

Investment Objective

The aim of the **VIP Australian Shares Leaders Portfolio** is to provide investors with investment income and capital growth in excess of the S&P/ASX 100 Index over the long term from investment in a portfolio of large capitalisation (cap) Australian shares.

The portfolio invests in 15 to 30 Australian shares within the S&P/ASX 100 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 Australian Share Leaders portfolio generated a 1.54% return for the month and 8.13% over the last 3 months.

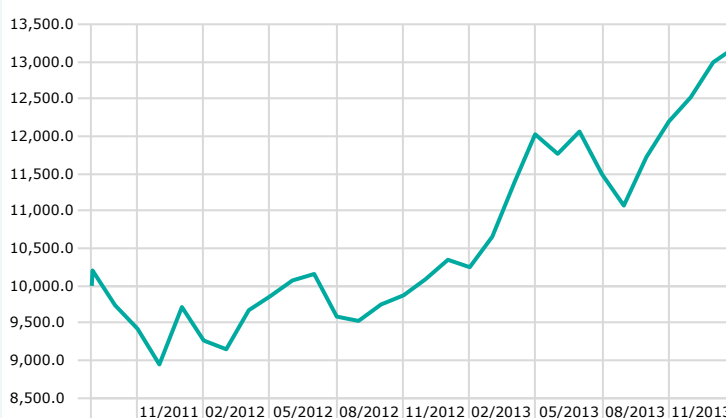
The portfolio outperformed the S&P/ASX 100 index in both periods by 2.58% and 2.91% respectively. This has been due to the lower weighting to the Resources sector compared to the index and the overall defensive allocation of the portfolio.

Over the last year the portfolio has generated a 28.71% return pre-fees.

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

Investment Growth

Time Period: 30/06/2011 to 30/11/2013



—VIP Australian Share Leaders

Trailing Returns

As of Date: 30/11/2013

	1 Month	3 Month	6 Month	1 Year	2 Years	Since Inception
VIP Australian Share Leaders	1.54	8.13	14.77	28.71	19.30	11.21
VIP Aust Share Leaders Investment	1.43	7.77	14.00	26.98	17.70	9.71
VIP Aust Share Leaders Super-Pension	1.48	7.92	14.31	27.68	18.35	10.32
S&P/ASX 100 TR	-1.04	5.22	10.89	24.75	20.16	10.25

Performance Contributors & Detractors

During November all of the sectors of the Australian share market posted negative returns apart from the Financial Services sector.

The worst performing sector was the Energy sector with a -6.30% return for the month followed by the Utilities sector with a -2.84% return. The Financial Services sector was the best performing sector with a +0.19% return for November followed by the Health Care sector with a -0.40% return.

The **Top 3 Contributors** for the month were James Hardie Industries +14.73%, Myer Holdings +14.00%, and Ansell Limited +4.21%.

The **Top 3 Detractors** for the month were Woodside Petroleum -3.66%, Lend Lease -3.07%, and ANZ Bank -3.04%.

Nothing Lasts Forever It Seems...

The US Federal Reserve's (US Fed's) decision to taper their Quantitative Easing (QE or money printing) program has been well telegraphed going into this week's US Fed meeting. However in many ways the real story has been how the market has adjusted to the second take on taper as opposed to the news itself.

If we cast our mind back to June the market response was totally chaotic, shock waves were sent through emerging markets, bond markets and share markets.

Going into April of this year the prevailing view of many was that QE was going to remain a constant for the foreseeable future as US economic data was poor and the market worried about the very real threat of disinflation. This saw market participants significantly increase their exposure to so called risk free assets such as government bonds. The reason was simple, the US Fed had pledged to buy \$40 billion a month every month.

Lower short-term and long-term interest rates encouraged a chase for all kinds of assets, especially those that delivered yield. No doubt the increase in speculation on the back of a premise that rates were low forever troubled the US Fed.

Ultimately the decision was about risk versus return. While in a perfect world the US Fed would have loved to keep stimulating the US economy in order to reach a sustainable level of economic growth, however, the cost (or risk) of continuing the exercise in terms of this market speculation and drive for high yield assets perhaps started to mount quicker than what had been anticipated.

Equally while US Fed Chairman Ben Bernanke clearly feels the exercise has been of benefit, there is no question that it has under-shot in terms of the benefits to the real economy as is evidenced by declining distribution of wealth, lower participation rates and still sticky under-employment.

So by reducing QE, we are muzzling a programme which ultimately underperformed and delivered risks and side-effects that are difficult to quantify. Stated in that context the decision to reduce is almost sensible in some way as the decision to taper now removes what has been an explicit guarantee that rates will be suppressed over the long-term forcing many investors to reconsider asset values and risk in an environment of higher interest rates... *nothing last forever it seems*.

Surprisingly the US Fed's decision was taken particularly well the second time round and as a consequence what was a significant risk in many participants eyes has not materialised. That risk being that the withdrawal of QE has the potential to be disastrous.

This view cannot as yet be refuted, however equally there is no doubt that markets have taken the actual taper in their stride on the back of a six month adjustment period, something that augers well for risk assets in the short term.

Portfolio Holdings & Adjustments

VIP Australian Share Leaders - Holdings

Portfolio Date: 30/11/2013

	Ticker	S&P Sector	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 1 Yr (Mo-End)	Dividend Yield % TTM
James Hardie Industries PLC DR	JHX	Materials	14.73	27.83	42.81	1.79
Lend Lease Corporation Limited	LLC	Financials	-3.07	17.43	32.60	3.28
Myer Holdings Limited	MYR	Consumer Discretionary	14.00	6.55	39.63	6.57
Crown Resorts Ltd	CWN	Consumer Discretionary	0.18	16.97	68.22	2.12
Westpac Banking Corp	WBC	Financials	-1.25	7.87	36.55	5.55
Sonic Healthcare Limited	SHL	Health Care	2.79	7.38	27.74	3.60
Australia and New Zealand Banking Group Limited	ANZ	Financials	-3.04	10.51	37.68	5.27
Twenty-First Century Fox Inc DR	FOX	Consumer Discretionary	0.19	2.32	49.17	0.51
Ansell Limited	ANN	Health Care	4.21	4.58	33.17	1.65
Bendigo And Adelaide Bank Ltd.	BEN	Financials	3.30	11.37	46.91	5.40
Wesfarmers Ltd	WES	Consumer Staples	-1.35	4.25	24.30	4.25
BHP Billiton Ltd	BHP	Materials	-0.72	6.39	12.25	3.30
Ramsay Health Care Limited	RHC	Health Care	-0.15	4.83	48.40	1.69
Telstra Corp Ltd	TLS	Telecommunication Services	-2.32	3.27	23.90	5.48
Woodside Petroleum Limited	WPL	Energy	-3.66	-2.04	17.03	4.07

Source: Morningstar Direct

Portfolio Adjustments

The *VIP Investment Committee* did not make any changes to the portfolio in November.

Sector Exposure

Sector Exposure

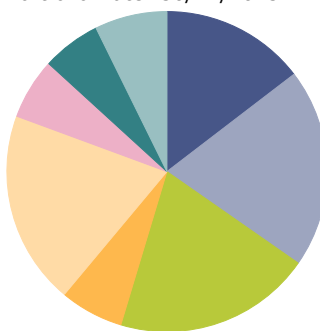
The portfolios largest sector exposure is to the Consumer Discretionary and Financial Services sectors, followed by Healthcare and Materials.

The *VIP Investment Committee* has positioned the portfolio to generate strong income yields in this current allocation while taking positions in sectors that will benefit from global economic growth such as Materials and Energy.

A complete Equity Sector chart is included on the right.

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 30/11/2013



	%
● Basic Materials	14.6
● Consumer Cyclical	20.1
● Financial Services	20.0
● Real Estate	0.0
● Consumer Defensive	6.4
● Healthcare	19.5
● Utilities	0.0
● Communication Services	6.2
● Energy	5.9
● Industrials	7.3
● Technology	0.0
Total	100.0

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