

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 1.20% return for the month and 6.95% over the last 3 months.

The portfolio underperformed the S&P/ASX 100 index in April and over the last 3 months by 0.74% and 0.35% respectively.

Over the last year the portfolio has generated a 15.40% return pre-fees outperforming the ASX100 index by 4.55%.

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 30/04/2014



Trailing Returns

As of Date: 30/04/2014

	1 Month	3 Month	6 Month	1 Year	2 Years	Since Inception
VIP Australian Share Leaders	1.20	6.95	7.16	15.40	17.07	11.58
VIP Aust Share Leaders Investment	1.09	6.60	6.45	13.85	15.50	10.09
VIP Aust Share Leaders Super-Pension	1.13	6.74	6.74	14.48	16.13	10.70
S&P/ASX 100 TR	1.94	7.30	3.69	10.85	18.16	10.28

Performance Contributors & Detractors

During April all of the sectors of the Australian share market posted positive returns apart from the Healthcare sector.

The best performing sector was the Utilities sector with a +4.07% return for the month followed by the Energy and Consumer Staples sectors. The worst performing sectors were led by the Healthcare sector with a -0.66% return for the month followed by the Information Technology, and Consumer Discretionary sectors.

The **Top 3 Contributors** for the month were Lend Lease +9.28%, Woodside Petroleum +4.56%, and ANZ Bank +4.26%.

The **Top 3 Detractors** for the month Ramsay Healthcare -6.90%, James Hardie Industries -4.26%, and Crown Resorts -3.55%.

Month in Review - Economic & Market Commentary

Have you ever been to a restaurant looking for an impressive meal that could arouse your senses and fill your insides with flavour to unfortunately be served a meal that was good... but could have been better? Well this is essentially how the global economies and markets have been performing for the most part of 2014. The technical term for this could be "So-So".

The share markets have been moving in a positive trajectory however this has been in a zig-zag manner. The MSCI World Index has been up 0.9% in local currency terms with the US market (S&P 500) up 1.6%, European shares (FTSEurofirst 300) up 3.4%, and UK markets (FTSE 100) up 1.6%, and the Japanese markets (Nikkei) dragging the index down with a 13.5% loss in the calendar year to date.

Domestically Australian shares (ASX 200) are up 2.4% for the year to date dragged down by poor demand for resources by China seeing the Materials sector decline by 1.6%, and low consumer confidence leading to a 1.4% decline in consumer discretionary spending.

Similarly, Australian property securities have been positive with a strong recent push driving prices up 7.9% with added yields of 1.2% year to date.

As you can see excluding the Australian property securities sector returns have been good, but not great.... or So-So.

Returning to my restaurant analogy, now that the "So-So" entrées and mains have come and gone we sit and hope that dessert will knock our socks off. Unfortunately we're looking at more of the same with leading business indicators not pointing to an overly positive outlook.

In Australia Treasury in its Budget documents indicated that corporate profits will have very little growth, if not flat-line, in the 2014-15 year and are expected to have modest growth in the years to come to 2018. Similarly, from a commercial property perspective NAB's March survey shows that the sector is facing falling rents where landlords are having to offer sweeteners to attract and retain tenants. This outlook for shares and property securities may set a ceiling in share and security prices for the immediate future.

Globally business activity data looks a little more promising with commentators predicting 2.5% global growth, which should support further share prices rises. US data has been positive with manufacturing rebounding from a bad northern hemisphere winter and good jobs data. The UK is also poised for attractive growth as it comes out of a period of austerity and spending cuts. Unfortunately outside of Germany the rest of Europe is still in a no-growth period with the 2nd and 3rd largest EU economies, France and Italy, experiencing zero to negative growth over the last quarter.

And the Japanese money-printing exercise seems to be working in relation to turning around Japan's deflation concerns, but is not translating into the growth outcomes that are expected considering the sheer size of their stimulus program.

This leaves China, the elephant in the room. Although forecasters are predicting a high 7% growth rate for the year there is a significant amount of concern about shocks that can hit the Chinese and global economy from China's financial & banking sector and a slowdown of China's property boom.

Source: Prepared with the help of our research partners Morningstar Australia.

Portfolio Holdings & Adjustments

VIP Australian Share Leaders - Holdings

	Ticker	S&P Sector	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 1 Yr (Qtr-End)	Dividend Yield % TTM
BHP Billiton Ltd	BHP	Materials	3.51	5.00	15.27	3.44
Woodside Petroleum Ltd	WPL	Energy	4.56	12.22	16.41	4.92
Lend Lease Corp Ltd	LLC	Financials	9.28	25.07	20.29	3.12
Australia and New Zealand Banking Group Ltd	ANZ	Financials	4.26	14.40	21.63	5.16
Telstra Corp Ltd	TLS	Telecommunication Services	2.76	4.38	18.96	5.30
Wesfarmers Ltd	WES	Consumer Staples	3.69	3.71	5.84	4.35
Bendigo And Adelaide Bank Ltd	BEN	Financials	1.14	1.90	16.85	5.29
Sonic Healthcare Ltd	SHL	Health Care	2.49	8.84	28.57	3.66
Westpac Banking Corp	WBC	Financials	1.62	13.77	18.66	5.04
Computershare Limited	CPU	Information Technology	2.07	11.82	21.37	2.24
Macquarie Group Ltd.	MQG	Financials	-0.40	6.67	64.62	3.95
Ansell Ltd	ANN	Health Care	-1.74	-4.65	17.11	2.11
James Hardie Industries PLC DR	JHX	Materials	-4.26	8.75	51.05	1.53
Ramsay Health Care Ltd	RHC	Health Care	-6.90	2.94	51.35	1.59
Crown Resorts Ltd	CWN	Consumer Discretionary	-3.55	-2.76	37.44	1.69

Source: Morningstar Direct

Portfolio Adjustments

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

Sector Exposure

Sector Exposure

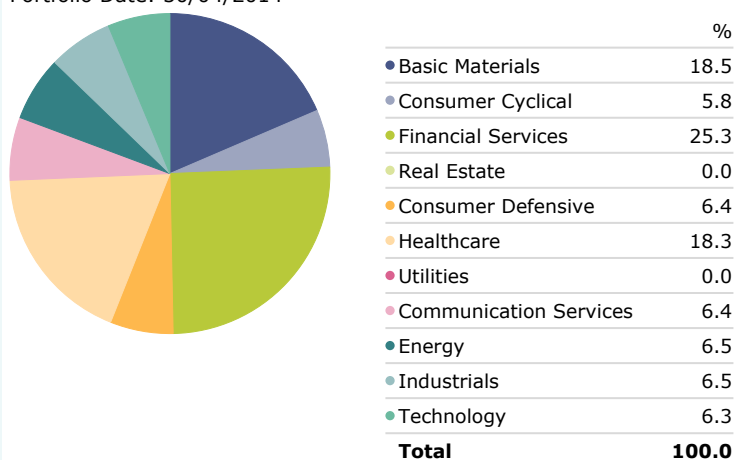
The portfolio's largest sector exposure is to the Financial Services sector closely followed by the Materials and Healthcare sectors.

The *VIP Investment Committee* has positioned the portfolio to generate strong income yields in this current allocation while taking positions in more defensive sectors such as Healthcare and Financial Services within the current environment.

A complete Equity Sector chart is included on the right.

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 30/04/2014



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