

### 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 1.03% return for the month and 0.81% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index in November by 1.78% and underperformed by 2.05% over the quarter.

Over the last year the portfolio has generated a 2.88% return pre-fees outperforming the ASX 100 index by 1.18%.

The post-fees returns for the *Investment* and *Superannuation & Pension* portfolios are shown in the table below.

### Investment Growth

Time Period: 1/07/2011 to 30/11/2015



### Trailing Returns

As of Date: 30/11/2015

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Australian Share Leaders	1.03	0.81	-8.31	2.88	6.33	13.87	13.60	10.02
VIP Australian Share Leaders Investment	0.92	0.47	-8.93	1.50	4.91	12.35	12.08	8.54
VIP Australian Share Leaders Super-Pension	0.96	0.61	-8.68	2.06	5.49	12.97	12.69	9.14
S&P/ASX 100 TR	-0.75	0.22	-8.45	1.70	3.13	9.88	11.32	9.70

### Performance Contributors & Detractors

The strongest performing sector was the Information Technology sector 6.99% followed by the Health Care and Financial Ex AREIT sectors with 5.32% and 2.49% gains respectively. On the other hand, the Materials sector -12.40% followed by Utilities 1.69%, and Energy -1.15% achieved the lowest returns over the month.

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

The **Top 3 Contributors** for the month were Dulux Group 8.30%, Ramsay Health Care 8.13%, and Westpac Banking Corp 6.73%; and the **Top 3 Detractors** for the month were BHP Biliton -21.42%, James Hardie Industries -10.60%, and Spark Infrastructure Group -7.62%

### China Cracks the IMF

After much consideration by the International Monetary Fund (IMF) and even more lobbying by the Chinese Government, the Chinese renminbi has been recognised as one of the world's significant currencies with its inclusion to the Special Drawing Rights basket, a move that accentuates the country's continual rise as an economic and financial heavyweight. To be anointed by the IMF as a World Reserve means to be acknowledged as a currency that is 'safe, reliable and freely usable' and thus opens the door for a wider use of the renminbi or 'yuan' in trade and finance. Effective as of the end of September 2016, the yuan will officially join the US dollar, the pound, the euro, and the yen as one of the mainstays of the global economy. The significance of the inclusion from a global standpoint is that the Special Drawing Rights (SDR), the IMF's accounting unit, is used as a benchmark for the majority of central banks in measuring their reserves, which are held to protect their respective countries in times of volatility.

Over the past few years, the People's Bank of China (PBOC) has been working towards designing a currency that meets the mould favoured by the IMF in order to be given the IMF designation. As it is widely known, unlike most other currencies the yuan at the start of each day was valued not by market factors, but by the PBOC, which left suspicions over the real value of the currency. In an effort to make it more 'user-friendly,' the currency was devalued and is now instead valued at the previous day's close, providing consistency to the exchange rate and allowing market forces to play a larger role. The IMF's approval of the yuan is also symbolic of the diminishing significance of the Euro, with yuan basically taking over the euro's role in the Special Drawing Rights.

Of course, the acceptance of the renminbi as a global currency will bring about macroeconomic effects throughout the globe. In terms of China, the "Inclusion in the SDR will only deepen the expectations that China will let market forces decide the yuan's exchange rate (The Economist)." At the mercy of the market, this could well lead to a devaluation with the US federal reserve looking to raise interest rates at the same time China loosens its monetary policy, forcing downward pressure on the yuan. Conversely, Large scale purchases of renminbi by overseas central banks would also make it more difficult for China to prevent the currency from appreciating, which in turn would make exports less competitive. Both sides of the coin can be argued but whatever the result, the PBOC will have an increasingly diminishing ability to control it. The inclusion also increases trade settlement in yuan, as well as the Global Central Bank's exposure to the currency.

An interesting point to note is that IMF's decision on the yuan poses geopolitical consequences. As the global economy becomes more and more intertwined with the yuan, the West to an extent loses its ability to impose financial sanctions on countries accused of human rights abuses among other violations, such as Sudan and North Korea. Given the increasing usability of the renminbi, it enables these countries greater freedom in deciding where they do their banking, and how to potentially circumvent sanctions. Noting that both Sudan and North Korea are close financial and business partners with China, this presents certain concerns particularly for countries such as the USA and Europe.

While the inclusion will no doubt have macroeconomic effects around the globe, these will not be felt immediately. What will be immediate, however, will be the recognition of the symbolic significance in having the IMF designation. In achieving this, China secures its position as a global economic power, and while we wait to see the true effects of the decision, it is common knowledge that a reputation can be just as effective.

Source: The Economist, Tim Worstall, Keith Bradsher

## 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
DuluxGroup Ltd	DLX	Materials	8.30	13.50	1.75	4.60
CSL Ltd	CSL	Health Care	6.74	9.95	22.48	1.59
Ramsay Health Care Ltd	RHC	Health Care	8.13	8.73	19.26	1.97
Westpac Banking Corp	WBC	Financials	6.73	8.43	0.63	8.26
Bank of Queensland Ltd	BOQ	Financials	4.51	12.10	8.33	7.83
Brambles Ltd	BXB	Industrials	4.91	12.28	5.63	2.87
Bendigo and Adelaide Bank Ltd	BEN	Financials	4.30	1.73	-8.95	8.39
Boral Ltd	BLD	Materials	5.19	2.94	11.21	4.60
Aristocrat Leisure Ltd	ALL	Consumer Discretionary	2.79	13.51	50.17	1.71
Lendlease Group	LLC	Financials	-1.92	-8.54	-8.55	4.18
Spark Infrastructure Group	SKI	Utilities	-7.62	-0.43	8.02	6.21
Australia and New Zealand Banking Group Ltd	ANZ	Financials	4.77	2.07	-4.06	9.65
Telstra Corp Ltd	TLS	Telecommunication Services	-0.74	-7.11	14.07	8.01
James Hardie Industries PLC DR	JHX	Materials	-10.60	-6.89	48.45	2.74
BHP Billiton Ltd	BHP	Materials	-21.42	-23.18	-22.18	14.06
RBA Bank accepted Bills 90 Days			0.18	0.54	2.38	

### Portfolio Adjustments

There were no portfolio adjustments made in November.

## 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 and Materials sectors.

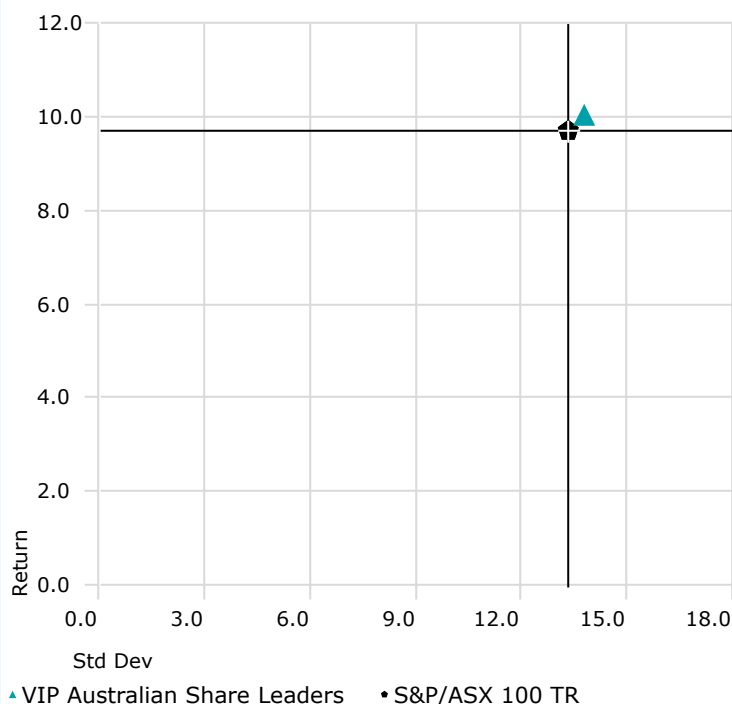
The *VIP Investment Committee* has positioned the portfolio to generate strong income yields in this current allocation while taking positions in more defensive sectors such as Healthcare and Financial Services within the current environment.

A complete Equity Sector chart is included on the right.

### Risk-Reward

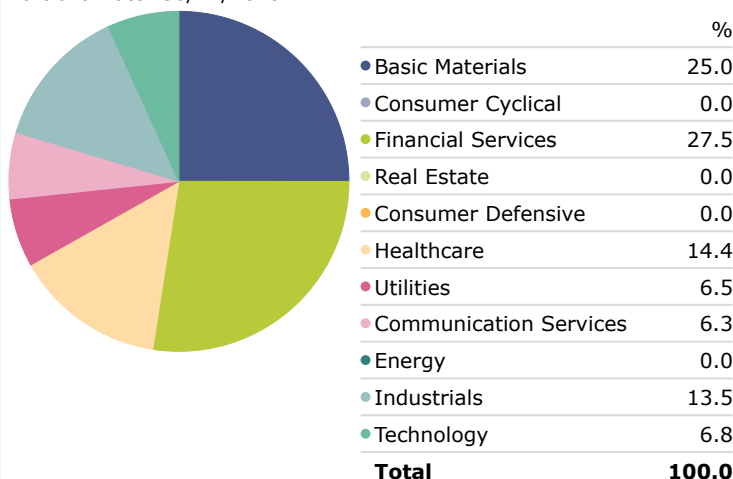
Time Period: Since Inception to 30/11/2015

Calculation Benchmark: S&P/ASX 100 TR



### VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 30/11/2015



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