.38	0.49	13.60
S&P/ASX 200 A-REIT TR	2.68	7.34	0.65	4.89

Contributors & Detractors

The **Top Contributor** was Charter Hall Group +7.97%. The **Top Detractors** were Arena REIT -1.79%, and Cromwell Property Group +0.00%.

Performance - Main View

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP PROPERTY SECURITIES	100.00	1.94	5.58	0.89	14.40	4.81
ARENA REIT	29.30	-1.79	-3.38	-9.88	5.23	-1.67
CHARTER HALL GROUP	33.10	7.97	8.89	3.54	18.03	5.81
CROMWELL PROPERTY GROUP	37.60	0.00	10.62	8.54	24.69	9.53

Month in Review - Economic & Market Commentary

Economic Outlook

May saw the expected correction in markets after a meteoric rise of the all ordinaries in April. With it came strong returns from Challenger, which posted a return of 19.35% for May after being somewhat lacklustre for the last six months. Aristocrat Leisure and CSL also continued their outstanding performances this year, posting returns of 12.71% and 9.09% for the month.

Internationally, the feature of global movements has had predominant focus around the Singapore Summit with President Trump finally meeting with North Korea's Supreme Leader Kim Jong-Un after much hype. While the general consensus among political commentators is that promises and agreements made by the leaders must be taken with a grain of salt, the outcome of the meeting (among other points) essentially reaffirmed the April 27, 2018 Panmunjom Declaration, in which North Korea commits to work towards the complete denuclearization of the Korean Peninsula. It is noted that North Korea has made this promise without action numerous times.

Significantly, Trump's major move was to announce the end of military exercises with South Korea as an assurance to North Korea to provide them with security guarantees. The importance in this point is that this leaves South Korea largely exposed in the event of a North Korean invasion. Without consultation with South Korea or US Forces Korea, it is this decision from Trump that has convinced commentators that North Korea won the summit.

Around the globe, the central banks are tightening their monetary policies, with the US Federal Reserve, the European Central Bank, The Bank of Japan, and the Bank of England predicted to become contractionary in the next few months. In contrast, China is enforcing monetary easing in order to divert an investment bust, which in itself could cause waves via a weaker yuan. Specific to the US, as quoted in the Telegraph (London):

"The unwinding of quantitative easing implies a loss of $US2 trillion ($2.7 trillion) in annual net stimulus by December, compared to peak QE. Nobody knows what the consequences will be as the Fed reverses the process at an accelerating pace, lifting bond sales to $US50 billion a month by early autumn. It is uncharted territory."

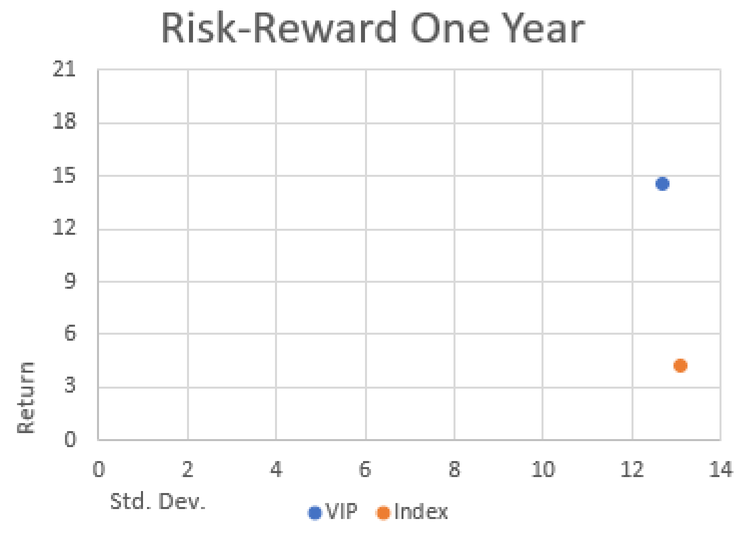
The world has never been so in debt before, and as such has never been more vulnerable to monetary tightening. The property market on Australia's east coast is in itself a great example. According to the Institute of International Finance, world debt reached 318% of GDP for 2017. It is safe to say the world's central banks will play a particularly strong hand in the progression of financial markets in the coming years.

Looking ahead, VIP continues to keep a keen eye on trade talks coming out of the US, which will highly influence the decisions made by the Investment Committee.

Portfolio Adjustments

In May, the Investment Committee made no changes to the portfolio.

Risk vs Return



Sharpe Ratio