

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 0.81% return for the month and 1.82% over the last 3 months.

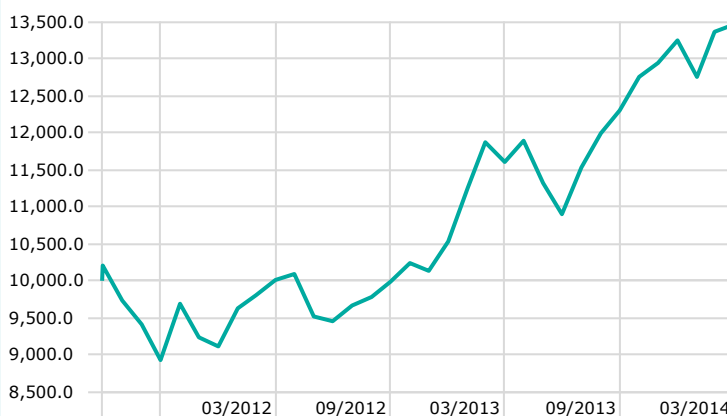
The portfolio outperformed the S&P/ASX 100 index in March by 0.48%, however, underperformed over the last 3 months by 0.26%.

Over the last year the portfolio has generated a 16.92% 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 31/03/2014



—VIP Aust Share Leaders Super-Pension

Trailing Returns

As of Date: 31/03/2014

	1 Month	3 Month	6 Month	1 Year	2 Years	Since Inception
VIP Australian Share Leaders	0.81	1.82	9.86	16.92	16.87	11.47
VIP Aust Share Leaders Investment	0.69	1.48	9.12	15.35	15.31	9.98
VIP Aust Share Leaders Super-Pension	0.74	1.62	9.42	15.99	15.94	10.58
S&P/ASX 100 TR	0.33	2.08	5.82	14.26	17.92	10.23

Performance Contributors & Detractors

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

The best performing sector was the Financial sector with a +3.08% return for the month followed by the Information Technology and Industrials sectors. The worst performing sectors were led by the Materials (mining) sector with a -3.11% return for the month followed by the Utilities, Consumer Staples, and healthcare sectors.

The **Top 3 Contributors** for the month were Lend Lease +7.00%, Westpac bank +3.26%, and Macquarie Group +2.95%.

The **Top 3 Detractors** for the month were Wesfarmers -4/10%, BHP Billiton -3.29%, and Rio Tinto -3.12%.

Month in Review - Economic & Market Commentary

Global World share markets have been weakened in March, mainly due to the events in Ukraine and the concerns over Chinese growth. The Japanese share markets falls ahead of sales tax increases also scared the global markets.

Stronger business activity in the many major economies is hinting at resulting in interest rate increases. However in Australia, slower than usual business activity looks like continuing through much of the year with the reserve Bank stating that they would keep interest rates low for some time. This did not have the expected downward effect on the Australian dollar which rose in value.

The S&P/ASX 200 index followed world share markets, with a weak January, a rally in February and a mixed March, to finish with a marginal gain for the quarter of 0.8%. The resources sector in particular detracted from performance, with worries over the outlook for growth in China and the state of the Chinese banking system. Other sectors performed more strongly with Information technology, Financial, and Industrials up 5.3%, 2.8%, and 2.1% respectively. Australian consumers are not spending which has resulted in consumer staples and consumer discretionary companies down 2.8% and 2.0% respectively.

Australian property securities did not have the same ride as Australian shares as they did not experience the same losses as the rest of the share market in January, rose with the share market in February and although they have been sold off like shares in March, have ended up with a 2.3% increase in value for the year to date, outperforming the share market which fell no 0.4% over the same period.

Global markets improved in February after a poor January but have suffered again in March, mainly due to the political tensions around Ukraine, fears of a slowing Chinese economy, a setback in Japan. The MSCI World index is down 1.6% in the year to date in overseas currency terms.

Among the developed economies, the US market was relatively unaffected (S&P 500 down 0.4%), Europe was weaker (FTSE 300 down 2.4%), while Japan struggled as investors questioned the ultimate effectiveness of the Abe government's program of economic stimulus (Nikkei down 12.1%).

The main problems, however, have been in emerging markets given the Ukrainian crisis, a slowing Brazilian economy, and concerns over China. Overall, the BRIC economies (Brazil, Russia, India and China) are down 10.2% year to date.

Source: Morningstar

Portfolio Holdings & Adjustments

VIP Australian Share Leaders - Holdings

	Ticker	S&P Sector	Total Ret 1 Mo (Qtr-End)	Total Ret 3 Mo (Qtr-End)	Total Ret 1 Yr (Qtr-End)	Dividend Yield % TTM
Lend Lease Corp Ltd	LLC	Financials	7.00	8.35	20.29	3.24
Ramsay Health Care Ltd	RHC	Health Care	0.46	12.04	51.35	1.68
James Hardie Industries PLC DR	JHX	Materials	0.96	13.13	51.05	1.62
Westpac Banking Corp	WBC	Financials	3.26	6.73	18.66	4.95
Australia and New Zealand Banking Group Ltd	ANZ	Financials	2.86	2.58	21.63	4.76
Computershare Limited	CPU	Information Technology	1.94	7.56	21.37	2.27
Woodside Petroleum Ltd	WPL	Energy	2.82	3.26	16.41	5.06
Sonic Healthcare Ltd	SHL	Health Care	-0.58	5.79	28.57	3.62
Macquarie Group Ltd.	MQG	Financials	2.95	5.38	64.62	4.13
Telstra Corp Ltd	TLS	Telecommunication Services	0.59	-0.48	18.96	5.46
Bendigo And Adelaide Bank Ltd	BEN	Financials	2.25	-0.51	16.85	5.39
BHP Billiton Ltd	BHP	Materials	-3.29	-2.30	15.27	3.42
Crown Resorts Ltd	CWN	Consumer Discretionary	-2.72	-0.24	37.44	1.71
Wesfarmers Ltd	WES	Consumer Staples	-4.10	-4.54	5.84	4.43
Rio Tinto Ltd	RIO	Materials	-3.12	-5.03	14.83	3.45
Ansell Ltd	ANN	Health Care	1.43	-10.02	17.11	2.26

Source: Morningstar Direct

Portfolio Adjustments

The *VIP Investment Committee* sold Rio Tinto and invested the proceeds into BHP Billiton in March.

This was due to the weakness in China leading to a greater fall in Iron Ore prices compared to other commodities. As Rio is primarily an Iron Ore miner compared to BHP, which is more diversified, the change is a way to maintain Materials exposure whilst reducing the risk of holding a more concentrated mining company.

Sector Exposure

Sector Exposure

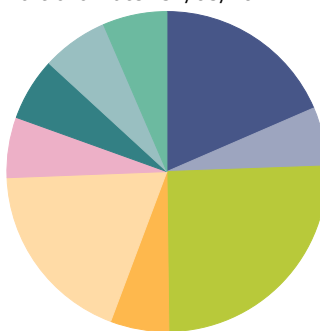
The portfolios largest sector exposure is to the Financial Services sector closely followed by the Healthcare and Materials sectors.

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: 31/03/2014



	%
Basic Materials	18.5
Consumer Cyclical	5.9
Financial Services	25.4
Real Estate	0.0
Consumer Defensive	5.9
Healthcare	18.7
Utilities	0.0
Communication Services	6.1
Energy	6.3
Industrials	6.7
Technology	6.5
Total	100.0

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