

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 Australian share Leaders portfolio generated a 3.56% return for the month and 4.09% over the last 3 months.

The portfolio underperformed the S&P/ASX 100 index in July by 0.81%, however, outperformed by 0.55% over the quarter.

Over the last year the portfolio has generated a 23.62% return pre-fees outperforming the ASX100 index by 6.63%.

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 31/07/2014



Trailing Returns

As of Date: 31/07/2014

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	Since Inception
VIP Australian Share Leaders	3.56	4.09	11.33	23.62	21.91	14.16	12.05
VIP Aust Share Leaders Investment	3.45	3.74	10.59	21.97	20.28	12.63	10.54
VIP Aust Share Leaders Super-Pension	3.49	3.88	10.89	22.64	20.94	13.25	11.15
S&P/ASX 100 TR	4.37	3.54	11.11	16.99	20.89	14.43	10.32

Performance Contributors & Detractors

During July all of the sectors of the Australian share market posted positive returns.

The Materials sector led the market posting a 7.74% return for the month followed by the Information Technology and Telecommunications sectors with 6.31% and 5.24% returns respectively. The Utilities sector followed by the Energy and Health Care sectors were the top detractors for the month with 0.68%, 2.17%, and 2.65% returns for the month respectively.

From a sector allocation perspective over the quarter the higher allocation of the portfolio to the Technology, Consumer Discretionary, Telecommunications, and Industrials sectors along with a lower allocation of the portfolio to Consumer Staples and Utilities sectors *contributed* to performance; whereas, a higher allocation of the portfolio to the Healthcare, Materials, and Energy sectors along with a lower allocation of the portfolio to Financial Services *detracted* from performance.

From a stock perspective the **Top 3 Contributors** for the month were BHP Billiton +7.74%, Crown Resorts +7.61%, and Ramsay Healthcare +6.35%; and the **Top 3 Detractors** for the month Ansell Limited -4.03%, Macquarie Group -1.86%, and James Hardie Industries -1.16%.

Month in Review - Economic & Market Commentary

July was a largely negative month for share markets amidst positive news from major economies.

In the US the S&P 500 fell -1.4% with most of the losses coming on the last day of the month upon fears of the Federal Reserve increasing rates sooner than expected based on positive economic news. The US jobless rate decreased in June and GDP for the second quarter rose by 4.0%. Consumer confidence data showed improvement to the highest levels since October 2007 and wages data showed an increase over the second quarter also.

Market concerns regarding interest rates stem from the Federal Reserve's announcement at the latest policy-setting meeting where they indicated the qualitative easing programme would end in October this year.

In contrast to the US news, the Eurozone situation was all negative dominated by geo-political concerns emanating from the Russian-Ukrainian conflict. From a financial situation Industrial Production data was weak from the 3 largest EU economies being Germany, France, and Italy. And banking crisis concerns in Portugal reared their ugly heads again with audit issues of one of Portugal's largest banks. UK data, on the other hand, was positive on the whole with improving manufacturing and construction activity data, and indications of labour demand and wage rises coming on-line.

In Asia the Japanese market rose in July although Industrial production and Retail Sales data was weak following from an increase in consumption tax in April. The rest of Asia was positive also off the back of good China data showing growth of 7.5% year-on-year and an increase in manufacturing activity for the first time in 6 months indicating that the Governments stimulus programmes are starting to boost activity and growth. Consequently Chinese, Hong Kong, and emerging Asia shares all had a positive July, and the same affect was felt in Australia as the S&P/ASX 100 rose by 4.37%.

As we have done for most of the year we are closely watching US Interest rate announcements, the effects of geo-political crises in Ukraine, Syria, and Iraq, and the release of economic data and Australian company reports to add to our view of share market movements with many companies trading at higher prices and questioning sustainability of current profits in a higher-interest rate world.

Source: This article was written with the help of data from Schroder's.

Portfolio Holdings & Adjustments

Trailing Returns

As of Date: 31/07/2014

	YTD	1 Month	3 Month	6 Month	1 Year
Ansell Ltd	-6.99	-4.03	5.20	0.29	4.87
Australia and New Zealand Banking Group Ltd	8.07	1.89	1.05	15.60	20.33
Bendigo And Adelaide Bank Ltd	11.49	4.51	10.77	12.93	26.33
BHP Billiton Ltd	3.58	7.74	2.46	7.60	15.65
Crown Resorts Ltd	-2.41	7.61	1.43	-1.41	29.26
James Hardie Industries PLC DR	13.95	-1.16	5.20	14.30	60.75
Lend Lease Group	24.32	3.59	4.86	31.53	61.12
Ramsay Health Care Ltd	12.65	6.35	7.99	11.11	33.80
Sonic Healthcare Ltd	11.29	4.85	2.66	11.77	32.07
Telstra Corp Ltd	7.53	5.37	5.17	9.83	16.36
Wesfarmers Ltd	1.94	5.21	3.07	6.89	12.17
Westpac Banking Corp	9.70	2.15	1.14	15.07	18.39
Woodside Petroleum Ltd	12.61	3.53	4.22	17.19	19.36
Macquarie Group Ltd.	6.46	-1.86	1.42	8.19	38.08
Computershare Ltd	16.91	5.37	6.48	19.11	38.01
S&P/ASX 100 TR	7.76	4.37	3.54	11.11	16.99

Source: Morningstar Direct

Portfolio Adjustments

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

Sector Exposure

Risk vs Return

The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to our benchmark index, the S&P/ASX 100 Index.

The chart on the right plots return on the vertical axis against risk (in the form of Standard Deviation) on the horizontal axis. Basically the higher up the vertical axis (high return) and the more left on the horizontal axis (low risk) is the ideal position that we aim for over the long term.

The chart on the right shows that the VIP Australian Share Leaders portfolio (aqua triangle) has achieved a **higher return** and **lower risk** compared to the S&P/ASX 100 Index (black pentagon) since inception on 01/07/2011.

This is the outcome we aim to achieve for our investors.

Sector Exposure

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

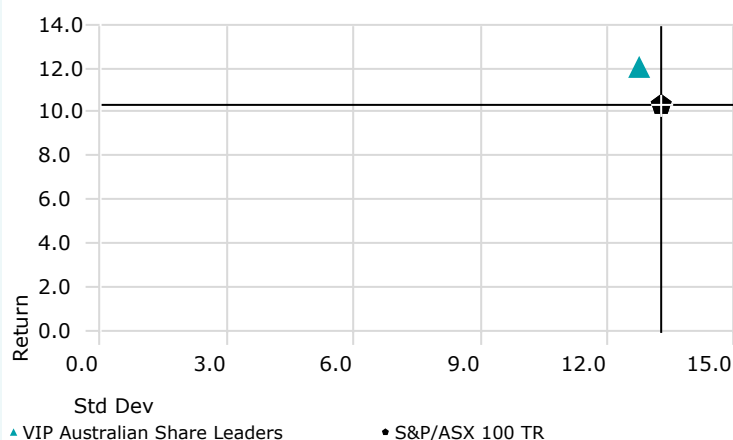
The *VIP Investment Committee* has positioned the portfolio to generate strong income yields in this current allocation while taking positions in defensive sectors and sectors that will benefit from global economic growth, such as materials and Energy, and Merger & Acquisition activity, such as Financial Services and Technology.

A complete Equity Sector chart is included on the right.

Risk-Reward

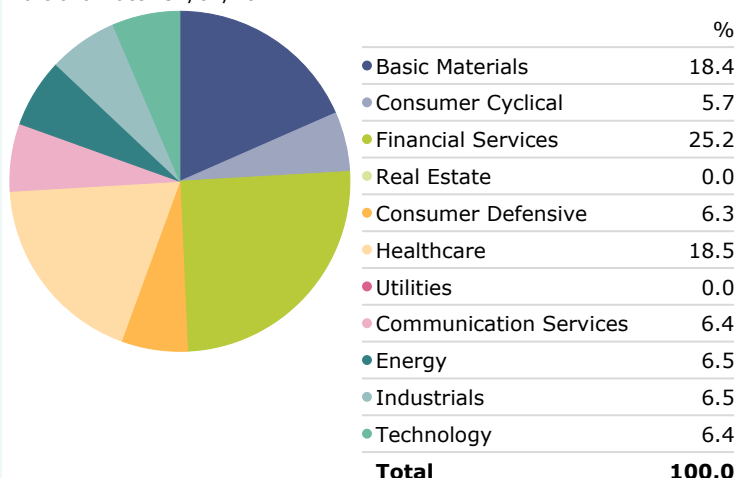
Time Period: Since Inception to 31/07/2014

Calculation Benchmark: S&P/ASX 100 TR



VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 31/07/2014



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