

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 0.83% return for the month **pre-fees** and 5.41% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 2.60%, and outperformed over the quarter by 3.55%.

Over the last year, the portfolio has generated a 22.62% return and outperformed the index by 9.77%.

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

Contributors & Detractors

The **Top Contributors** were Arena REIT +4.09%. Charter Hall Group +0.56%, and Cromwell Property Group -1.53%.



Trailing Returns

	30/09/2018					
	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Property Securities PRE-FEES	0.83	5.41	14.08	22.62	23.65	23.74
Net VIP Property Securities Investment	0.76	5.21	13.68	21.82	22.85	22.94
Net VIP Property Securities Super-Pension	0.72	5.07	13.41	21.27	22.30	22.39
S&P/ASX 200 A-REIT TR	-1.77	1.86	11.75	12.85	15.60	19.57

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP PROPERTY SECURITIES	100.00	0.83	5.41	14.08	22.62	14.29
ARENA REIT	29.81	4.09	11.35	12.48	8.68	9.09
CHARTER HALL GROUP	34.97	0.56	9.82	28.05	40.14	21.88
CROMWELL PROPERTY GROUP	35.22	-1.53	-2.85	4.06	20.74	11.88

Economic Outlook

While August posted record highs on the stock market, it showed signs of softening at the back end of the month and this trend spurred into September, with the month starting with a correction before steadily working upwards again. As a result of this, companies such as South32 posted solid returns of +15.27% off a full year profit rise, benefitting from a commodities upswing. Likewise, Seven Group Holdings performed well with +9.65% and Rio Tinto with +8.28% to close out September.

Internationally, the most relevant story is still the ongoing trade war between the world’s superpowers of China and the US. With President Trump hitting China with a tariff on \$200 billion in goods on top of the original \$50 billion taxed in June, the trade war does not show signs of slowing anytime soon, given that the US is on the offensive and China, with the world watching, is determined to save face.

The US economy continues to stay strong as it has done all year, with the lowest unemployment rate since 2000. However, the recent round of tariffs could severely impact their economy as everyday goods may become more expensive given that it is debatable as to whether or not the US has the capacity to produce and replace the goods that were originally from China. Further down the chain, if goods aren’t able to be efficiently sourced, this impacts a business’ profit margins and growth, which in turn affects employment.

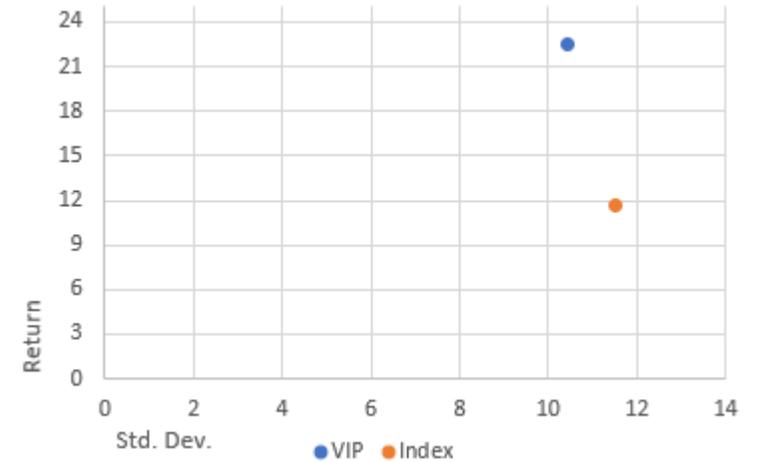
With the US economy powering forward amidst continually murky territory, the Federal Reserve raised rates in order to prevent the American Machine from overheating.

In Australia, the east coast has shown weakness in the property market (as has been predicted for three years now), with confidence in the housing market sinking due to falling house prices and tightening credit. While the RBA maintained a cash rate of 1.5%, the big four banks (excluding NAB) raised rates, essentially doing the RBA’s job.

Portfolio Adjustments

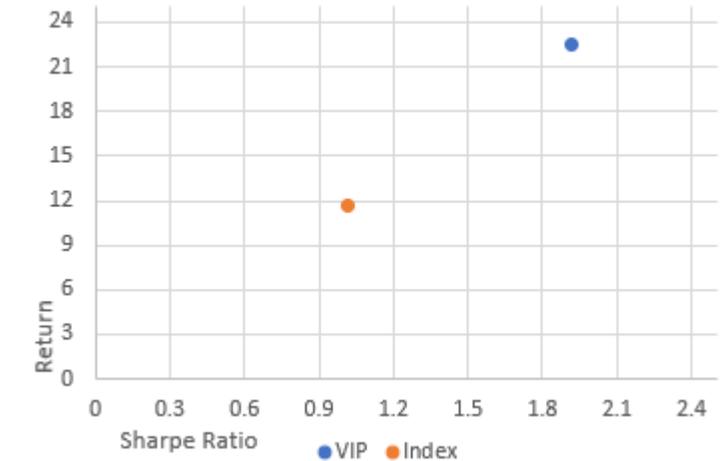
In September, the Investment Committee made no changes to the portfolio.

Risk-Reward One Year



Sharpe Ratio

Risk-Reward One Year



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