

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 -1.51% return for the month and -1.36% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index in November by 1.69% and by 2.73% over the quarter.

Over the last year the portfolio has generated a 8.28% return pre-fees outperforming the ASX100 index by 3.70%.

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 30/11/2014



Trailing Returns

As of Date: 30/11/2014

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	Since Inception
VIP Australian Share Leaders	-1.51	-1.36	0.42	8.28	18.05	15.51	10.34
VIP Aust Share Leaders Investment	-1.62	-1.69	-0.26	6.82	16.47	13.96	8.86
VIP Aust Share Leaders Super-Pension	-1.58	-1.56	0.02	7.41	17.11	14.59	9.46
S&P/ASX 100 TR	-3.20	-4.09	-0.87	4.58	14.22	14.72	10.03

Performance Contributors & Detractors

During November the sector returns of the Australian share market were mainly in negative territory with the top 200 companies by market capitalization (the S&P/ASX 200 index) falling by -3.25%.

The positive performing sectors were the healthcare sector +1.36% followed by the Telecommunications sector +1.20%. On the other hand, the Energy sector -13.18% followed by Consumer Staples -8.29%, and the Materials (Mining) sectors -5.53% sustained the heaviest losses over the month.

Over the last 3 months the higher allocation of the portfolio to the Healthcare, Consumer Discretionary, Industrials, and Telecommunications sectors along with a lower allocation of the portfolio to the Materials and Consumer Staples sectors **contributed** to performance; whereas, a higher allocation of the portfolio to the Energy sector along with a lower allocation of the portfolio to the Financial Services, Technology, and Utilities sector **detracted** from performance.

The **Top 3 Contributors** for the month were Ansell Ltd +4.83%, Ramsay Healthcare +3.66%, and CSL 2.97%. And the **Top 3 Detractors** for the month were Woodside Petroleum -10.91%, Leighton Holdings -8.33%, and Wesfarmers -7.23%.

As Certain as Death, Taxes....., and Volatility

As we head into the silly season it seems the '**silliness**' has also spread to the markets.

The issues and challenges that we have been apparent to everyone who has a view from economists to taxi drivers are rattling markets and sending commodity prices downwards which in turn is affecting share markets.

For instance, we have known for some time that Europe is a mess and that there are also dangers looming in Chinese with the shadow-banking sector and economic programs that are attempting to shift the growth drivers from exports to internal consumption. However, it is only over the last month that the markets have been pricing in slow and sluggish global economic growth which is driving the iron-ore price downwards.

The price of oil is also on a downward spiral with the 'popular' explanations being that the Middle Eastern producers are trying to drive the price down to slow, or halt, the shale-oil industry in the US which should see the US as a net oil exporter. The other explanation is that this is a ploy by the west to hurt Russia and Vladimir Putin.

How does this affect share prices? With the strong returns that have been experienced from growth assets such as shares and property in a low interest rate and money-printing environment these concerns over global growth force the market to re-value the prices of companies based on lower expectations of profitability. This is why the market rally's when the US Fed announces that interest rates will remain low. Strong global growth leads to greater demand for goods and services which leads to greater company profits which leads to increasing company values and share prices; and this formula can also go the other way which is what we are seeing now.

So maybe the saying as '**certain as death and taxes**' should be altered to as '**certain as death, taxes, and volatility**'!

On behalf of the Value Investment Partners team we would like to thank you for your support and wish you and your family a Merry Christmas and a safe and prosperous New Year!

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
CSL Ltd	CSL	Health Care	2.97	12.66	17.82	1.41
Rio Tinto Ltd	RIO	Materials	-2.17	-5.64	0.12	4.00
Ramsay Health Care Ltd	RHC	Health Care	3.66	5.20	40.68	1.49
Crown Resorts Ltd	CWN	Consumer Discretionary	-0.62	-7.78	-8.87	2.95
Ansell Ltd	ANN	Health Care	4.83	4.77	-4.84	1.84
Bendigo And Adelaide Bank Ltd	BEN	Financials	2.82	2.57	25.35	5.02
Telstra Corp Ltd	TLS	Telecommunication Services	1.07	2.34	12.58	4.95
Westpac Banking Corp	WBC	Financials	-3.77	-4.48	3.94	5.56
Australia and New Zealand Banking Group Ltd	ANZ	Financials	-1.88	-1.68	6.11	5.59
Leighton Holdings Ltd	LEI	Industrials	-8.33	-7.75	4.78	3.81
Brambles Ltd	BXB	Industrials	1.99	3.74	18.02	2.56
Lend Lease Group	LLC	Financials	-2.11	10.63	48.13	4.36
Wesfarmers Ltd	WES	Consumer Staples	-7.23	-5.45	6.04	3.17
James Hardie Industries PLC DR	JHX	Materials	0.67	-5.54	21.00	3.32
Woodside Petroleum Ltd	WPL	Energy	-10.91	-16.28	12.08	6.15

Portfolio Adjustments

The *VIP Investment Committee* elected to replace NAB with CSL. CSL is a global healthcare corporation that specialises in plasma products, and vaccine development such as the influenza vaccine that CSL distributed globally. CSL, like other pharmaceutical companies, focuses on research and development and invests significant resources in the development of protein-based medicines for treating serious human diseases.

The replacement of NAB by CSL reduces Financial Services exposure in an environment where new and tighter capital adequacy of banks may create extra pressures for bank profits, and adds more defensive healthcare exposure and further exposure to the appreciating US dollar.

Portfolio Risk & Sector Exposure

Risk v 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 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 index. 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 an **equal 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 the Healthcare sector closely followed by the Financial Services, Industrials, Healthcare, and Materials sectors.

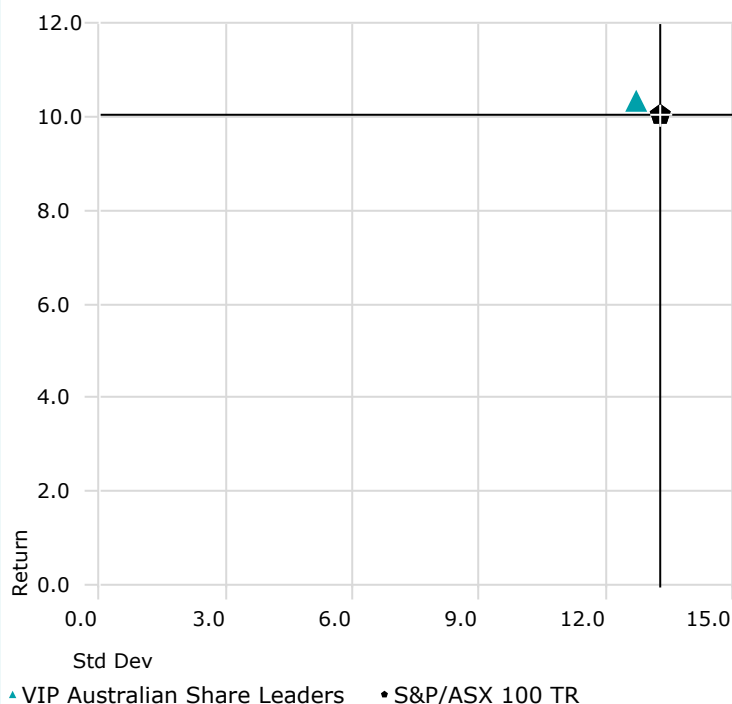
The *VIP Investment Committee* has positioned the portfolio to generate strong income yields in this current allocation while taking positions in more defensive sectors such as Healthcare and Financial Services within the current environment.

A complete Equity Sector chart is included on the right.

Risk-Reward

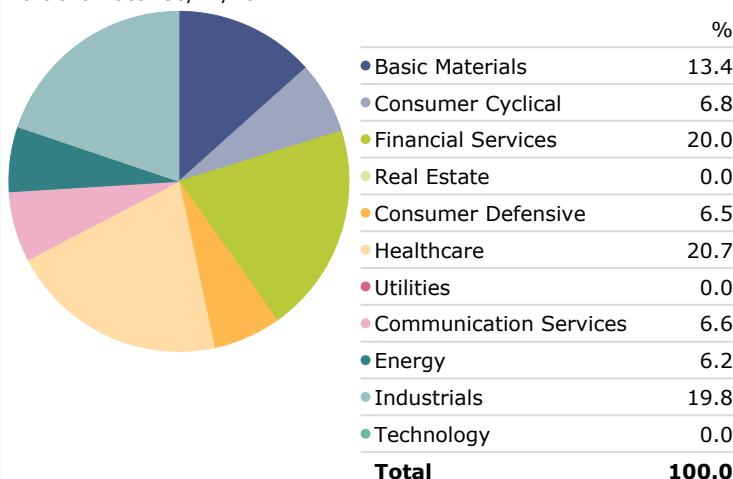
Time Period: Since Inception to 30/11/2014

Calculation Benchmark: S&P/ASX 100 TR



VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 30/11/2014



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