

Investment Objective

The **VIP International Portfolio** aims to provide long term capital growth by investing in a diversified portfolio of International assets. The portfolio actively invests in 2 to 5 managed funds, Exchange Traded Funds (ETF's), or Listed Investment Companies (LIC's) that provide diversified exposure to international share markets.

Underlying managers are selected by the VIP Investment Committee by undergoing due diligence into the managers People, Investment Processes, and Investment Performance; and selecting managers that provide investment sector, style, and geographical diversification.

Performance Review

The VIP International Share Portfolio generated a -4.11% return for the month **pre-fees** and 0.15% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index by 1.29% for the month and outperformed by 1.09%.

Over the last year, the portfolio has generated a 6.74% return and underperformed the index by 2.86%.

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

Contributors & Detractors

The **Top Contributors** were Winton Global Alpha -2.32%, Magellan Global -2.66%, and Alliance Bernstein -4.82%. The **Top Detractor** was Loftus Peak -8.00%.



Trailing Returns

	31/10/2018					
	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP International PRE-FEES	-4.11	0.15	2.17	6.74	9.20	16.90
Net VIP International Investment	-4.18	-0.05	1.77	5.94	8.40	16.10
Net VIP International Super-Pension	-4.22	-0.19	1.50	5.39	7.85	15.55
MSCI World Ex Australia NR AUD	-5.40	-0.94	4.30	9.60	12.50	20.46

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP INTERNATIONAL	100.00	-4.11	0.15	2.17	6.74	5.87
BBG AUB Bank Bill	2.10	0.17	0.49	1.01	1.89	1.61
LOFTUS PEAK GLOBAL DISRUPTN	12.88	-8.00	-1.76	7.11	8.18	8.18
PLATINUM INTERNATIONAL FUND	19.90	-5.01	-5.45	-8.42	-4.90	-5.50
WINTON GLOBAL ALPHA FD	20.91	-2.32	-2.32	-2.32	-2.32	-2.32
ALLIANCEBERNSTEIN GLB EQ FD	21.85	-4.82	-2.11	2.87	11.13	8.95
MAGELLAN GLOBAL FD	22.35	-2.66	3.94	12.04	16.38	14.72

Economic Outlook

The backend of September showed promise of continued gains in the stock market for 2018 until October saw devastation with the Australian All Ordinaries falling 6.47% and below the coveted 6000 mark for the first time since April. After months of unease among investors worldwide, the markets finally felt the full accumulative pressures of the trade war, higher interest rates in the US, and fears of slowing growth. The losses were seen globally, with the US' Nasdaq and S&P 500 dropping 9% and 7% respectively for the month, Hong Kong's Hang Seng falling 10%, and China's Shanghai Composite losing 8% for October. In Europe, Italy and France respectively lost 8% and 7% for the month.

Economically speaking, the most relevant event in recent memory was the US Mid-Term elections, held at the beginning of November. While the president is not directly influenced by the election (that is, citizens are not voting him in or out of office), Mid-Terms are widely understood to be a referendum on the president, i.e. how well he has fared in the first half of his presidency. In the House of Representatives, all 435 members were up for re-election, and 35 of the 100 seats in the senate were to be contested. It is noted that pre-elections, both the House and the Senate were held by a Republican majority.

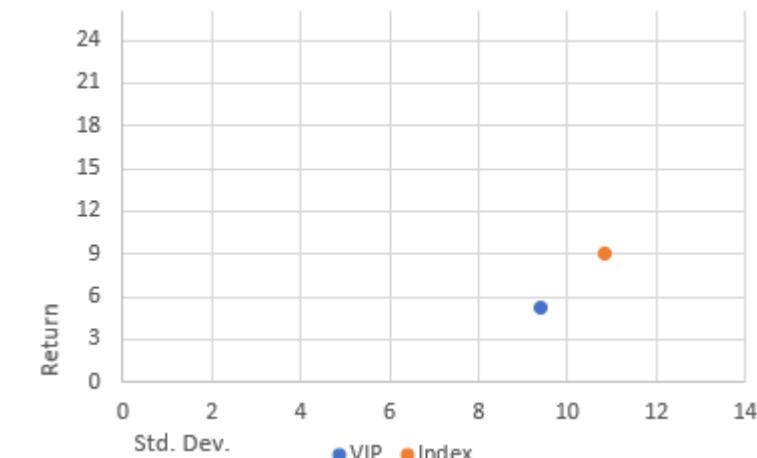
As expected, the Democrats won back the House with a net gain of 34 seats, exceeding the 23 seats needed to win the majority (the party represented by the president has lost an average of 32 seats in the House of Representatives during the Mid-Terms since the US Civil War). In the Senate, 23 seats currently held by Democrats were to be contested compared to the 8 Republican seats – clearly in this scenario, the Democrats had more to lose than to gain, and this was in fact the case.

The major difference as a result of the Mid-Terms is the Democrats ability to launch investigations, subpoena documents, and to block Republican policies they do not agree with. This essentially means the US government comes to a gridlock of sorts compared to pre-election, where the Republican party held both majorities and could pass legislation with relative ease.

While volatility is still to be expected for the rest of the year, the hope is the mid-term election results will spur positivity in the market.

Portfolio Adjustments

In October, the VIP Investment Committee sold the Vanguard US Total Market Share Index ETF and bought the Winton Global Alpha Hedge Fund.

Risk-Reward One Year**International Exposure**