

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

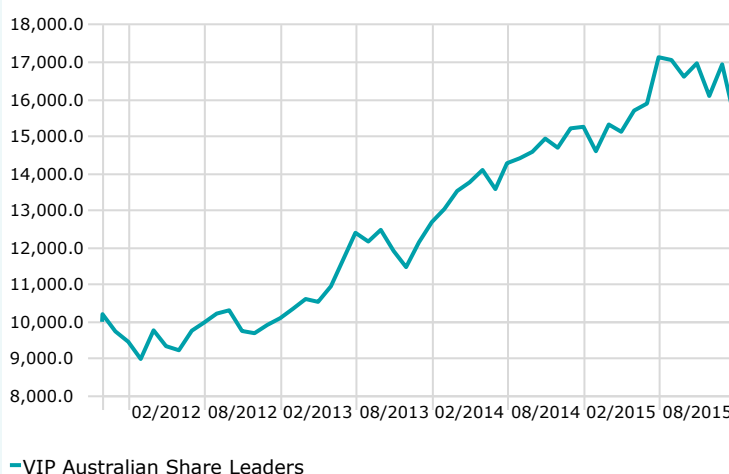
The VIP Australian Share Leaders portfolio generated a -8.89% return for the month and -9.04% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index in August by 0.96% and underperformed by 0.39% over the quarter.

Over the last year the portfolio has generated a 1.16% return pre-fees outperforming the ASX 100 index by 3.83%.

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 31/08/2015



Trailing Returns

As of Date: 31/08/2015

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Australian Share Leaders	-8.89	-9.04	-9.92	1.16	10.29	15.19	13.01	10.44
VIP Australian Share Leaders Investment	-9.00	-9.35	-10.53	-0.19	8.81	13.64	11.50	8.96
VIP Australian Share Leaders Super-Pension	-8.95	-9.23	-10.28	0.36	9.41	14.27	12.11	9.56
S&P/ASX 100 TR	-7.93	-8.65	-10.07	-2.67	5.67	11.89	10.56	9.79

Performance Contributors & Detractors

During August all of the sectors of the Australian share market were in negative territory with the top 200 companies by market capitalization (the S&P/ASX 200 index) was down -7.79%.

The strongest performing sector was the Utilities sector -0.15% followed by the Consumer Staples and Consumer Discretionary sectors with -4.11% and -4.23% gains respectively. On the other hand, the Information Technology sector -15.11% followed by Energy -13.85%, and the Financial Ex A-REIT -10.62% achieved the lowest returns over the month.

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

The **Top 3 Contributors** for the month were Aristocrat Leisure Ltd -1.52%, Harvey Norman Holdings Ltd -2.69%, and Ramsay Health Care -6.61%; and the **Top 3 Detractors** for the month were Origin Energy Ltd -24.96%, Australia and New Zealand Banking Group Ltd -14.53%, and Bendigo and Adelaide Bank Ltd -12.93%.

Can He TURN the Market BULL?

Amidst yet another raid on the Prime Minister's office with Malcom Turnbull emerging victorious, the country is presented with a fresh crop of promises and the image of a brighter tomorrow under the new government. Safe to say, the Australian public have every right to be sceptical of the words that come out of our Prime Minister's mouth given the history of Australian politics. However, it isn't ridiculous to imagine a larger boost in the economy than usual, particularly with Turnbull's incredibly strong resume and a history in international business circles. While there is no doubt that global factors such as concerns over China and US interest rates will continue to be the major elements in the market, the Australian investor can be quietly confident that the Turnbull government has the potential to sway the economy in their favour.

It is widely known that Turnbull is independently successful as a result of a prosperous career in investment banking, including his own investment banking firm Whitlam Turnbull & Co Ltd and most notably as a partner of Goldman Sachs. The Prime Minister also has exhibited a deft ability to master policy detail, and is known to 'favour business friendly policies such as a smaller NBN and an emissions trading scheme,' as noted by chief market strategist Michael McCarthy. Needless to say, Turnbull's credentials provide authenticity to his plans to build a positive economic climate.

The newly inducted Prime Minister plans to do this via a more positive economic reform agenda, which consists of a largely inclusive approach in terms of his cabinet ministers, a concept that is contrary to Abbott's approach. This in effect could already have a positive play on local share prices. However, and perhaps at an even larger level, the belief in a government's ability to manage the economy can thoroughly boost consumer and business confidence, which in itself will boost the economy.

The result of consumer and business confidence is evident in a rise in spending and investment in their own businesses, two factors that can lead to an increase in employment. This prosperity can prove to be infectious, with greater spending leading to higher business revenues, which as a result brings about more investments. As stated by McCarthy, 'This virtuous circle then repeats, and growth in the economy increases with each cycle, driving further improvement.' While whether or not Turnbull is able to implement his cohesive policy approach remains to be seen, the sentiment that he has the ability to do so is a great thing in the eye of the investor.

Compare this to a lack of confidence, as we have seen over the past 2 years, it can have adverse effects in terms of consumer and business spending as well as everything that follows. Whether true or untrue, the *belief* that a leader is incompetent can create an environment in which businesses and individuals alike are reluctant to part with their earnings amidst the fear that the government is unable to pilot the Australian economy out of a spiralling nosedive if it were to happen.

Such a boost in confidence is not unheard of. As noted by ANZ chief economist Warren Hogan, 'A similar surge in business confidence was evident when the Coalition won government in late 2013.' While expectations of Turnbull are high, it must be observed that he does not have the necessary resources to pump prime the Australian economy immediately, given that federal budget is largely in deficit. His task will be to carry out the promised economic management policy and sow the seeds of long term growth. As investors, while we can revel in the perks of consumer and business confidence, whether Turnbull's seeds will grow to bear fruit only time will tell.

Source: Michael McCarthy (CMC Markets), David Bassanese (Betasharesblog), Mark Mulligan (Sydney Morning Herald)

Portfolio Holdings & Adjustments

VIP Australian Share Leaders - Holdings

	Ticker	Sector	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 1 Yr (Qtr-End)	Dividend Yield % TTM
Westpac Banking Corp	WBC	Financials	-10.79	-7.33	2.69	8.82
Australia and New Zealand Banking Group Ltd	ANZ	Financials	-14.53	-15.85	4.34	9.58
James Hardie Industries PLC CDR	JHX	Materials	-7.48	3.06	30.42	2.54
CSL Ltd	CSL	Health Care	-7.16	-1.74	32.02	1.84
Telstra Corp Ltd	TLS	Telecommunication Services	-7.68	-3.67	26.08	7.75
Ramsay Health Care Ltd	RHC	Health Care	-6.61	-1.67	37.59	2.10
DuluxGroup Ltd	DLX	Materials	-7.40	-4.09	6.49	5.74
Brambles Ltd	BXB	Industrials	-9.56	-13.99	18.72	3.26
Aristocrat Leisure Ltd	ALL	Consumer Discretionary	-1.52	8.21	48.48	1.95
RBA Bank accepted Bills 90 Days			0.18	0.54	2.51	
Bendigo and Adelaide Bank Ltd	BEN	Financials	-12.93	-6.90	8.22	9.54
Harvey Norman Holdings Ltd	HVN	Consumer Discretionary	-2.69	-7.66	62.00	6.33
Lend Lease Group	LLC	Financials	-8.70	-14.56	20.44	4.44
Origin Energy Ltd	ORG	Energy	-24.96	-36.06	-14.71	7.50

Portfolio Adjustments

The VIP Investment Committee decided to sell Ansell Ltd (ANN). Ansell has performed well over the last year with growth being derived from acquisitions and new product developments. However, currency fluctuation coupled with ongoing uncertainty in Russia and Brazil have led Ansell to issue FY 2016 guidance lower than the expected range, and based on this we have decided to sell.

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 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 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 and Materials sectors.

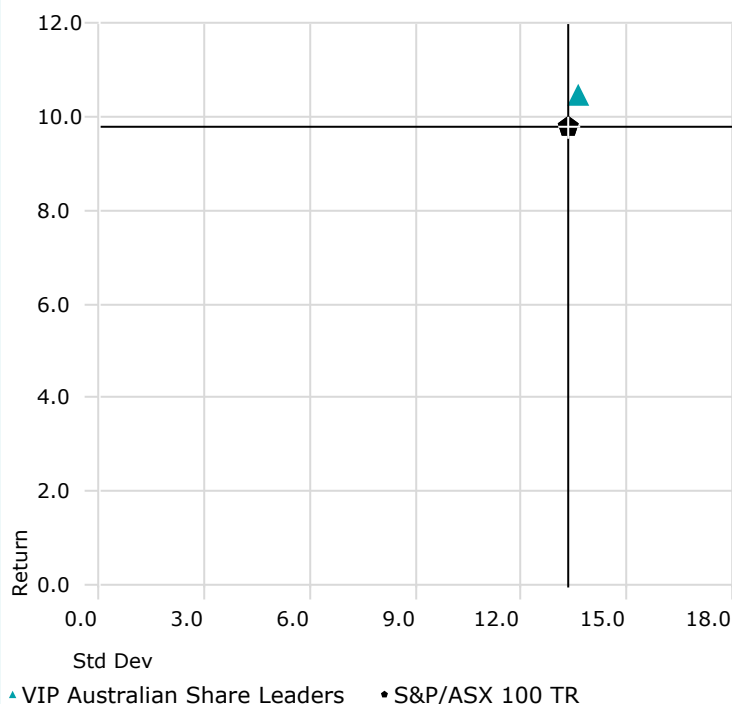
The *VIP Investment Committee* has positioned the portfolio to generate strong income yields in this current allocation while taking positions in more defensive sectors such as Healthcare and Financial Services within the current environment.

A complete Equity Sector chart is included on the right.

Risk-Reward

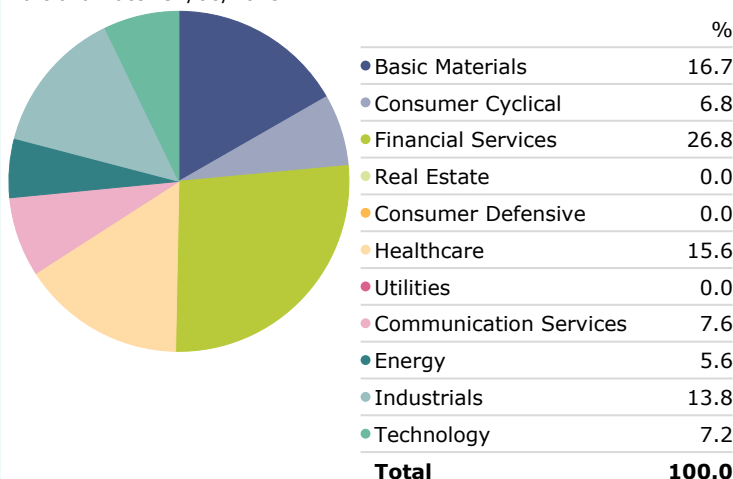
Time Period: Since Inception to 31/08/2015

Calculation Benchmark: S&P/ASX 100 TR



VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 31/08/2015



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